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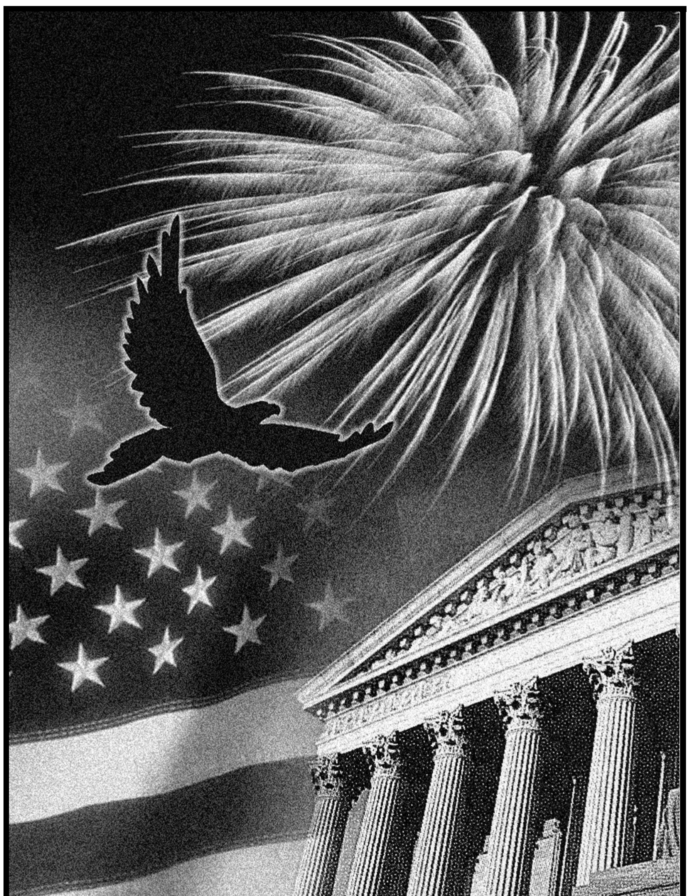
Tax Guide for Seniors

For use in preparing
2010 Returns



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Contents

What's New

Limits on personal exemptions and overall itemized deductions ended. For 2010, you will no longer lose part of your deduction for personal exemptions and itemized deductions, regardless of the amount of your adjusted gross income (AGI).

Rollovers to Roth IRAs. For tax years starting in 2010, the $100,000 modified AGI limit on rollovers from eligible retirement plans to Roth IRAs is eliminated and married taxpayers filing a separate return can now roll over amounts to a Roth IRA.

Also, for any 2010 rollover from an eligible retirement plan (other than a designated Roth account or Roth IRA) to a Roth IRA, any amounts that would be included as income will generally be included in income in equal amounts in 2011 and 2012. You can choose to include the entire amount in income in 2010.

In-plan rollovers to designated Roth accounts. After September 27, 2010, if you are a plan participant in a section 401(k) or 403(b) plan, your plan may permit you to roll over amounts in those plans to a designated Roth account within the same plan (in-plan Roth rollover). The rollover of any untaxed amounts must be included in income. See Publication 575 for more details. Starting in 2011, governmental section 457(b) plans can include designated Roth accounts.

For any 2010 in-plan Roth rollovers, any amount that must be included in income is generally included in income in equal amounts in 2011 and 2012. You can choose to include the entire amount in income in 2010.

First-time homebuyer credit. You generally cannot claim the credit for a home you bought after April 30, 2010. However, you may be able to claim the credit if you entered into a written binding contract before May 1, 2010, to buy the home before July 1, 2010, and actually bought the home before October 1, 2010. Also, certain members of the Armed Forces and certain other taxpayers have additional time to buy a home and take the credit.

Alternative minimum tax (AMT) exemption amount increased. The AMT exemption amount increased to $47,450 ($72,450 if married filing jointly or a qualifying widow(er)); $36,225 if married filing separately). For details, get Form 6251, Alternative Minimum Tax-Individuals.

Standard deduction increased. For some people who do not itemize their deductions, the standard deduction is higher in 2010 than it was in 2009. In addition to the annual increase due to inflation adjustments, your 2010 standard deduction is increased by:

- State or local sales or excise taxes you paid in 2010 on the purchase of a new motor vehicle after February 16, 2009, and
- Any net disaster loss you had in 2010 because of a disaster that occurred before 2010 and was declared a federally declared disaster after 2007.

For more information, see chapter 4.

Earned income credit. The maximum amount of income you can earn and still get the credit has increased. You may be able to take the credit if you earn less than:

- $13,460 ($18,470 if married filing jointly), do not have a qualifying child, and are at least 25 years old and under 65,
- $35,535 ($40,545 if married filing jointly), and you have one qualifying child,
- $40,463 ($45,373 if married filing jointly), and you have two qualifying children, or
- $43,352 ($48,362 if married filing jointly), and you have three or more qualifying children.

