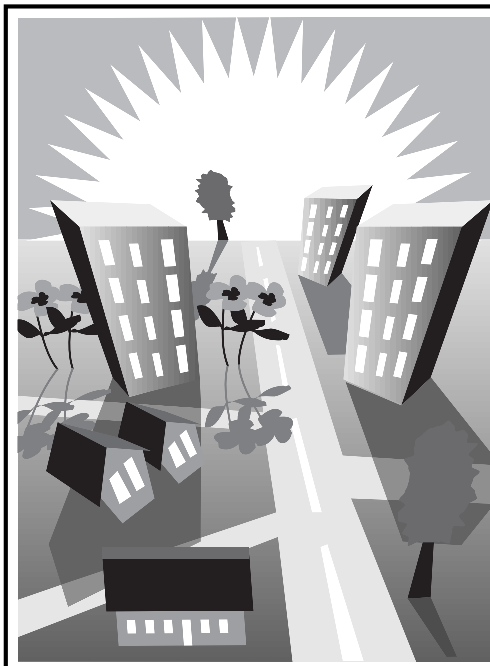
Department of the Treasury
**Internal Revenue Service**

Publication 954
(Rev. February 1999)
Cat. No. 20086A

# Tax Incentives for Empowerment Zones and Other Distressed Communities



**Get forms and other information faster and easier by:**
**COMPUTER**
- World Wide Web ➤ www.irs.ustreas.gov
- FTP ➤ ftp.irs.ustreas.gov
- IRIS at FedWorld ➤ (703) 321-8020

**FAX**
- From your FAX machine, dial ➤ (703) 368-9694

See *How To Get More Information* in this publication.

## Contents



## Introduction

This publication is for business owners who want to find out whether they qualify for certain tax incentives. These incentives are intended to help empowerment zones, enterprise communities, and other distressed communities. A distressed community is any area whose poverty rate or other conditions cause any of these tax incentives to apply. The requirements for each tax incentive are different. The following paragraphs will help guide you in using this publication.

To find out whether your area has been designated as an empowerment zone or enterprise community, read the first section, *Empowerment Zones and Enterprise Communities.*

If you know that your area has been designated as an empowerment zone or enterprise community, skip the first section and begin by reading the first few paragraphs of each section of the publication. Then, read the details of the sections that apply to you.

If you know that your area has not been designated as a zone or community, you should still read the first few paragraphs of each section. Some of these incentives are available in distressed communities that have not been designated as either empowerment zones or enterprise communities. Read the details of the sections that apply to you.

### Useful Items

You may want to see:

**Publication**

- ☐ **946** How To Depreciate Property

**Form (and Instructions)**

- ☐ **3800** General Business Credit
- ☐ **5884** Work Opportunity Credit
- ☐ **8844** Empowerment Zone Employment Credit
- ☐ **8845** Indian Employment Credit
- ☐ **8850** Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits
- ☐ **8860** Qualified Zone Academy Bond Credit
- ☐ **8861** Welfare-to-Work Credit

## Empowerment Zones and Enterprise Communities

The following sections describe current designations of empowerment zones and enterprise communities. These designations will generally remain in effect until the end of the 10th calendar year beginning on or after the date of designation.

**Urban designations effective December 21, 1994.** The Secretary of Housing and Urban Development (HUD) designated 65 urban enterprise communities. The Secretary has also designated parts of the following cities as urban empowerment zones.

1) Atlanta, GA (9.29 square miles).
2) Baltimore, MD (6.8 square miles).
3) Chicago, IL (14.33 square miles).
4) Detroit, MI (18.3 square miles).
5) New York City, NY (the Bronx and Manhattan; 7.6 square miles).
6) Philadelphia, PA/Camden, NJ (4.4 square miles).

**Rural designations effective December 21, 1994.** The Secretary of Agriculture (USDA) designated 30 rural enterprise communities. The Secretary has also designated the following rural empowerment zones.

1) The Kentucky Highlands (part of Wayne and all of Clinton and Jackson counties).
2) Mid-Delta, Mississippi (parts of Bolivar, Holmes, Humphreys, Leflore, Sunflower, and Washington counties).
3) Rio Grande Valley, Texas (parts of Cameron, Hidalgo, Starr, and Willacy counties).

**District of Columbia Enterprise Zone (DC Zone).** Effective January 1, 1998, parts of Washington, D.C. are treated as an empowerment zone. This treatment will remain in effect until the end of 2002.

**Urban designations effective December 31, 1998.** HUD has designated parts of the following cities as urban empowerment zones.

1) Boston, MA (about 6 square miles).
2) Cincinnati, OH (about 7 square miles).
3) Columbia/Sumter, SC (about 19 square miles).
4) Columbus, OH (about 14 square miles).
5) Cumberland County, NJ (about 4 square miles).
6) El Paso, TX (about 10 square miles).
7) Gary/East Chicago, IN (about 17 square miles).
8) Huntington, WV/Ironton, OH (about 10 square miles).
9) Knoxville/Knox County, TN (about 16 square miles).
10) Miami/Miami-Dade County, FL (about 13 square miles).
11) Minneapolis, MN (about 7 square miles).
12) New Haven, CT (about 5 square miles).
13) Norfolk/Portsmouth, VA (about 10 square miles).
14) Santa Ana, CA (about 4 square miles).
15) St. Louis, MO/East St. Louis, IL (about 14 square miles).

**Rural designations effective December 31, 1998.** USDA has designated the following rural empowerment zones.

1) Desert Communities Empowerment Zone, California (parts of Riverside county).
2) Steele-Griggs County Empowerment Zone, North Dakota (part of Griggs county and all of Steele county).
3) Oglala Sioux Tribe Empowerment Zone, South Dakota (parts of the Pine Ridge Indian Reservation).
4) Southernmost Illinois Delta Empowerment Zone, Illinois (parts of Alexander, Johnson, and Pulaski counties).
5) Southwest Georgia United Empowerment Zone, Georgia (parts of Crisp county and all of Dooly county).

**Designations effective January 1, 2000.** HUD has designated parts of the following cities as urban empowerment zones.

1) Cleveland, OH.
2) Los Angeles, CA.

**More information.** For more information, call HUD at **1–800–998–9999** or USDA at **1–800–645–4712.**

Or you can find out whether your area has been designated as an empowerment zone or an enterprise community by using the Internet address **www.ezec.gov.**

## Empowerment Zone Employment Credit

The empowerment zone employment credit provides businesses with an incentive to hire individuals who both live and work in an empowerment zone. (Individuals who work in the DC Zone may live anywhere in the District of Columbia.) You can claim the credit if you pay or incur “qualified zone wages” to a “qualified zone employee.” The credit can be as much as $3,000 per qualified zone employee each year.

