

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

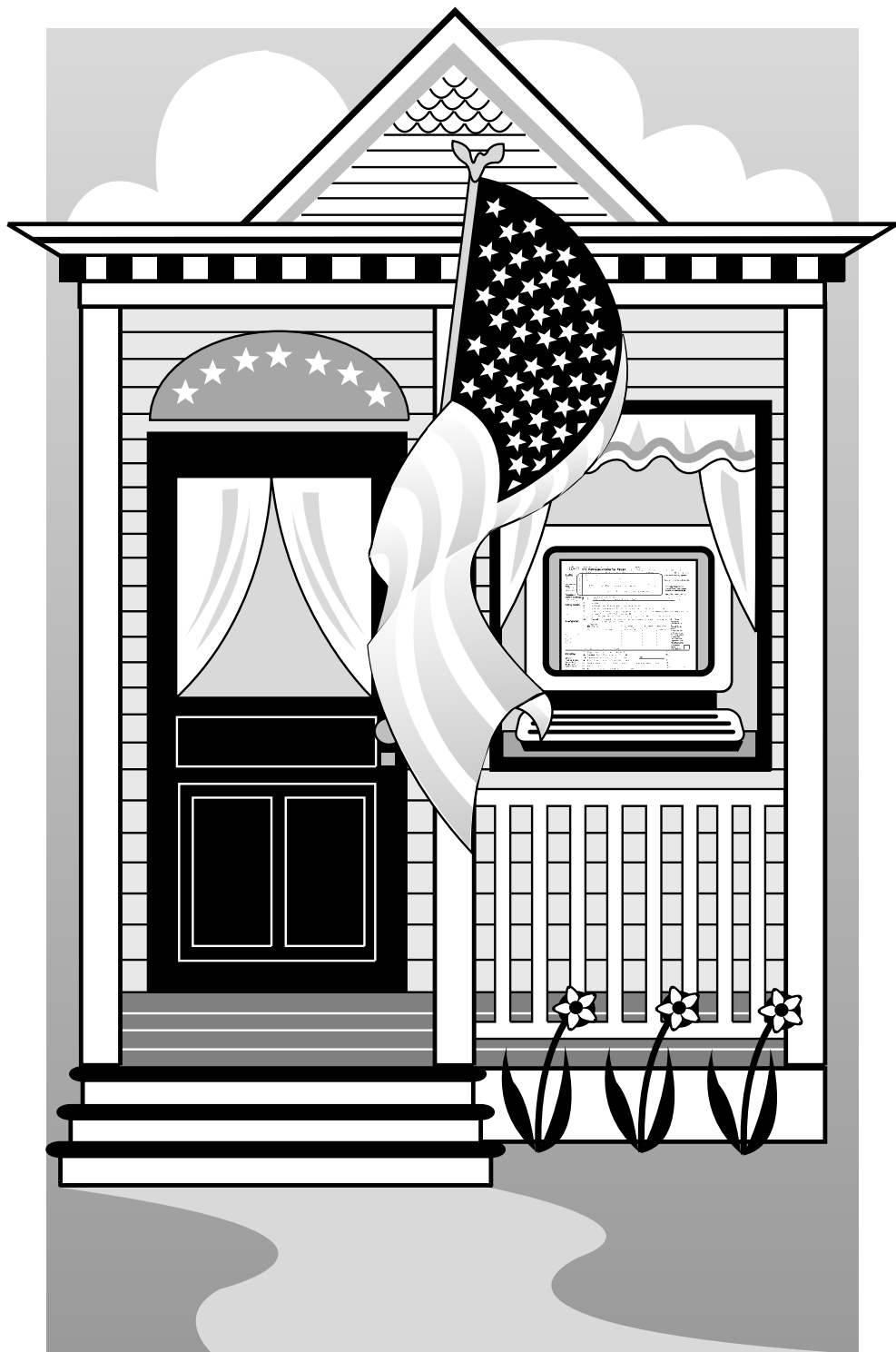
DEPARTMENT OF THE TREASURY—INTERNAL REVENUE SERVICE



[www.irs.ustreas.gov](http://www.irs.ustreas.gov)

# 1997 1040

## Instructions



### Explore IRS e-file!

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

More details on page 5.

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

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

### Receiving a Refund?

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

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

#### COMPUTER

World Wide Web  
[www.irs.ustreas.gov](http://www.irs.ustreas.gov)

IRIS at FedWorld  
703-321-8020

#### FAX

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

**See Page 4!**

# Tax Return Page Reference

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

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

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

<b>10</b>	For the year Jan. 1–Dec. 31, 1997, or other tax year beginning _____, 1997, ending _____, 19	Your social security number _____ <b>10</b>								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; height: 20px;">Your first name and initial</td> <td style="width: 50%;">Last name</td> </tr> <tr> <td style="height: 20px;">If a joint return, spouse's first name and initial</td> <td>Last name</td> </tr> <tr> <td style="height: 20px;">Home address (number and street). If you have a P.O. box, see page 10.</td> <td style="text-align: right;">Apt. no.</td> </tr> <tr> <td colspan="2" style="height: 20px;">City, town or post office, state, and ZIP code. If you have a foreign address, see page 10.</td> </tr> </table>	Your first name and initial	Last name	If a joint return, spouse's first name and initial	Last name	Home address (number and street). If you have a P.O. box, see page 10.	Apt. no.	City, town or post office, state, and ZIP code. If you have a foreign address, see page 10.		Spouse's social security number _____ <b>10</b>
Your first name and initial	Last name									
If a joint return, spouse's first name and initial	Last name									
Home address (number and street). If you have a P.O. box, see page 10.	Apt. no.									
City, town or post office, state, and ZIP code. If you have a foreign address, see page 10.										
	<p><b>10</b> Do you want \$3 to go to this fund? . . . . .</p> <p>If a joint return, does your spouse want \$3 to go to this fund? . . . . .</p>	<p><b>Yes</b> <input type="checkbox"/> <b>No</b> <input type="checkbox"/></p> <p><b>Note:</b> Checking "Yes" will not change your tax or reduce your refund.</p>								

**Filing Status** (See page 10.) Check only one box.

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

**Exemptions** (See page 10.)

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

**b**  **Spouse** . . . . .

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

**d** Total number of exemptions claimed . . . . .

**Income** (See page 10.) Attach Copy B of your Forms W-2, W-2G, and 1099-R here. If you did not get a W-2, see page 12. Enclose but do not attach any payment. Also, please use Form 1040-V.