CAUTION *You cannot claim this credit for a business you operate in one of the 15 urban or 5 rural zones whose designation was effective December 31, 1998.*

**Qualified zone employee.** A qualified zone employee is any employee who meets both of the following tests.

1) The employee performs substantially all of his or her services for you within an empowerment zone in your trade or business.
2) While performing those services, the employee has his or her main home within that empowerment zone (or within the District of Columbia, for services performed within the DC Zone).

Both full-time and part-time employees may qualify.

***Nonqualified employees.*** The following individuals are not qualified zone employees.

1) An individual you employ for less than 90 days. However, this 90-day requirement does not apply in either of the following situations.
   a) You terminate the employee because of misconduct as determined under the state unemployment compensation law that applies.
   b) The employee becomes disabled before the 90th day. However, if the disability ends before the 90th day, you must offer to reemploy the former employee.
2) Certain related taxpayers.
3) Certain dependents.
4) Any 5% owner.
5) An individual you employ at any:
   a) Private or commercial golf course,
   b) Country club,
   c) Massage parlor,
   d) Hot tub facility,
   e) Suntan facility,
   f) Racetrack, or other facility used for gambling, or
   g) Store whose principal business is the sale of alcoholic beverages for off-premise consumption.
6) Any individual you employ in a farming trade or business if, at the close of the tax year, the sum of the following amounts is more than $500,000.
   a) The larger of the unadjusted bases or fair market value of the farm assets you own.
   b) The value of the farm assets you lease.

**Qualified zone wages.** Qualified zone wages are any wages you pay or incur for services performed by an employee while the employee is a qualified zone employee (defined earlier). Wages are generally defined as those wages subject to the Federal Unemployment Tax Act (FUTA) without regard to the FUTA dollar limit.

Also treat as qualified zone wages certain training and education expenses you pay or incur on behalf of a qualified zone employee.

The total amount of qualified zone wages (including training and education expenses treated as qualified zone wages) you can use to figure the credit cannot be more than $15,000 for each employee each calendar year.

***Effect of welfare-to-work or work opportunity credit.*** Qualified zone wages do not include any amount you take into account in figuring the welfare-to-work credit or the work opportunity credit. In addition, reduce the $15,000 maximum qualified zone wages for each qualified zone employee by the amount of wages you use to figure either of those credits for that employee.

**Amount of credit.** The following tables show the rate you apply to the qualified zone wages you pay or incur during each calendar year listed. The tables also show the maximum credit you can claim each year for each qualified zone employee.

**Table 1. Rate and Maximum Credit for Zone Designations Effective December 21, 1994**

| Year | Rate | Maximum Qualified Zone Wages | Maximum Credit |
|---|---|---|---|
| 1994 – 2001 | 20% | $15,000 | $3,000 |
| 2002 | 15% | 15,000 | 2,250 |
| 2003 | 10% | 15,000 | 1,500 |
| 2004 | 5% | 15,000 | 750 |

For the District of Columbia Enterprise Zone, the rate is 20% and the maximum credit is $3,000 until the end of 2002.

**Table 2. Rate and Maximum Credit for the Zones in Cleveland and Los Angeles**

| Year | Rate | Maximum Qualified Zone Wages | Maximum Credit |
|---|---|---|---|
| 2000 – 2004 | 20% | $15,000 | $3,000 |
| 2005 | 15% | 15,000 | 2,250 |
| 2006 | 10% | 15,000 | 1,500 |
| 2007 | 5% | 15,000 | 750 |

**Claiming the credit.** Use ***Form 8844,*** *Empowerment Zone Employment Credit,* to claim this credit. Although the empowerment zone employment credit is a component of the general business credit, a special tax liability limit applies to this credit. Therefore, you figure the credit separately and never carry it to Form 3800, *General Business Credit.*

***Effect on salary and wage deduction.*** In general, you must reduce the deduction on your income tax return for salaries and wages and certain education and training costs by the amount of your empowerment zone employment credit.

**More information.** For more information about the empowerment zone employment credit, see Form 8844.

# Increased Section 179 Deduction

Section 179 of the Internal Revenue Code allows you to choose to deduct all or part of the cost of certain qualifying property in the year you place it in service. You can do this instead of recovering the cost by taking depreciation deductions over a specified recovery period. There are limits, however, on the amount you can deduct in a tax year.

You may be able to claim an increased section 179 deduction if your business qualifies as an "enterprise zone business." The increase can be as much as $20,000. This increased section 179 deduction applies to "qualified zone property" you place in service in an empowerment zone.

CAUTION *You cannot claim this increased deduction for a business you operate in an enterprise community.*

**Enterprise zone business.** For the increased section 179 deduction, a corporation, partnership, or sole proprietorship is an enterprise zone business for tax years beginning after August 4, 1997, if all of the following statements are true for the tax year.

1) Every trade or business of the corporation or partnership is the active conduct of a qualified business (defined later) within an empowerment zone. (This rule does not apply to a sole proprietorship.)
2) At least 50% of its total gross income is from the active conduct of a qualified business within a zone.
3) A substantial part of the use of its tangible property is within a zone.
4) A substantial part of its intangible property is used in the active conduct of the business.
5) A substantial part of the employees' services are performed within a zone.
6) At least 35% of the employees are residents of an empowerment zone. (This rule does not apply to businesses in the DC Zone.)
7) Less than 5% of the average of the total unadjusted bases of the property owned by the business is from:
   a) Certain financial property, or
   b) Collectibles not held primarily for sale to customers.

For a sole proprietorship, the term "employee" in (5) and (6) includes the proprietor.

***Qualified business.*** A qualified business is generally any trade or business except one that consists primarily of the development or holding of intangibles for sale or license.

However, the rental to others of real property located in an empowerment zone is a qualified business only if the property is not residential rental property and at least 50% of the gross rental income from the real property is from enterprise zone businesses.

The rental to others of tangible personal property is a qualified business only if at least 50% of the rentals of the property are to enterprise zone businesses or zone residents. (To be a qualified business for tax years beginning before August 5, 1997, at least 85% of the rentals of the property had to be to enterprise zone businesses or zone residents.)

Also, a qualified business does not include any business listed earlier in item (5) or item (6) under *Nonqualified employees* in the *Empowerment Zone Employment Credit* section.

**Qualified zone property.** For the increased section 179 deduction, qualified zone property is any depreciable tangible property if all of the following are true.

1) You acquired the property after the zone designation is in effect.
2) You did not acquire the property from a related person or member of a controlled group of which you are a member.
3) Your basis in the property is not determined either by its adjusted basis in the hands of the person from whom you acquired it or under the stepped-up basis rules for property acquired from a decedent.
4) You were the first person to use the property in an empowerment zone.
5) At least 85% of the property's use is in an empowerment zone and in the active conduct of a qualified trade or business in the zone.