<b>28</b>	7 Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	7	<b>11</b>	
	8a Taxable interest. Attach Schedule B if required . . . . .	8a	<b>12</b>	
	b Tax-exempt interest. DO NOT include on line 8a . . . . . <b>B-1</b>	8b	<b>12</b>	
	9 Dividends. Attach Schedule B if required . . . . .	9	<b>12</b>	
	10 Taxable refunds, credits, or offsets of state and local income taxes (see page 12) . . . . .	10	<b>12</b>	
	11 Alimony received . . . . .	11	<b>13</b>	
	12 Business income or (loss). Attach Schedule C or C-EZ . . . . .	12	<b>13</b>	
	13 Capital gain or (loss). Attach Schedule D . . . . .	13	<b>6</b>	
	14 Other gains or (losses). Attach Form 4797 . . . . .	14	<b>13</b>	
	15a Total IRA distributions <b>15a</b> <b>13</b>	15a	<b>13</b>	
	b Taxable amount (see page 13)	15b	<b>13</b>	
	16a Total pensions and annuities <b>16a</b> <b>13</b>	16a	<b>13</b>	
	b Taxable amount (see page 13)	16b	<b>13</b>	
	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	<b>14</b>	
	20a Social security benefits <b>20a</b> <b>14</b>	20a	<b>14</b>	
	b Taxable amount (see page 14)	20b	<b>14</b>	
	21 Other income. List type and amount—see page 15 . . . . .	21	<b>15</b>	
	22 Add the amounts in the far right column for lines 7 through 21. This is your <b>total income</b> ▶	22		

**Adjusted Gross Income** (See page 10.) If line 32 is under \$29,290 (under \$9,770 if a child did not live with you), see EIC inst. on page 21.

<b>21</b>	23 IRA deduction (see page 16) . . . . .	23	<b>16</b>	
	24 Medical savings account deduction. Attach Form 8853 . . . . .	24	<b>17</b>	
	25 Moving expenses. Attach Form 3903 or 3903-F . . . . .	25	<b>17</b>	
	26 One-half of self-employment tax. Attach Schedule SE . . . . .	26	<b>17</b>	
	27 Self-employed health insurance deduction (see page 17) . . . . .	27	<b>17</b>	
	28 Keogh and self-employed SEP and SIMPLE plans . . . . .	28	<b>17</b>	
	29 Penalty on early withdrawal of savings . . . . .	29	<b>17</b>	
	30a Alimony paid b Recipient's SSN ▶ _____	30a	<b>17</b>	
	31 Add lines 23 through 30a . . . . .	31		<b>17</b>
	32 Subtract line 31 from line 22. This is your <b>adjusted gross income</b> ▶	32	<b>17</b>	