Buildings are qualified zone property, but they do not qualify for the section 179 deduction. Used property may be qualified zone property if it has not previously been used within an empowerment zone.

***Special rule for substantially renovated property.*** Property will be treated as having met requirements (1) through (4), listed earlier under *Qualified zone property,* if you substantially renovate the property. Property is substantially renovated if, during any 24-month period beginning after the zone designation takes effect, your additions to the basis of the property are more than the greater of the following amounts.

1) 100% of the adjusted basis of the property at the beginning of the 24-month period.
2) $5,000.

***Property used in developable sites.*** Property is not qualified zone property if substantially all of its use is in a developable site. A developable site is a site to which both of the following apply.

1) The site could be developed for commercial or industrial purposes.
2) The site was included in one of the 15 urban or 5 rural zones whose designation was effective December 31, 1998, under an exception for developable sites that allowed it to be excluded from the poverty rate requirement.

**Section 179 deduction limits.** There are limits on the amount you can deduct under section 179. The following sections explain how these limits are increased for certain qualified zone property placed in service by an enterprise zone business.

***Maximum dollar limit.*** The total cost of section 179 property that you can deduct for a tax year generally cannot be more than the maximum section 179 dollar limit. However, if you place qualified zone property in service during the year this maximum dollar limit is increased by the smaller of the following amounts.

1) $20,000.
2) The cost of section 179 property that is qualified zone property you placed in service during the year.

The following table shows these maximum dollar limits.

**Table 3. Maximum Dollar Limits**

| For Tax Years Beginning In: | Maximum Section 179 Dollar Limit | Maximum Dollar Limit With Qualified Zone Property |
|---|---|---|
| 1997 | $18,000 | $38,000 |
| 1998 | 18,500 | 38,500 |
| 1999 | 19,000 | 39,000 |
| 2000 | 20,000 | 40,000 |
| 2001 – 2002 | 24,000 | 44,000 |
| Years after 2002 | 25,000 | 45,000 |

These maximum dollar limits are reduced if you go over the investment limit (discussed next) in any tax year.

***Investment limit.*** For each dollar of your business cost over $200,000 for section 179 property placed in service in a tax year, reduce the maximum dollar limit by $1 (but not below zero). However, take only one-half of the cost of section 179 property that is qualified zone property into account when reducing the maximum dollar limit.

***Example.*** In 1998, your enterprise zone business placed in service qualified zone property costing $420,000. Your maximum dollar limit is $38,500. Because all of this property is qualified zone property, only $210,000 (50% of this cost) is used to figure the investment limit. Because $210,000 is $10,000 more than $200,000, you must reduce the maximum dollar limit of $38,500 by $10,000. If your taxable income is at least $28,500, you can claim a $28,500 section 179 deduction for 1998.

**Recapture.** The recapture rules of section 179 apply when qualified zone property is no longer used in an empowerment zone by an enterprise zone business.

**More information.** For more information about the section 179 deduction, see Publication 946, *How To Depreciate Property.* For more information about the increased section 179 deduction, see Internal Revenue Code sections 1397A, 1397B, and 1397C.

# Tax-Exempt Bond Financing

State or local governments can issue enterprise zone facility bonds (a type of exempt facility tax-exempt bond) to raise funds to provide an “enterprise zone business” with “qualified zone property.” At least 95% of the net proceeds from the bond issue must be used to finance:

1) Qualified zone property whose principal user is an enterprise zone business, and
2) Certain land used for a related purpose (for example, land where the business is located and a parking lot for customers and employees).

Tax-exempt bonds generally have lower interest rates than conventional financing.

TIP *Contact the appropriate state or local government agency to find out if this type of financing is available in your empowerment zone or enterprise community.*

**Enterprise zone business.** For tax-exempt bond financing, a corporation, partnership, or sole proprietorship is generally an enterprise zone business if all of the following statements are true for the tax year.

1) Every trade or business of the corporation or partnership is the active conduct of a qualified business (defined later) within an empowerment zone or an enterprise community. (This rule does not apply to a sole proprietorship.)
2) At least 50% (80% for bonds issued before August 6, 1997) of its total gross income is from the active

conduct of a qualified business within a zone or community.

3) A substantial part of the use of its tangible property is within a zone or community. (For bonds issued before August 6, 1997, at least 85% of the use of its tangible property must be within a zone or community.)

4) A substantial part of its intangible property is used in the active conduct of the business. (For bonds issued before August 6, 1997, at least 85% of its intangible property must be used in, and exclusively related to, the active conduct of the business.)

5) A substantial part of the employees' services are performed within a zone or community. (For bonds issued before August 6, 1997, at least 85% of the employees' services must be performed within a zone or community.)

6) At least 35% of the employees are residents of an empowerment zone or enterprise community. (This rule does not apply to businesses in the DC Zone.)

7) Less than 5% of the average of the total unadjusted bases of the property owned by the business is from:

   a) Certain financial property, or

   b) Collectibles not held primarily for sale to customers.

For a sole proprietorship, the term “employee” in (5) and (6) includes the proprietor. Also, a business located in a zone or community that would qualify if it were separately incorporated is treated as an enterprise zone business. For example, a business that is part of a national chain could qualify, providing it would meet the definition of an enterprise zone business if it were separately incorporated.

***Qualified business.*** A qualified business is generally any trade or business except one that consists primarily of the development or holding of intangibles for sale or license.

However, the rental to others of real property located in an empowerment zone or enterprise community is a qualified business only if the property is not residential rental property and at least 50% of the gross rental income from the real property is from enterprise zone businesses.

The rental to others of tangible personal property is a qualified business only if at least 50% of the rentals of the property are to enterprise zone businesses or zone or community residents. (For bonds issued before August 6, 1997, at least 85% of the rentals of the property must be to enterprise zone businesses or zone or community residents.)

Also, a qualified business does not include any business listed earlier in item (5) or item (6) under *Nonqualified employees* in the *Empowerment Zone Employment Credit* section.

***Relaxed requirements during start-up period.*** For bonds issued after August 5, 1997, a business will be treated as an enterprise zone business during a start-up period if both of the following apply.

1) It is reasonable, at the beginning of the start-up period, to expect the business to be an enterprise zone business by the end of the start-up period.

2) The business makes bona fide efforts to be an enterprise zone business.

The start-up period is the period that ends with the start of the first tax year beginning more than 2 years after the later of the following two dates.

1) The issue date of the bond issue financing the qualified zone property.

2) The date this property is first placed in service (or, if earlier, the date that is 3 years after the issue date).

***Requirements during and after testing period.*** For bonds issued after August 5, 1997, a business that qualifies as an enterprise zone business at the end of the start-up period must continue to qualify during a testing period that ends 3 tax years after the start-up period ends.