# Tax Return Page Reference

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

<b>Tax Computation</b>	<p><b>33</b> Amount from line 32 (adjusted gross income) <span style="float: right;"><b>33</b></span></p> <p><b>34a</b> Check if: <input type="checkbox"/> You were 65 or older, <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or older, <input type="checkbox"/> Blind. Add the number of boxes checked above and enter the total here <span style="float: right;"><b>34a</b></span></p> <p><b>b</b> If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 18 and check here <span style="float: right;"><b>34b</b></span></p> <p><b>35</b> Enter the larger of:  <b>Itemized deductions</b> from Schedule A, line 28, OR  <b>Standard deduction</b> shown below for your filing status. But see page 18 if you checked any box on line 34a or 34b or someone can claim you as a dependent.          • Single—\$4,150    • Married filing jointly or Qualifying widow(er)—\$6,900          • Head of household—\$6,050    • Married filing separately—\$3,450</p> <p><b>36</b> Subtract line 35 from line 33.</p> <p><b>37</b> If line 33 is \$90,900 or less, multiply \$2,650 by the total number of exemptions claimed on line 6d. If line 33 is over \$90,900, see the worksheet on page 19 for the amount to enter.</p> <p><b>38</b> <b>Taxable income.</b> Subtract line 37 from line 36. If line 37 is more than line 36, enter -0-</p> <p><b>39</b> <b>Tax.</b> See page 19. Check if any tax from <b>a</b> <input type="checkbox"/> Form(s) 8814 <b>b</b> <input type="checkbox"/> Form 4972</p>										
<b>Credits</b>	<p><b>40</b> Credit for child and dependent care expenses. Attach Form 2441 <span style="float: right;"><b>40</b></span></p> <p><b>41</b> Credit for the elderly or the disabled. Attach Schedule R. <span style="float: right;"><b>41</b></span></p> <p><b>42</b> Adoption credit. Attach Form 8839 <span style="float: right;"><b>42</b></span></p> <p><b>43</b> Foreign tax credit. Attach Form 1116 <span style="float: right;"><b>43</b></span></p> <p><b>44</b> Other. Check if from <b>a</b> <input type="checkbox"/> Form 3800 <b>b</b> <input type="checkbox"/> Form 8396  <b>c</b> <input type="checkbox"/> Form 8801 <b>d</b> <input type="checkbox"/> Form (specify) _____ <span style="float: right;"><b>44</b></span></p> <p><b>45</b> Add lines 40 through 44.</p> <p><b>46</b> Subtract line 45 from line 39. If line 45 is more than line 39, enter -0-</p>										
<b>Other Taxes</b>	<p><b>47</b> Self-employment tax. Attach Schedule SE. <span style="float: right;"><b>47</b></span></p> <p><b>48</b> Alternative minimum tax. Attach Form 6251 <span style="float: right;"><b>48</b></span></p> <p><b>49</b> Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 <span style="float: right;"><b>49</b></span></p> <p><b>50</b> Tax on qualified retirement plans (including IRAs) and MSAs. Attach Form 5329 if required <span style="float: right;"><b>50</b></span></p> <p><b>51</b> Advance earned income credit payments from Form(s) W-2 <span style="float: right;"><b>51</b></span></p> <p><b>52</b> Household employment taxes. Attach Schedule H <span style="float: right;"><b>52</b></span></p> <p><b>53</b> Add lines 46 through 52. This is your <b>total tax</b> <span style="float: right;"><b>53</b></span></p>										
<b>Payments</b>	<p><b>54</b> Federal income tax withheld from Forms W-2 and 1099 <span style="float: right;"><b>54</b></span></p> <p><b>55</b> 1997 estimated tax payments and amount applied from 1996 return <span style="float: right;"><b>55</b></span></p> <p><b>56a</b> <b>Earned income credit.</b> Attach Schedule EIC if you have a qualifying child <b>b</b> Nontaxable earned income: amount <span style="float: right;"><b>56a</b></span>          and type _____</p> <p><b>57</b> Amount paid with Form 4868 (request for extension) <span style="float: right;"><b>57</b></span></p> <p><b>58</b> Excess social security and RRTA tax withheld (see page 27) <span style="float: right;"><b>58</b></span></p> <p><b>59</b> Other payments. Check if from <b>a</b> <input type="checkbox"/> Form 2439 <b>b</b> <input type="checkbox"/> Form 4136 <span style="float: right;"><b>59</b></span></p> <p><b>60</b> Add lines 54, 55, 56a, 57, 58, and 59. These are your <b>total payments</b> <span style="float: right;"><b>60</b></span></p>										
<b>Refund</b>	<p><b>61</b> If line 60 is more than line 53, subtract line 53 from line 60. This is the amount you <b>OVERPAID</b> <span style="float: right;"><b>61</b></span></p> <p><b>62a</b> Amount of line 61 you want <b>REFUNDED TO YOU</b> <span style="float: right;"><b>62a</b></span></p> <p><b>b</b> Routing number _____ <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings</p> <p><b>d</b> Account number _____</p> <p><b>63</b> Amount of line 61 you want <b>APPLIED TO YOUR 1998 ESTIMATED TAX</b> <span style="float: right;"><b>63</b></span></p>										
<b>Amount You Owe</b>	<p><b>64</b> If line 53 is more than line 60, subtract line 60 from line 53. This is the <b>AMOUNT YOU OWE.</b> For details on how to pay, see page 27 <span style="float: right;"><b>64</b></span></p> <p><b>65</b> Estimated tax penalty. Also include on line 64 <span style="float: right;"><b>65</b></span></p>										
<b>Sign Here</b>	<p>Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; border-bottom: 1px solid black;">Your signature <span style="float: right;"><b>28</b></span></td> <td style="width: 15%; border-bottom: 1px solid black;">Date</td> <td style="width: 45%; border-bottom: 1px solid black;">Your occupation</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Spouse's signature. If a joint return, BOTH must sign.</td> <td style="border-bottom: 1px solid black;">Date</td> <td style="border-bottom: 1px solid black;">Spouse's occupation</td> </tr> </table>			Your signature <span style="float: right;"><b>28</b></span>	Date	Your occupation	Spouse's signature. If a joint return, BOTH must sign.	Date	Spouse's occupation		
Your signature <span style="float: right;"><b>28</b></span>	Date	Your occupation									
Spouse's signature. If a joint return, BOTH must sign.	Date	Spouse's occupation									
<b>Paid Preparer's Use Only</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; border-bottom: 1px solid black;">Preparer's signature <span style="float: right;"><b>28</b></span></td> <td style="width: 15%; border-bottom: 1px solid black;">Date</td> <td style="width: 20%; border-bottom: 1px solid black;">Check if self-employed <input type="checkbox"/></td> <td style="width: 45%; border-bottom: 1px solid black;">Preparer's social security no. : : : :</td> </tr> <tr> <td style="border-bottom: 1px solid black;">Firm's name (or yours if self-employed) and address</td> <td style="border-bottom: 1px solid black;">EIN</td> <td style="border-bottom: 1px solid black;">ZIP code</td> <td></td> </tr> </table>			Preparer's signature <span style="float: right;"><b>28</b></span>	Date	Check if self-employed <input type="checkbox"/>	Preparer's social security no. : : : :	Firm's name (or yours if self-employed) and address	EIN	ZIP code	
Preparer's signature <span style="float: right;"><b>28</b></span>	Date	Check if self-employed <input type="checkbox"/>	Preparer's social security no. : : : :								
Firm's name (or yours if self-employed) and address	EIN	ZIP code									

# Quick and Easy Access to Tax Help and Forms



## PERSONAL COMPUTER

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

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

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

## You can also reach us using

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



## FAX

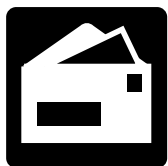
*Just call **703-368-9694** from the telephone connected to the fax machine to get the following:*

## Forms and Instructions

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

## TeleTax Topics

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



## MAIL

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



## PHONE

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

## Forms and Publications

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

## TeleTax Topics

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

## Refund Information

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



## WALK-IN

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



## CD-ROM

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

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

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

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



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

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

- OR -

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



## Filing Season

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

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

Mike Dolan, Deputy Commissioner, IRS



## *e-file* Using A Tax Professional

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

## *e-file* From Your Personal Computer

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

## *e-file* By Phone

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

Get all the details on page 30.