After the 3-year testing period, a business will continue to be treated as an enterprise zone business as long as it meets an employee residency requirement. To meet this requirement, at least 35% of its employees must be residents of an empowerment zone or enterprise community. However, the following businesses are not treated as enterprise zone businesses even if they meet the employee residency requirement.

1) Any business that consists primarily of the development or holding of intangibles for sale or license.

2) Any business listed earlier in item (5) or item (6) under *Nonqualified employees* in the *Empowerment Zone Employment Credit* section.

A business in the DC Zone does not need to meet the employee residency requirement to continue to be treated as an enterprise zone business after the testing period.

**Qualified zone property.** For tax-exempt bond financing, qualified zone property is any depreciable real or tangible personal property if all of the following are true.

1) You acquired the property after the zone or community designation is in effect.

2) You did not acquire the property from a related person or member of a controlled group of which you are a member.

3) Your basis in the property is not determined either by its adjusted basis in the hands of the person from whom you acquired it or under the stepped-up basis rules for property acquired from a decedent.

4) You were the first person to use the property in an empowerment zone or enterprise community.

5) At least 85% of the property's use is in an empowerment zone or enterprise community and in the active conduct of a qualified trade or business in the zone or community.

Used property may be qualified zone property if it has not previously been used within an empowerment zone or enterprise community.

***Special rule for substantially renovated property.*** Property will be treated as having met requirements (1) through (4), listed earlier under *Qualified zone property,* if you substantially renovate the property. Property is substantially renovated if, during any 24-month period beginning after the zone or community designation takes effect, your additions to the basis of the property are more than the greater of the following amounts.

1) 15% (100% for bonds issued before August 6, 1997) of the adjusted basis of the property at the beginning of the 24-month period.

2) $5,000.

***Special rule for bonds issued after July 30, 1996.*** Generally for bonds issued after July 30, 1996, property that you reasonably expect by exercising due diligence to be qualified zone property by an initial testing date will be treated as qualified zone property for the period before that date.

The ***initial testing date*** is generally the date that is 18 months after the later of the following dates.

1) The issue date of the bond issue financing the qualified zone property.

2) The date this property is first placed in service (or, if earlier, the date that is 3 years (5 years for certain construction projects) after the issue date).

However, the issuer of the bonds can choose to use any earlier date that comes after the bond issue date as the initial testing date.

**Interest not deductible.** No deduction will be allowed for interest on any financing provided from a bond if the interest accrues in any year in which either of the following occurs.

1) Substantially all of the facility that was financed ceases to be used in an empowerment zone or enterprise community.

2) The principal user of the facility ceases to be an enterprise zone business.

This rule does not apply if the use of the facility ceases to qualify because of bankruptcy or the termination or revocation of the designation as an empowerment zone or enterprise community.

In addition, interest will remain deductible if the issuer and principal user try in good faith to meet the requirements and any failure is corrected within a reasonable period after discovery.

**More information.** For more information, see Internal Revenue Code section 1394 and the regulations under that section.

# Environmental Cleanup Cost Deduction

This deduction provides businesses with an incentive to clean up certain sites that are contaminated with hazardous substances. Your business does not have to be in an empowerment zone or enterprise community to qualify for this deduction.

You can choose to deduct “qualified environmental cleanup costs” in the tax year you pay or incur the cost. You can do this instead of adding the cost to the basis of your property (and, if the property is depreciable, recovering the cost by taking depreciation deductions over a specified recovery period).

This special tax treatment is generally available for qualified environmental cleanup costs you pay or incur after August 5, 1997, and before January 1, 2001.

**Qualified environmental cleanup costs.** Qualified environmental cleanup costs are generally costs you pay or incur to abate or control a hazardous substance (as defined by Internal Revenue Code section 198(d)) at a “qualified contaminated site.”

***Qualified contaminated site.*** A qualified contaminated site must meet all of the following requirements.

1) You hold it for use in a trade or business, for the production of income, or as inventory.

2) It is within a “targeted area.”

3) There has been a release, threat of release, or disposal of a hazardous substance at or on the site.

You must get a statement from the designated state environmental agency that the site meets requirements (2) and (3).

***Targeted area.*** All of the following areas are targeted areas.

1) A population census tract (or equivalent county division defined by the Bureau of the Census) with a poverty rate of at least 20%.

2) A population census tract with a population of less than 2,000 that meets the following two requirements.

   a) More that 75% of the tract is zoned for commercial or industrial use.

   b) The tract has a common border with one or more of the tracts described in (1).

3) An empowerment zone.

4) The following two supplemental empowerment zones that were designated on December 21, 1994.

   a) Cleveland, OH.

   b) Los Angeles, CA.

5) An enterprise community (designations effective December 21, 1994).

6) A site included as a brownfields pilot project of the Environmental Protection Agency before February 1, 1997.

**Recapture.** This deduction may have to be recaptured as ordinary income under section 1245 when you sell or otherwise dispose of the property that would have received an addition to basis if you had not elected this deduction.

**More information.** For more information about the environmental cleanup cost deduction, see Internal Revenue Code section 198.

# Qualified Zone Academy Bonds

Beginning in 1998, state or local governments can issue qualified zone academy bonds to raise funds for the use of a “qualified zone academy.” However, these bonds require a private business contribution. Certain banks, insurance companies, and corporations actively engaged in the business of lending money can receive a tax credit as an incentive to hold these bonds. For more information about claiming the credit, see ***Form 8860,*** *Qualified Zone Academy Bond Credit.*

TIP *Contact the appropriate state or local government agency to find out if qualified zone academy bonds are available in your area.*

**Qualified zone academy.** A qualified zone academy is a public school (or academic program within a public school) at the secondary level or below that meets certain requirements. It must be located in either an empowerment zone or an enterprise community, or there must be a reasonable expectation when the bonds are issued that at least 35% of the school's students (or program's participants) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act. A qualified zone academy must also meet other requirements.

**Private business contribution requirement.** Before qualified zone academy bonds can be issued, the local educational agency (as defined in section 14101 of the Elementary and Secondary Education Act of 1965) must obtain written commitments from private entities for qualified contributions with a present value (as of the bond issue date) of not less than 10% of the proceeds of the bond issue.

A qualified contribution is a contribution made with the approval of the local educational agency of any property or service from the following list.

1) Equipment for use in the qualified zone academy.

2) Technical assistance in developing curriculum or in training teachers to promote appropriate market driven technology in the classroom.

3) Services of employees as volunteer mentors.

4) Internships, field trips, or other educational opportunities outside the academy for students.

5) Any other property or service specified by the local educational agency.

**More information.** For more information about qualified zone academy bonds, see Internal Revenue Code section 1397E and the regulations under that section.

# Work Opportunity Credit

The work opportunity credit provides businesses with an incentive to hire individuals from groups that have a particularly high unemployment rate or other special employment needs. Your business does not have to be in an empowerment zone or enterprise community to qualify for this credit. You can claim the credit if you pay or incur “qualified first-year wages” to a “targeted group employee” who begins work for you after September 1996.

CAUTION *At the time this publication was printed, this credit was set to expire for individuals who begin work for you after June 1999.*

**Targeted group employee.** A targeted group employee is any employee who has been certified by your state employment security agency (SESA) as a:

1) Recipient of assistance under Aid to Families with Dependent Children (AFDC) or its successor program, Temporary Assistance for Needy Families (TANF),

2) Veteran,

3) Ex-felon,

4) High-risk youth,

5) Vocational rehabilitation referral,

6) Summer youth employee,

7) Food stamp recipient, or

8) Supplemental security income (SSI) recipient.

The employee must meet the requirements explained in the instructions to Form 8850.

***State certification required.*** An employee is not considered a targeted group employee without SESA certification. To receive certification, submit ***Form 8850,*** *Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits,* to your SESA.

You must either:

1) Receive the certification by the day the individual begins work, or

2) Do both of the following:

   a) Complete Form 8850 by the day you offer the individual a job, and

   b) Submit the form to your SESA by the 21st day after the individual begins work.

**Qualified first-year wages.** Qualified first-year wages are qualified wages you pay or incur for work performed by a targeted group employee during the 1-year period beginning on the date the individual begins work for you. Qualified wages are generally wages subject to the Federal Unemployment Tax Act (FUTA) without regard to the FUTA dollar limit, but not more than $6,000 each tax year for each employee ($3,000 each tax year for a summer youth employee).

If the work performed by the employee during more than half of any pay period qualifies under FUTA as agricultural labor, the first $6,000 of that employee's wages subject to social security and Medicare taxes are qualified wages. For a special rule that applies to railroad employees, see Internal Revenue Code section 51(h)(1)(B).

***Nonqualified wages.*** See Form 5884 for a complete list of wages that do not qualify for the credit. Some of the most common wages that do not qualify include wages you pay or incur to an employee who:

1) Has worked for you for more than 1 year,
2) Is your relative or dependent,
3) You rehired, if he or she was not a targeted group employee when employed earlier, or
4) Does not work for you for at least 120 hours.

**Amount of credit.** The following table shows the rate you apply to qualified first-year wages you pay or incur each tax year to a targeted group employee who works the number of hours shown. The table also shows the maximum credit you can claim each tax year for each targeted group employee.

**Table 4. Rate and Maximum Credit Each Tax Year for Each Targeted Group Employee Who Begins Work After September 1997**

| Hours Worked | Rate | Maximum Qualified First-Year Wages | Maximum Credit |
|---|---|---|---|
| At least 400 | 40% | $6,000* | $2,400 |
| Fewer than 400 but at least 120 | 25% | 6,000* | 1,500 |

*$3,000 for a summer youth employee

**Claiming the credit.** Use ***Form 5884,*** *Work Opportunity Credit,* to claim this credit.

***Effect on salary and wage deduction.*** In general, you must reduce the deduction on your income tax return for salaries and wages by the amount of your work opportunity credit.

***Effect on empowerment zone employment credit.*** Wages you use to claim the work opportunity credit cannot be used to figure the empowerment zone employment credit. In addition, they reduce the maximum qualified zone wages you can use to claim the empowerment zone employment credit for an employee who qualifies you for both credits.

***Effect of welfare-to-work credit.*** You cannot claim both the work opportunity credit and the welfare-to-work credit for the same employee during the same tax year.

**More information.** For more information about the work opportunity credit, see Form 5884.

# Welfare-to-Work Credit

The welfare-to-work credit provides businesses with an incentive to hire long-term family assistance recipients. Your business does not have to be in an empowerment zone or enterprise community to qualify for this credit. You can claim the credit if you pay or incur “qualified wages” during the first 2 years of employment to a “long-term family assistance recipient” who begins work for you after December 1997.

CAUTION *At the time this publication was printed, this credit was set to expire for individuals who begin work for you after June 1999.*

**Long-term family assistance recipient.** A long-term family assistance recipient is an individual who has been certified by your state employment security agency (SESA) as a member of a family that:

1) Has received assistance payments from Aid to Families with Dependent Children (AFDC) or its successor program, Temporary Assistance for Needy Families (TANF), for at least 18 consecutive months ending on the hiring date,
2) Receives assistance payments from AFDC or TANF for any 18 months (whether or not consecutive) beginning after August 5, 1997, and is hired not more than 2 years after the end of the earliest 18-month period, or
3) Stops being eligible after August 5, 1997, for assistance payments because federal or state law limits the maximum period that assistance is payable, and is hired not more than 2 years after that eligibility for assistance ends.

***State certification required.*** An individual is not considered a long-term family assistance recipient without SESA certification. To receive certification, submit ***Form 8850,*** *Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits,* to your SESA.

You must either:

1) Receive the certification by the day the individual begins work, or
2) Do both of the following:
   a) Complete Form 8850 by the day you offer the individual a job, and
   b) Submit the form to your SESA by the 21st day after the individual begins work.

**Qualified wages.** Qualified wages are generally wages subject to the Federal Unemployment Tax Act (FUTA) without regard to the FUTA dollar limit, but not more than $10,000 each tax year for each employee.

If the work performed by the employee during more than half of any pay period qualifies under FUTA as agricultural labor, the first $10,000 of that employee's wages subject to social security and Medicare taxes are qualified wages. For a special rule that applies to railroad employees, see Internal Revenue Code section 51A(b)(5)(C).

For this credit, qualified wages also generally include the following amounts paid or incurred by the employer that are normally excludable from the employee's gross income.

1) Amounts received for medical care under accident and health plans.
2) Employer-provided coverage under accident and health plans.
3) Certain amounts excludable under an educational assistance program, or that would be excludable but for the expiration of the exclusion. (At the time this publication was printed, this exclusion was set to expire for courses beginning after May 2000.)
4) Amounts excludable under a dependent care assistance program.

***Nonqualified wages.*** See Form 8861 for a complete list of wages that do not qualify for the credit. Some of the most common wages that do not qualify include wages you pay or incur to an employee who:

1) Has worked for you for more than 2 years,
2) Is your relative or dependent,
3) You rehired, if he or she was not a long-term family assistance recipient when employed earlier, or
4) Does not either:
   a) Work for you for at least 180 days, or
   b) Complete at least 400 hours of service.

**Amount of credit.** The following table shows the rate you apply to the qualified wages you pay or incur during each year of employment. The table also shows the maximum credit you can claim each tax year for each qualified employee.