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

James Donelson, Chief Taxpayer Service, IRS

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## IRS Customer Service Standards



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

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

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

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

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# Before You Fill In Form 1040

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

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



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

## What's New for 1997?

### Capital Gains Tax Rates

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

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

### Sale of Your Home

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

### Social Security Numbers (SSNs)

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

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

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

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

### Adoption Expenses

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

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

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

### Spousal IRAs

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

### Penalty-Free IRA Distributions

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

### Self-Employed Health Insurance

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

### Medical Savings Accounts (MSAs)

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

### Long-Term Care Insurance

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

### Accelerated Death Benefits

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

### Business Standard Mileage Rate

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

### Earned Income Credit (EIC)

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

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

## What To Look for in 1998

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

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

### Credits for Higher Education Expenses.

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

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

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

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

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

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

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

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

# Filing Requirements

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

## Do You Have To File?

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



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

### Exception for Children Under Age 14

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

### Nonresident Aliens and Dual-Status Aliens

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

## When Should You File?

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

### What if You Cannot File on Time?

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

**Chart A—For Most People**

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

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

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

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

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

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

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

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

## Where Do You File?

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

## Private Delivery Services

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

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

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

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

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

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

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

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

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

**No.** You must file a return if—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

# Line Instructions For Form 1040

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

### Use the Peel-Off Label

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

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

### Address Change

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

### Name Change

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

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

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

## Social Security Number (SSN)

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

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

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

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

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

### P.O. Box

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

### Foreign Address

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

### Death of a Taxpayer

See page 29.

## Presidential Election Campaign Fund

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

## Filing Status

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

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

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

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



*More than one filing status may apply to you. Choose the one that will give you the lowest tax. If you are not sure about your filing status, use TeleTax topic 353 (see page 34) or see **Pub. 501**.*

## Exemptions

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

### Line 6b

#### Spouse

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

### Line 6c

#### Dependents

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

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

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

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

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



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

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

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



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

### Line 6c, Column (2)

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



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

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

### Line 6c, Column (4)

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

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

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

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

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

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

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

### Other Dependent Children

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

## Income

### Foreign-Source Income

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

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

### Community Property States

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

### Rounding Off to Whole Dollars

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

## Line 7

### Wages, Salaries, Tips, etc.

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

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

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

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

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

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

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

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

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

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

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

\*This includes a SEP or SIMPLE IRA.

### Were You a Statutory Employee?

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

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

### Missing or Incorrect Form W-2?

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

## Line 8a

### Taxable Interest

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

Interest credited in 1997 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial institution may not have to be included in your 1997 income. For details, see **Pub. 550**.

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

## Line 8b

### Tax-Exempt Interest

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

## Line 9

### Dividends

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

### Capital Gain Distributions

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

### Nontaxable Distributions

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

must report these distributions as capital gains. For details, see **Pub. 550**.

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

## Line 10

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

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

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

### Exceptions

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

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

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

- Your 1996 taxable income was less than zero.

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

- You owed alternative minimum tax in 1996.

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

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

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

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

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

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

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

(keep for your records)



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



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

## Line 11

### Alimony Received

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

## Line 12

### Business Income or (Loss)

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

## Line 14

### Other Gains or (Losses)

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

## Lines 15a and 15b

### IRA Distributions

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

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

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

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

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

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

## Lines 16a and 16b

### Pensions and Annuities

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

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



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

### Fully Taxable Pensions and Annuities

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

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

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

### Partially Taxable Pensions and Annuities

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

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

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

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

### Annuity Starting Date

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

### Simplified Method

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

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

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

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

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

### Age at Annuity Starting Date

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

### Changing Methods

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

### Cost

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

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

**Death Benefit Exclusion.** If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, amounts paid to you by, or on behalf of, an employer because of the death of the employee may qualify for a death benefit exclusion of up to \$5,000. If you are entitled to this exclusion, add it to the amount you enter on line 2 of the worksheet on this page. Do this even if the Form 1099-R shows a taxable amount. The payer of the annuity cannot add the death benefit exclusion to your cost when figuring the taxable amount. Special rules apply if you are the survivor under a joint and survivor's annuity. For details, see Pub. 575.

**Rollovers**

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

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

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

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

**Lump-Sum Distributions**

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

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



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

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



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

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

**TABLE FOR LINE 3 ABOVE**

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

**Line 19**

**Unemployment Compensation**

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

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

**Lines 20a and 20b**

**Social Security Benefits**

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

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

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



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

- You repaid any benefits in 1997 and your total repayments (box 4) were more than your total benefits for 1997 (box 3). **None** of your benefits are taxable for 1997. In addition, you may be able to take an itemized deduction for part of the excess repayments if they were for benefits you included in gross income in an earlier year. For more details, see **Pub. 915**.

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

## Line 21

### Other Income

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



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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

#### Is line 9 more than zero?

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

**Yes.** Go to line 10.

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

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

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

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

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

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

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

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

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

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

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



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

# Adjusted Gross Income

## Line 23

### IRA Deduction

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

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

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

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

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

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

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

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

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

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

- Do not include trustee's fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on Schedule A.

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



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

### Were You Covered by a Retirement Plan?

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

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

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

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

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



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

- Were you, or your spouse if filing jointly, covered by a retirement plan (see this page)?  
**Yes.** Go to line 2.  
**No.** Skip lines 2–6, enter \$2,000 on line 7, and go to line 8.
- Enter \$35,000 (\$50,000 if married filing jointly or qualifying widow(er); \$10,000 if married filing separately and you lived with your spouse at any time in 1997) . . . . . 2. \_\_\_\_\_
- Enter the amount from Form 1040, line 22 . . . . . 3. \_\_\_\_\_
- Add amounts on Form 1040, lines 24 through 30a, and any amount you entered on the dotted line next to line 31 . . . . . 4. \_\_\_\_\_
- Subtract line 4 from line 3. If the result is equal to or more than the amount on line 2, none of your IRA contributions are deductible. **Stop** here. For details on nondeductible IRA contributions, see Form 8606 . . . . . 5. \_\_\_\_\_
- Subtract line 5 from line 2. **If the result is \$10,000 or more, enter \$2,000 on line 7 and go to line 8** . . . . . 6. \_\_\_\_\_
- Multiply line 6 by 20% (.20). If the result is not a multiple of \$10, round it up to the next multiple of \$10 (for example, round \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200 . . . . . 7. \_\_\_\_\_
- Enter your, and your spouse's if filing jointly, wages and other earned income from Form 1040, minus any deductions on Form 1040, lines 26 and 28. Do not reduce wages by any loss from self-employment. . . . . 8. \_\_\_\_\_  
**Caution:** If married filing jointly and line 8 is less than \$4,000, **stop here and see Pub. 590 to figure your IRA deduction.**

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



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

**Line 24**

**Medical Savings Account Deduction**

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

**Line 25**

**Moving Expenses**

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

**Line 26**

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

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

**Line 27**

**Self-Employed Health Insurance Deduction**



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

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



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

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

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

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

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

**Line 28**

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

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

**Line 29**

**Penalty on Early Withdrawal of Savings**

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

**Lines 30a and 30b**

**Alimony Paid**

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

**Line 31**

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

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

**Line 32**

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

**Tax Computation**

**Line 34a**

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

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

### Age

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

### Blindness

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

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

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

### Line 34b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 34b. But if you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1997 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

### Line 35

#### Itemized Deductions or Standard Deduction

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

- Your itemized deductions, or
- Your standard deduction.