**Table 5. Rate and Maximum Credit Each Tax Year for Each Long-Term Family Assistance Recipient Who Begins Work After December 1997**

| Rate for Qualified First-Year Wages | Rate for Qualified Second-Year Wages | Maximum Qualified Wages | Maximum Credit |
|---|---|---|---|
| 35% | 50% | $10,000 | $5,000 |

***Qualified first-year wages.*** Qualified first-year wages are qualified wages you pay or incur for work performed by a long-term family assistance recipient during the 1-year period beginning on the date the individual begins work for you.

***Qualified second-year wages.*** Qualified second-year wages are qualified wages you pay or incur for work performed by a long-term family assistance recipient during the 1-year period beginning on the day after the last day of the first-year wage period.

**Claiming the credit.** Use ***Form 8861,*** *Welfare-to-Work Credit,* to claim this credit.

***Effect on salary and wage deduction.*** In general, you must reduce the deduction on your income tax return for salaries and wages by the amount of your welfare-to-work credit.

***Effect on empowerment zone employment credit.*** Wages you use to claim the welfare-to-work credit cannot be used to figure the empowerment zone employment credit. In addition, they reduce the maximum qualified zone wages you can use to claim the empowerment zone employment credit for an employee who qualifies you for both credits.

***Effect of work opportunity credit.*** You cannot claim both the welfare-to-work credit and the work opportunity credit for the same employee during the same tax year.

**More information.** For more information about the welfare-to-work credit, see Form 8861.

# Indian Employment Credit

The Indian employment credit provides businesses with an incentive to hire certain individuals who live on or near an Indian reservation. Your business does not have to be in an empowerment zone or enterprise community to qualify for this credit. You can claim the credit if you pay or incur “qualified wages” to a “qualified employee.”

CAUTION *At the time this publication was printed, this credit was set to expire for tax years beginning after 2003.*

**Qualified employee.** A qualified employee, for any tax period, is any employee who meets all of the following tests.

1) The employee is an enrolled member of an Indian tribe or the spouse of an enrolled member of an Indian tribe.
2) The employee performs substantially all of his or her services for you within an Indian reservation.
3) While performing those services, the employee has his or her main home on or near that reservation.

Also, more than 50% of the wages you pay or incur to the employee during the year must be for services performed in your trade or business.

***Nonqualified employees.*** The following individuals are not qualified employees.

1) Any employee to whom you pay or incur wages (including wages for services outside an Indian reservation) at a rate that would cause you to pay the employee more than $30,000 if the rate applied for an entire year. (This wage limit may be adjusted for inflation for tax years beginning after 1999.)
2) Certain related taxpayers.
3) Certain dependents.
4) Any 5% owner.

5) Any individual who performs services involving certain gaming activities.

6) Any individual who performs services in a building housing certain gaming activities.

**Qualified wages.** Qualified wages are any wages you pay or incur for services performed by an employee while the employee is a qualified employee (defined earlier). Wages are generally defined as those wages subject to the Federal Unemployment Tax Act (FUTA) without regard to the FUTA dollar limit.

Also treat as qualified wages any qualified employee health insurance costs you pay or incur on behalf of a qualified employee. However, do not include any amount you pay or incur for health insurance under a salary reduction arrangement.

The total amount of qualified wages (including qualified employee health insurance costs) you can use to figure the credit cannot be more than $20,000 for each employee each tax year.

***Effect of work opportunity credit.*** Qualified wages do not include any amount you pay or incur for work performed by a qualified employee during the 1-year period beginning on the date the individual begins work for you, if you use any part of these wages to claim the work opportunity credit.

**Amount of credit.** In most cases, the credit is 20% of the excess of your current year qualified wages and qualified employee health insurance costs over the sum of the corresponding amounts you paid or incurred during calendar year 1993.

**Claiming the credit.** Use ***Form 8845,*** *Indian Employment Credit,* to claim this credit.

***Effect on salary and wage deduction.*** In general, you must reduce the deduction on your income tax return for salaries and wages and health insurance costs by the amount of your Indian employment credit.

***Early termination of employee.*** Generally, if you terminate a qualified employee sooner than 1 year after the date of initial employment, you cannot claim a credit for that employee for the tax year the employment is terminated. Also, you may have to recapture credits allowed in earlier years.

These rules do not apply in the following situations.

- The employee voluntarily quits.
- The employee is terminated because of misconduct.
- The employee becomes disabled. However, if the disability ends before the end of the first year of employment, you must offer reemployment to the former employee.

**More information.** For more information about the Indian employment credit, see Form 8845.

# Depreciation of Property Used on Indian Reservations

Depreciation is a loss in the value of property over the time the property is being used. You can get back your cost of certain property by taking deductions for depreciation. This includes the cost of certain buildings and equipment you use in your business.

Special depreciation rules apply to qualified property that you place in service on an Indian reservation after 1993 and before 2004. Your business does not have to use the property in an empowerment zone or enterprise community to use these special rules. These special rules allow you to use shorter recovery periods to figure your depreciation deduction for qualified property. As a result, your deduction is larger.

**Qualified property.** Property eligible for the shorter recovery periods is 3-, 5-, 7-, 10-, 15-, and 20-year property and nonresidential real property. You must use this property predominantly in the active conduct of a trade or business within an Indian reservation. Real property you rent to others that is located on an Indian reservation is also eligible for the shorter recovery periods.

The following property is ***not*** qualified property.

1) Property used or located outside an Indian reservation on a regular basis.

2) Property acquired directly or indirectly from certain related persons.

3) Property placed in service for purposes of conducting or housing certain gaming activities.

Qualified property also does not include any property you must depreciate under the Alternative Depreciation System (ADS). Determine whether property is qualified without regard to the choice to use ADS and after applying the special rules for listed property not used predominantly in a qualified business (discussed in Publication 946).

***Qualified infrastructure property.*** Item (1) above does not apply to qualified infrastructure property located outside the reservation that is used to connect with qualified infrastructure property within the reservation.

Qualified infrastructure property is property that meets all the following requirements.

1) It meets the requirements listed earlier under *Qualified property* (except that it can be outside the reservation).

2) It benefits the tribal infrastructure.

3) It is available to the general public.

4) It was placed in service in connection with the active conduct of a trade or business within a reservation.

Infrastructure property includes, but is not limited to, roads, power lines, water systems, railroad spurs, and communications facilities.

**Recovery periods.** The following table shows the shorter recovery periods you can use to depreciate qualified property.

**Table 6. Recovery Periods for Qualified Property**

| Property Class | Recovery Period |
|---|---|
| 3-year | 2 years |
| 5-year | 3 years |
| 7-year | 4 years |
| 10-year | 6 years |
| 15-year | 9 years |
| 20-year | 12 years |
| Nonresidential real property | 22 years |

**More information.** For more information about depreciation, including the special rules that apply to property used on Indian reservations, see Publication 946, *How To Depreciate Property.*

# Exclusion of Capital Gains From DC Zone Assets

If you hold a District of Columbia Enterprise Zone (DC Zone) asset more than 5 years, you will not have to include any “qualified capital gain” from its sale or exchange in your gross income. This exclusion applies to an interest in, or property of, certain businesses operating in the District of Columbia.

## DC Zone Asset

A DC Zone asset is any of the following.

- DC Zone business stock.
- DC Zone partnership interest.
- DC Zone business property.

CAUTION *In determining whether any property is a DC Zone asset, continue to treat the DC Zone as an empowerment zone for years after 2002.*

**DC Zone business stock.** DC Zone business stock is any stock in a U.S. corporation that is originally issued after 1997, if all of the following requirements are met.

1) You acquired the stock before January 1, 2003, at its original issue solely in exchange for cash. (This requirement is also met if you acquired the stock before, on, or after January 1, 2003, from another person in whose hands it was DC Zone business stock.)
2) The corporation was a DC Zone business (or was being organized as a DC Zone business) at the time the stock was issued.
3) The corporation qualified as a DC Zone business during substantially all of your holding period for the stock. (This requirement is also met if the corporation ceased to qualify as a DC Zone business after the 5-year period beginning on the date you acquired the stock. However, your qualified capital gain cannot be more than what it would have been if you had sold the stock on the date the corporation ceased to qualify.)

***Redemptions of business stock.*** Stock will not qualify as DC Zone business stock if the issuing corporation makes certain redemptions of its stock within 2 years before or 2 years after the date the stock was issued. For details, see Internal Revenue Code sections 1400B(b)(2)(B) and 1202(c)(3).

**DC Zone partnership interest.** A DC Zone partnership interest is any capital or profits interest in a U.S. partnership that is originally issued after 1997, if all of the following requirements are met.

1) You acquired the partnership interest from the partnership before January 1, 2003, in exchange for cash. (This requirement is also met if you acquired the partnership interest before, on, or after January 1, 2003, from another person in whose hands it was a DC Zone partnership interest.)
2) The partnership was a DC Zone business (or was being organized as a DC Zone business) at the time the partnership interest was acquired.
3) The partnership qualified as a DC Zone business during substantially all of your holding period for the partnership interest. (This requirement is also met if the partnership ceased to qualify as a DC Zone business after the 5-year period beginning on the date you acquired the partnership interest. However, your qualified capital gain cannot be more than what it would have been if you had sold the partnership interest on the date the partnership ceased to qualify.)

***Redemptions of partnership interest.*** A partnership interest will not qualify as a DC Zone partnership interest if the partnership makes certain acquisitions of its partnership interests within 2 years before or 2 years after the date the partnership interest was issued. For details, see Internal Revenue Code sections 1400B(b)(3), 1400B(b)(2)(B), and 1202(c)(3).

**DC Zone business property.** DC Zone business property is tangible property acquired after 1997 that meets all of the following requirements.

1) You acquired the property before January 1, 2003. (This requirement is also met if you acquired the property before, on, or after January 1, 2003, from another person in whose hands it was DC Zone business property.)
2) You did not acquire the property from a related person or member of a controlled group of which you are a member.
3) Your basis in the property is not determined either by its adjusted basis in the hands of the person from whom you acquired it or under the stepped-up basis rules for property acquired from a decedent.

4) You were the first person to use the property in the DC Zone. (This requirement is also met if you acquired the property from another person in whose hands it was DC Zone business property.)

5) Substantially all of the use of the property was in your DC Zone business during substantially all of your holding period for that property. (This requirement is also met if you stopped using the property in your DC Zone business, or your business ceased to qualify as a DC Zone business, after the 5-year period beginning on the date you acquired the property. However, your qualified capital gain cannot be more than what it would have been if you had sold the property on the date you stopped using the property in your DC Zone business or on the date your business ceased to qualify.)

***Special rule for substantially improved buildings.*** Buildings (and land on which they are located) will be treated as having met requirements (1) through (4), listed earlier under *DC Zone business property,* if you substantially improved the buildings before January 1, 2003. Buildings are substantially improved if, during any 24-month period beginning after 1997, your additions to the basis of the property are more than the greater of the following amounts.

1) 100% of the adjusted basis of the property at the beginning of the 24-month period.

2) $5,000.

**DC Zone business.** A DC Zone business for this capital gains exclusion is an enterprise zone business as defined earlier under *Increased Section 179 Deduction,* with the following exceptions.

- The 35% employee residence requirement listed in item (6) does not apply.
- The 50% of gross income requirement listed in item (2) is increased to 80%.
- No area other than the DC Zone can be treated as an empowerment zone or enterprise community.

For this purpose, the DC Zone is treated as including all census tracts in the District of Columbia with a poverty rate of 10% or more as determined by the 1990 census.

## Qualified Capital Gain

Qualified capital gain is any gain recognized on the sale or exchange of a DC Zone asset that is a capital asset or property used in a trade or business as defined in section 1231(b) of the Internal Revenue Code (generally real property or depreciable personal property). But it does not include any of the following gains.

- Gain attributable to periods before 1998 or after December 31, 2007.
- Section 1245 gain. See chapter 3 in Publication 544, *Sales and Other Dispositions of Assets.*
- Section 1250 gain figured as if section 1250 applied to ***all*** depreciation rather than the additional depreciation. See chapter 3 in Publication 544.
- Gain attributable to real property or an intangible asset that is not an integral part of a DC Zone business.
- Gain attributable, directly or indirectly, in whole or in part, to a transaction with a related person. For the definition of a related person, see chapter 2 in Publication 544.

**Other rules.** Rules similar to certain rules in section 1202 of the Internal Revenue Code apply to interests in pass-through entities, certain tax-free transfers, contributions to capital after the original stock issuance date, and short positions.

# How To Get More Information

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

**Free tax services.** To find out what services are available, get Publication 910, *Guide to Free Tax Services.* It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

**Personal computer.** With your personal computer and modem, you can access the IRS on the Internet at **www.irs.ustreas.gov.** While visiting our Web Site, you can select:

- *Frequently Asked Tax Questions* to find answers to questions you may have.
- *Fill-in Forms* to complete tax forms on-line.
- *Forms and Publications* to download forms and publications or search publications by topic or keyword.
- *Comments & Help* to e-mail us with comments about the site or with tax questions.
- *Digital Dispatch* and *IRS Local News Net* to receive our electronic newsletters on hot tax issues and news.

You can also reach us with your computer using any of the following.