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

#### Itemized Deductions

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

#### Standard Deduction

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

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

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

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

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

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

### Standard Deduction Worksheet for Dependents—Line 35

(keep for your records)



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

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

**Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 26.

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

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

### Line 38

#### Taxable Income

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

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

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

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

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

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



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

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

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

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

5. Subtract line 4 from line 3. If zero or less, **stop**; enter the amount from line 2 above on Form 1040, line 37 . . . . . **5.** \_\_\_\_\_  
**Note:** If line 5 is more than \$122,500 (more than \$61,250 if married filing separately), **stop**; you **cannot** take a deduction for exemptions. Enter -0- on Form 1040, line 37.

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

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

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

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

**Line 39**

**Tax**

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

**Tax Table**

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

**Tax Rate Schedules**

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

**Schedule D**

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

**Form 8615**

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

**Credits**

**Line 40**

**Credit for Child and Dependent Care Expenses**

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

**Line 41**

**Credit for the Elderly or the Disabled**

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

**Line 42**

**Adoption Credit**

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

**Line 43**

**Foreign Tax Credit**

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

**Line 44**

**Other Credits**

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

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



## Line 45

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

## Other Taxes

### Line 48

#### Alternative Minimum Tax

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

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

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

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

### Line 49

#### Social Security and Medicare Tax on Tip Income Not Reported to Employer

If you received tips of \$20 or more in any month and you did not report the full amount to your employer, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. You must also pay this tax if your W-2 form(s) shows allocated tips that you are including in your income on Form 1040, line 7.

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

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

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

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

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

### Line 50

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

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

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

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

### Line 51

#### Advance Earned Income Credit Payments

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

### Line 52

#### Household Employment Taxes

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

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



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

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



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

## Line 53

### Total Tax

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

#### Recapture of the following credits.

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

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

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

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

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

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

## Payments

### Line 54

#### Federal Income Tax Withheld

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

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

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

### Line 55

#### 1997 Estimated Tax Payments

Enter any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1997. Include any overpayment from your 1996 return that you applied to your 1997 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid. Or you can each claim part of it. See **Pub. 505** for details on how to report your payments. Be sure to show both social security numbers (SSNs) in the space provided on the separate returns. If you or your spouse paid separate estimated tax but you are now filing a joint return, add the amounts you each paid. Follow these instructions even if your spouse died in 1997 or in 1998 before filing a 1997 return.

#### Divorced Taxpayers

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

#### Name Change

If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040. On the statement, explain all the payments you and your spouse made in 1997, where you made them, and the name(s) and SSN(s) under which you made the payments.

### Lines 56a and 56b

#### Earned Income Credit (EIC)

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

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

### Who Can Take the EIC

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

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

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

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

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

#### Qualifying Child

A qualifying child is a child who:

1. Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
2. Was (at the end of 1997)—
  - under age 19,
  - under age 24 and a student (see the next page), or
  - any age and permanently and totally disabled (see the next page), **and**

3. Lived with you in the United States for more than half of 1997 (for all of 1997 if a foster child). If the child did not live with you for the required time, see the **Exception** on the next page.

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

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

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

(continued)

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

The following explains some of the terms used earlier.

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

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

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

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

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

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

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

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

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

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

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

1. The child was born or died in 1997.
2. Your home was the child's home for the entire time he or she was alive during 1997.

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

### Married Child

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

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

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

#### All filers:

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

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

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

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

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



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

### Qualifying Child of More Than One Person

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

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

### Investment Income

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

### Taxable Earned Income

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

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

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



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

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

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

**AND**

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

**AND**

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

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



## Nontaxable Earned Income

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

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

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

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

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

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

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

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



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

## Modified AGI (Adjusted Gross Income)

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

## Effect on Certain Welfare Benefits

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

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

- Medicaid and supplemental security income (SSI).

- Food stamps and low-income housing.

## Line 5 of EIC Worksheet on Page 23

(keep for your records)

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

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

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

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

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

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

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

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

## Special Rules

### Members of the Military

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

### Clergy

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

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

### Household Employees

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

### Inmates

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



# 1997 Earned Income Credit (EIC) Table

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

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

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

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

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



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

## Line 57

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

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

## Line 58

### Excess Social Security and RRTA Tax Withheld

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

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

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

## Line 59

### Other Payments

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

## Refund

## Line 61

### Amount Overpaid

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

**TIP** *If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay. See **Income Tax Withholding and Estimated Tax Payments for 1998** on page 29.*

### Injured Spouse Claim

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

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

## Lines 62b Through 62d

### Direct Deposit of Refund

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

#### Why Use Direct Deposit?

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



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

#### Line 62b

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

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

#### Line 62d

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

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

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

## Line 63

### Applied to 1998 Estimated Tax

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

## Amount You Owe

## Line 64

### Amount You Owe



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

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

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

(continued)

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

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

ANYPLACE BANK  
Anyplace, NY 10000

For \_\_\_\_\_

①: (250250025) : 20202086 •• 1234

1234  
15-00000000

**Do not include the check number**

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

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

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



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

### Installment Payments

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

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

## Line 65

### Estimated Tax Penalty

You may owe this penalty if:

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

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

### Exceptions to the Penalty

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

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

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

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

### Figuring the Penalty

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



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

## Sign Your Return

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

### Child's Return

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

### Paid Preparers Must Sign Your Return

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

## Assemble Your Return

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

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

## How To Avoid Common Mistakes

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

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

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

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

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

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

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

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

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

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

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# General Information

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## What Are Your Rights as a Taxpayer?