- Telnet at **iris.irs.ustreas.gov**
- File Transfer Protocol at **ftp.irs.ustreas.gov**
- Direct dial (by modem) **703–321–8020**

**TaxFax Service.** Using the phone attached to your fax machine, you can receive forms, instructions, and tax information by calling **703–368–9694.** Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

**Phone.** Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1–800–829–3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1–800–829–1040.**
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1–800–829–4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1–800–829–4477** to listen to pre-recorded messages covering various tax topics.

***Evaluating the quality of our telephone services.*** To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.

**Walk-in.** You can pick up certain forms, instructions, and publications at many post offices, libraries, and IRS offices. Some libraries and IRS offices have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.

# Index



■

## Tax Publications for Business Taxpayers

See *How To Get More Information* for a variety of ways to get publications, including by computer, phone, and mail.

### General Guides

**1** Your Rights as a Taxpayer
**17** Your Federal Income Tax (For Individuals)
**225** Farmer's Tax Guide
**334** Tax Guide for Small Business
**509** Tax Calendars for 1999
**553** Highlights of 1998 Tax Changes
**595** Tax Highlights for Commercial Fishermen
**910** Guide to Free Tax Services

### Employer's Guides

**15** Employer's Tax Guide (Circular E)
**15-A** Employer's Supplemental Tax Guide
**51** Agricultural Employer's Tax Guide (Circular A)
**80** Federal Tax Guide For Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (Circular SS)
**179** Guía Contributiva Federal Para Patronos Puertorriqueños (Circular PR)
**926** Household Employer's Tax Guide

### Specialized Publications

**378** Fuel Tax Credits and Refunds
**463** Travel, Entertainment, Gift, and Car Expenses
**505** Tax Withholding and Estimated Tax
**510** Excise Taxes for 1999
**515** Withholding of Tax on Nonresident Aliens and Foreign Corporations
**517** Social Security and Other Information for Members of the Clergy and Religious Workers
**527** Residential Rental Property
**533** Self-Employment Tax
**534** Depreciating Property Placed in Service Before 1987
**535** Business Expenses
**536** Net Operating Losses
**537** Installment Sales
**538** Accounting Periods and Methods
**541** Partnerships
**542** Corporations
**544** Sales and Other Dispositions of Assets
**551** Basis of Assets
**556** Examination of Returns, Appeal Rights, and Claims for Refund
**560** Retirement Plans for Small Business (SEP, SIMPLE, and Keogh Plans)
**561** Determining the Value of Donated Property
**583** Starting a Business and Keeping Records
**587** Business Use of Your Home (Including Use by Day-Care Providers)
**594** Understanding the Collection Process
**597** Information on the United States-Canada Income Tax Treaty
**598** Tax on Unrelated Business Income of Exempt Organizations
**686** Certification for Reduced Tax Rates in Tax Treaty Countries
**901** U.S. Tax Treaties
**908** Bankruptcy Tax Guide
**911** Direct Sellers
**925** Passive Activity and At-Risk Rules
**946** How To Depreciate Property
**947** Practice Before the IRS and Power of Attorney
**953** International Tax Information for Businesses
**1544** Reporting Cash Payments of Over $10,000
**1546** The Problem Resolution Program of the Internal Revenue Service

### Spanish Language Publications

**1SP** Derechos del Contribuyente
**579SP** Cómo Preparar la Declaración de Impuesto Federal
**594SP** Comprendiendo el Proceso de Cobro
**850** English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
**1544SP** Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)

## Commonly Used Tax Forms

See *How To Get More Information* for a variety of ways to get forms, including by computer, fax, phone, and mail. Items with an asterisk are available by fax. For these orders only, use the catalog numbers when ordering.

| Form Number and Title | Catalog Number |
|---|---|
| **W-2** Wage and Tax Statement | 10134 |
| **W-4** Employee's Withholding Allowance Certificate* | 10220 |
| **940** Employer's Annual Federal Unemployment (FUTA) Tax Return* | 11234 |
| **940EZ** Employer's Annual Federal Unemployment (FUTA) Tax Return* | 10983 |
| **941** Employer's Quarterly Federal Tax Return | 17001 |
| **1040** U.S. Individual Income Tax Return* | 11320 |
| **Sch A & B** Itemized Deductions & Interest and Ordinary Dividends* | 11330 |
| **Sch C** Profit or Loss From Business* | 11334 |
| **Sch C-EZ** Net Profit From Business* | 14374 |
| **Sch D** Capital Gains and Losses* | 11338 |
| **Sch E** Supplemental Income and Loss* | 11344 |
| **Sch F** Profit or Loss From Farming* | 11346 |
| **Sch H** Household Employment Taxes* | 12187 |
| **Sch J** Farm Income Averaging* | 25513 |
| **Sch R** Credit for the Elderly or the Disabled* | 11359 |
| **Sch SE** Self-Employment Tax* | 11358 |
| **1040-ES** Estimated Tax for Individuals* | 11340 |
| **1040X** Amended U.S. Individual Income Tax Return* | 11360 |
| **1065** U.S. Partnership Return of Income | 11390 |
| **Sch D** Capital Gains and Losses | 11393 |
| **Sch K-1** Partner's Share of Income, Credits, Deductions, etc. | 11394 |
| **1120** U.S. Corporation Income Tax Return | 11450 |
| **1120-A** U.S. Corporation Short-Form Income Tax Return | 11456 |
| **1120S** U.S. Income Tax Return for an S Corporation | 11510 |
| **Sch D** Capital Gains and Losses and Built-In Gains | 11516 |
| **Sch K-1** Shareholder's Share of Income, Credits, Deductions, etc. | 11520 |
| **2106** Employee Business Expenses* | 11700 |
| **2106-EZ** Unreimbursed Employee Business Expenses* | 20604 |
| **2210** Underpayment of Estimated Tax by Individuals, Estates, and Trusts* | 11744 |
| **2441** Child and Dependent Care Expenses* | 11862 |
| **2848** Power of Attorney and Declaration of Representative* | 11980 |
| **3800** General Business Credit | 12392 |
| **3903** Moving Expenses* | 12490 |
| **4562** Depreciation and Amortization* | 12906 |
| **4797** Sales of Business Property* | 13086 |
| **4868** Application for Automatic Extension of Time To File U.S. Individual Income Tax Return* | 13141 |
| **5329** Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs* | 13329 |
| **6252** Installment Sale Income* | 13601 |
| **8283** Noncash Charitable Contributions* | 62299 |
| **8300** Report of Cash Payments Over $10,000 Received in a Trade or Business* | 62133 |
| **8582** Passive Activity Loss Limitations* | 63704 |
| **8606** Nondeductible IRAs* | 63966 |
| **8822** Change of Address* | 12081 |
| **8829** Expenses for Business Use of Your Home* | 13232 |