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

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## Income Tax Withholding and Estimated Tax Payments for 1998

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

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

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

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

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



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

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## Address Change

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

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## How Long Should Records Be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) until the statute of limitations runs out for that return. Usually, this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property. For more details, see **Pub. 552**.

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## Amended Return

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

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## Need a Copy of Your Tax Return?

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

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## Death of a Taxpayer

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

If your spouse died in 1997 and you did not remarry in 1997, you can file a joint return. You can also file a joint return if your spouse died in 1998 before filing a 1997 return. A joint return should show your spouse's 1997 income before death and your income for all of 1997. Write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

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

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## Claiming a Refund for a Deceased Taxpayer

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

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


## Explore IRS e-file!

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

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

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

### See A Tax Professional

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

### Use A Personal Computer

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

### Visit a VITA/TCE Site

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

### Ask Your Employer or Financial Institution

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

### Use a Phone



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

## Other Ways To Get Help

### Send Your Written Questions to the IRS

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

### Assistance With Your Return

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

### VITA and TCE

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

### On-Line Services

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

### Large-Print Forms and Instructions

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

### Help for People With Disabilities

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

### Help With Unresolved Tax Issues

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

If you have a tax problem you cannot clear up through normal channels, write to your local IRS District Director or call your local IRS office and ask for Problem Res-

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

## Interest and Penalties



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

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

### Interest

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

### Penalties

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

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

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

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

# Order Blank for Forms and Publications

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



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

## How To Use the Order Blank

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

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

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



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

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

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*Detach at this line*

### Order Blank

Fill in your name and address

Name \_\_\_\_\_

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

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

Circle the Forms, Instructions, and Publications You Need

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

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



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## Forms

### Form 1040

**Schedule A**, Itemized Deductions

**Schedule B**, Interest and Dividend Income

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

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

**Schedule D**, Capital Gains and Losses

**Schedule E**, Supplemental Income and Loss

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

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

**Schedule H**, Household Employment Taxes

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

**Schedule SE**, Self-Employment Tax

### Form 1040A

Instructions for Form 1040A and Schedules

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

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

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

### Form 1040EZ

Instructions for Form 1040EZ

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

**Form 1040-V**, Payment Voucher

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

**Form 2106**, Employee Business Expenses

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

**Form 2119**, Sale of Your Home

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

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

**Form 3903**, Moving Expenses

**Form 4562**, Depreciation and Amortization

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

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

**Form 8283**, Noncash Charitable Contributions

**Form 8582**, Passive Activity Loss Limitations

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

**Form 8822**, Change of Address

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

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## Publications

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

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



# Calling the IRS

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



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

## Before You Call

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

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

## Making the Call

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

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

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

## Before You Hang Up

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

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



### Choosing the Right Number for Tax Help

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### TTY/TDD Help

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

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

#### Hours of TTY/TDD Operation

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

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

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

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

# What Is TeleTax?

TeleTax allows you to get:

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

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

## How Do I Use TeleTax?

### Refund Information

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

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



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

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



### Choosing the Right Number for TeleTax

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recorded Tax Information

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

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

### Topics by Fax or Personal Computer

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

## TeleTax Topics

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

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

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

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# TeleTax Topics

(Continued)

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

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

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

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

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# Forms by Fax

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

Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	4	Tax Table and Tax Rate Sch.	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Form SS-8	Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	4	Schedules A&B (Form 1040) Instr. Sch. A&B	Itemized Deductions & Interest and Dividend Income	11330	2
Form W-2c	Corrected Wage and Tax Statement	61437	8	Schedule C (Form 1040) Instr. Sch. C	Profit or Loss From Business (Sole Proprietorship)	24328	7
Form W-3c	Transmittal of Corrected Wage and Tax Statements	10164	4	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	11334	2
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Schedule D (Form 1040) Instr. Sch. D	Capital Gains and Losses	24329	6
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	3	Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	14374	2
Form W-5	Earned Income Credit Advance Payment Certificate	10227	2	Schedule E (Form 1040) Instr. Sch. E	Supplemental Income and Loss	11338	2
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	3	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	24331	4
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Schedule F (Form 1040) Instr. Sch. F	Profit or Loss From Farming	10424	2
Form W-9	Request for Taxpayer Identification Number and Certification	10231	2	Schedule H (Form 1040) Instr. Sch. H	Household Employment Taxes	11344	2
Instr. W-9		20479	2	Schedule R (Form 1040) Instr. Sch. R	Credit for the Elderly or the Disabled	24332	5
Form W-10	Dependent Care Provider's Identification and Certification	10437	1	Schedule SE (Form 1040) Instr. Sch. SE	Self-Employment Tax	13339	2
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Form 1040A	U.S. Individual Income Tax Return	12187	2
Instr. 709		16784	8	Schedule 1 (Form 1040A)	Interest and Dividend Income for Form 1040A Filers	21451	8
Form 709A	U.S. Short Form Gift Tax Return	10171	2	Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	11359	2
Form 843	Claim for Refund and Request for Abatement	10180	1	Schedule 3 (Form 1040A) Instr. Sch. 3	Credit for the Elderly or the Disabled for Form 1040A Filers	11357	2
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	4	Form 1040-ES	Estimated Tax for Individuals	11358	2
Instr. 940		13660	4	Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	24334	3
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	4	Form 1040NR	U.S. Nonresident Alien Income Tax Return	11327	2
Form 941c	Supporting Statement To Correct Information	11242	4	Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	12075	1
Form 990	Return of Organization Exempt From Income Tax	11282	6	Instr. 1040NR-EZ		10749	2
Instr. 990	General Instructions for Forms 990 and 990-EZ	22386	8	Form 1040X	Amended U.S. Individual Income Tax Return	12064	2
Instr. 990	Specific Instructions for Form 990	50002	16	Instr. 1040X		12059	4
Schedule A (Form 990) Instr. Sch. A	Organization Exempt Under Section 501(c)(3)	11285	6			11340	6
Form 990EZ	Short Form Return of Organization Exempt From Income Tax	10642	2			11329	2
Instr. 990EZ	Specific Instructions for Form 990-EZ	50003	8			11364	5
Form 1040	U.S. Individual Income Tax Return	11320	2			21534	2
Instr. 1040	Line Instructions for Form 1040	11325	19			21718	12
Instr. 1040	General Information for Form 1040	24811	16			11360	2
						11362	6

Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form 1116	Foreign Tax Credit	11440	2	Form 6198	At-Risk Limitations	50012	1
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Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Form 6251	Alternative Minimum Tax—Individuals	13600	2
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## Privacy Act and Paperwork Reduction Act Notice

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

This notice applies to all papers you file with us, including this tax return. It also applies to any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a) and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 and its regulations say that you must show your social security number on what you file. This is so we know who you are, and can process your return and other papers. You must fill in all parts of the tax form that apply to you. But you do not have to check the boxes for the Presidential Election Campaign Fund.

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

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

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

We may give the information to the Department of Justice and to other Federal agencies, as provided by law. We may also give it to cities, states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. And we may give it to foreign governments because of tax treaties they have with the United States.

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

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

### The Time It Takes To Prepare Your Return

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

### We Welcome Comments on Forms

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

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

### Estimated Preparation Time

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

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

## Major Categories of Federal Income and Outlays for Fiscal Year 1996

On or before the first Monday in February of each year, the President is required to submit to the Congress a budget proposal for the fiscal year that begins the following October. The budget sets forth the President's proposed receipts, spending, and deficit or surplus for the Federal Government. The plan includes recommendations for new legislation as well as recommendations to change, eliminate, and add programs. After receiving the President's proposal, the Congress reviews it and makes changes. It first passes a budget resolution setting its own targets for receipts, outlays, and deficit or surplus. Individual spending and revenue bills are then enacted consistent with the goals of the budget resolution.

In fiscal year 1996 (which began on October 1, 1995, and ended on September 30, 1996), Federal income was \$1,453 billion and outlays were \$1,560 billion, leaving a deficit of \$107 billion.

### Federal Income

Income and social insurance taxes are, by far, the largest source of receipts. In 1996, individuals paid \$656 billion in income taxes and corporations paid \$172 billion. Social security and other insurance and retirement contributions were \$509 billion. Excise taxes were \$54 billion. The remaining \$61 billion of receipts were from Federal Reserve deposits, customs duties, estate and gift taxes, and other miscellaneous receipts.

### Federal Outlays

About 93% of total outlays were financed by tax receipts and the remaining 7% were financed by borrowing. Government receipts and borrowing finance a wide range of public services. The following is the breakdown of total outlays for fiscal year 1996\*:

**1. Social security, Medicare, and other retirement:** \$597 billion. These programs were about 37% of total outlays. They provide income support for the retired and disabled and medical care for the elderly.

**2. National defense, veterans, and foreign affairs:** \$316 billion. About 17% of total outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities; about 2% went for veterans benefits and services; and about 1% went for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

**3. Net interest:** \$241 billion. About 15% of total outlays were for net interest payments on the public debt.

**4. Physical, human, and community development:** \$127 billion. About 8% of total outlays were for agriculture; natural resources and environmental programs; transportation programs; aid for elementary and secondary education and direct assistance to college students; job training programs; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

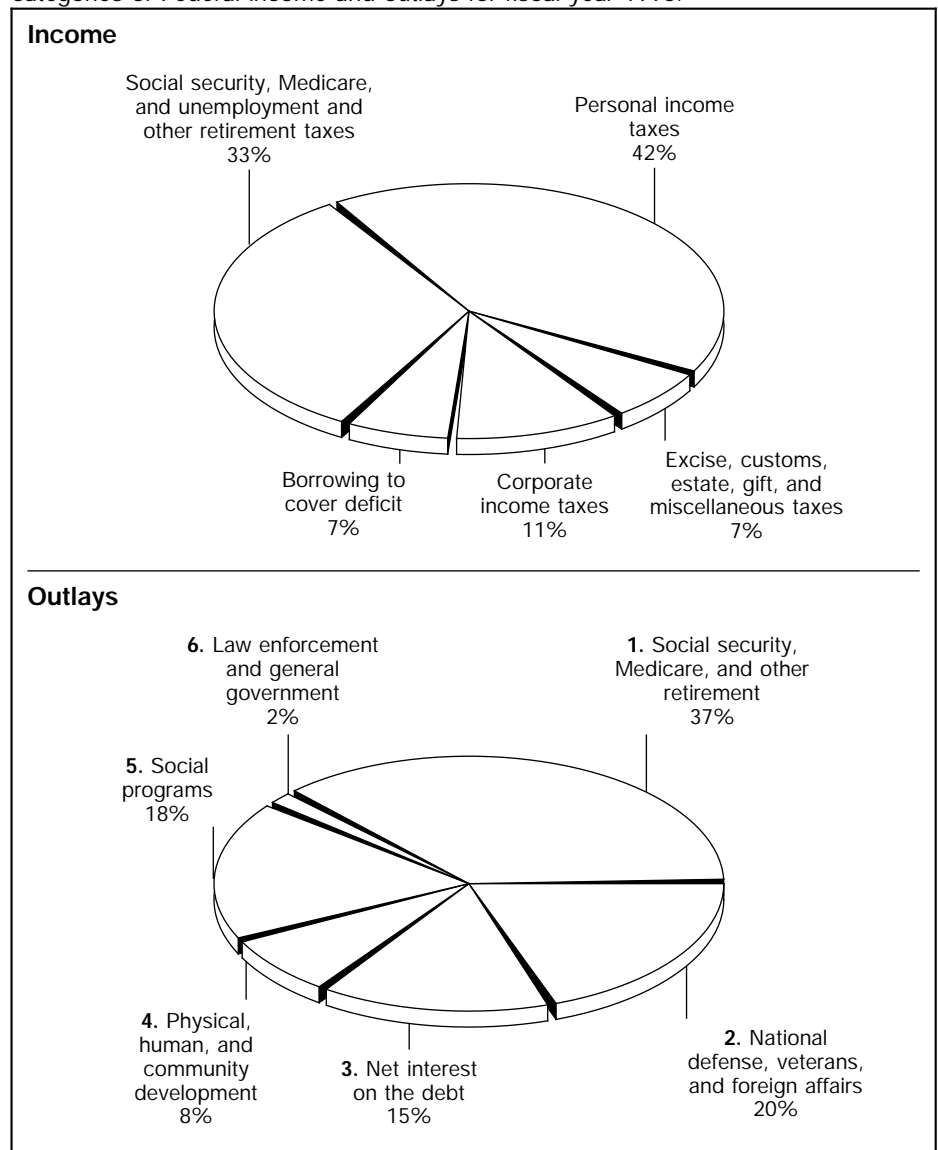
**5. Social programs:** \$287 billion. The Federal Government spent 12% of total outlays to fund Medicaid, food stamps, Aid to Families with Dependent Children, supplemental security income, and

related programs. 6% was spent for health research and public health programs, unemployment compensation, assisted housing, and social services.

**6. Law enforcement and general government:** \$29 billion. About 2% of total outlays were for judicial activities, Federal law enforcement, and prisons; and to provide for the general costs of the Federal Government, including the collection of taxes and legislative activities.

**Note:** Detail may not add to total due to rounding.

**Income and Outlays**—These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 1996.



\* The percentages on this page exclude undistributed offsetting receipts, which were -\$38 billion in fiscal year 1996. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are for the U.S. Government's share of its employee retirement programs, rents and royalties on the Outer Continental Shelf, and proceeds from the spectrum auction.

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\* These items may not be included in this package. To reduce printing costs, we have sent you only the forms you may need based on what you filed last year.





## Where Do You File?

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



*Envelopes without enough postage will be returned to you by the post office. If your envelope contains more than five pages or is oversized, it may need additional postage. Also, include your complete return address.*

**Alabama**—Memphis, TN 37501-0002

**Alaska**—Ogden, UT 84201-0002

**Arizona**—Ogden, UT 84201-0002

**Arkansas**—Memphis, TN 37501-0002

**California**—*Counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba*—Ogden, UT 84201-0002

*All other counties*—Fresno, CA 93888-0002

**Colorado**—Ogden, UT 84201-0002

**Connecticut**—Andover, MA 05501-0002

**Delaware**—Philadelphia, PA 19255-0002

**District of Columbia**—Philadelphia, PA 19255-0002

**Florida**—Atlanta, GA 39901-0002

**Georgia**—Atlanta, GA 39901-0002

**Hawaii**—Fresno, CA 93888-0002

**Idaho**—Ogden, UT 84201-0002

**Illinois**—Kansas City, MO 64999-0002

**Indiana**—Cincinnati, OH 45999-0002

**Iowa**—Kansas City, MO 64999-0002

**Kansas**—Austin, TX 73301-0002

**Kentucky**—Cincinnati, OH 45999-0002

**Louisiana**—Memphis, TN 37501-0002

**Maine**—Andover, MA 05501-0002

**Maryland**—Philadelphia, PA 19255-0002

**Massachusetts**—Andover, MA 05501-0002

**Michigan**—Cincinnati, OH 45999-0002

**Minnesota**—Kansas City, MO 64999-0002

**Mississippi**—Memphis, TN 37501-0002

**Missouri**—Kansas City, MO 64999-0002

**Montana**—Ogden, UT 84201-0002

**Nebraska**—Ogden, UT 84201-0002

**Nevada**—Ogden, UT 84201-0002

**New Hampshire**—Andover, MA 05501-0002

**New Jersey**—Holtsville, NY 00501-0002

**New Mexico**—Austin, TX 73301-0002

**New York**—*New York City and counties of Nassau, Rockland, Suffolk, and Westchester*—Holtsville, NY 00501-0002

*All other counties*—Andover, MA 05501-0002

**North Carolina**—Memphis, TN 37501-0002

**North Dakota**—Ogden, UT 84201-0002

**Ohio**—Cincinnati, OH 45999-0002

**Oklahoma**—Austin, TX 73301-0002

**Oregon**—Ogden, UT 84201-0002

**Pennsylvania**—Philadelphia, PA 19255-0002

**Rhode Island**—Andover, MA 05501-0002

**South Carolina**—Atlanta, GA 39901-0002

**South Dakota**—Ogden, UT 84201-0002

**Tennessee**—Memphis, TN 37501-0002

**Texas**—Austin, TX 73301-0002

**Utah**—Ogden, UT 84201-0002

**Vermont**—Andover, MA 05501-0002

**Virginia**—Philadelphia, PA 19255-0002

**Washington**—Ogden, UT 84201-0002

**West Virginia**—Cincinnati, OH 45999-0002

**Wisconsin**—Kansas City, MO 64999-0002

**Wyoming**—Ogden, UT 84201-0002

**American Samoa**—Philadelphia, PA 19255-0002

**Guam: Permanent residents**—Department of Revenue and Taxation Government of Guam P.O. Box 23607 GMF, GU 96921

**Guam: Nonpermanent residents**—Philadelphia, PA 19255-0002

**Puerto Rico (or if excluding income under Internal Revenue Code section 933)**—Philadelphia, PA 19255-0002

**Virgin Islands: Permanent residents**—V.I. Bureau of Internal Revenue 9601 Estate Thomas Charlotte Amalie St. Thomas, VI 00802

**Virgin Islands: Nonpermanent residents**—Philadelphia, PA 19255-0002

**Foreign country: U.S. citizens and those filing Form 2555, Form 2555-EZ, or Form 4563**—Philadelphia, PA 19255-0002

**All APO and FPO addresses**—Philadelphia, PA 19255-0002

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