For more information, see *Earned Income Credit*, later.

Exemption phaseout. In previous years, you would lose part of the benefit of your exemptions if your adjusted gross income (AGI) is above a certain amount. However, in 2010, you will no longer lose part of your deduction for personal exemptions and itemized deductions, regardless of the amount of your AGI.

Decedents who died in 2010. For special rules that may apply to decedents who died in 2010, including rules for property acquired from a decedent who died in 2010, see new Pub. 4895, Tax Treatment of Property Acquired From a Decedent Dying in 2010.

Disclosure of information by paid preparers. If you use a paid preparer to file your return, the preparer is allowed, in some cases, to disclose certain information from your return, such as your name and address, to certain other parties, such as the preparer's professional liability insurance company or the publisher of a tax newsletter. For details, see Revenue Rulings 2010-4 and 2010-5. You can find Revenue Ruling 2010-4 on page 309 of Internal Revenue Bulletin *www.irs.gov/irb/2010-04_IRB/ar08.html*. You can find Revenue Ruling 2010-5 on page 312 of Internal Revenue Bulletin 2010-4 at *www.irs.gov/irb/2010-04_IRB/ar09.html*.

Expired tax benefits. The following tax benefits have expired.

- Increased standard deduction for real estate taxes or net disaster loss for a disaster occurring after 2009.
- Itemized deduction or increased standard deduction for state or local sales or excise taxes on the purchase of a new motor vehicle (unless you bought the vehicle in 2009 after February 16 and paid the tax in 2010).
- The exclusion from income of up to $2,400 in unemployment compensation.
- Government retiree credit.
- Alternative motor vehicle credit for qualified hybrid motor vehicles bought after 2009, except cars and light trucks with a gross vehicle weight rating of 8,500 pounds or less.
- Extra $3,000 IRA deduction for employees of bankrupt companies.
- Certain tax benefits for Midwestern disaster areas, including increased Hope and lifetime learning credits and the additional exemption amount if you provided housing for a person displaced by the Midwestern storms, tornadoes, or flooding.
- Credit to holders of clean renewable energy bonds issued after 2009.
- Decreased estimated tax payments for certain small businesses.

Reminders

Tax return preparers. Choose your preparer carefully. If you pay someone to prepare your return, the preparer is required, under the law, to sign the return and fill in the other blanks in the Paid Preparer area of your return. Remember, however, that you are still responsible for the accuracy of every item entered on your return. If there is any underpayment, you are responsible for paying it, plus any interest and penalty that may be due.

Disaster-related tax relief. Special rules apply to the use of retirement funds (including IRAs) by qualified individuals who suffered an economic loss as a result of:

- The storms that began on May 4, 2007, in the Kansas disaster area, or
- The severe storms in the Midwestern disaster areas in 2008.

See Publication 575, Pension and Annuity Income, and Publication 590, Individual Retirement Arrangements (IRAs), for information on these special rules.

Sale of home by surviving spouse. If you are an unmarried widow or widower, you may qualify to exclude up to $500,000 of any gain from the sale or exchange of your main home. For more information, see *Sale of Home*, later.

Third party designee. You can check the "Yes" box in the Third Party Designee area of your return to authorize the IRS to discuss your return with your preparer, a friend, family member, or any other person you choose. This allows the IRS to call the person you identified as your designee to answer any questions that may arise during the processing of your return. It also allows your designee to perform certain actions.

Employment tax withholding. Your wages are subject to withholding for income tax, social security tax, and Medicare tax even if you are receiving social security benefits.

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

Introduction

The purpose of this publication is to provide a general overview of selected topics that are of interest to older taxpayers. The publication will help you determine if you need to file a return and, if so, what items to report on your return. Each topic is discussed only briefly, so you will find references to other free IRS publications that provide more detail on these topics if you need it.

Table I has a list of questions you may have about filing your federal tax return. To the right of each question is the location of the answer in this publication. Also, at the back of this publication there is an index to help you search for the topic you need.

While most federal income tax laws apply equally to all taxpayers, regardless of age, there are some provisions that give special treatment to older taxpayers. The following are some examples.

- ***Higher gross income threshold for filing.*** You must be age 65 or older at the end of the year to get this benefit. You are considered age 65 on the day before your 65th birthday. Therefore, you are considered age 65 at the end of the year if your 65th birthday is on or before January 1 of the following year.
- ***Higher standard deduction.*** If you do not itemize deductions, you are entitled to a higher standard deduction if you are age 65 or older at the end of the year. You are considered age 65 on the day before your 65th birthday.
- ***Credit for the elderly or the disabled.*** If you qualify, you may benefit from the credit for the elderly or the disabled. To determine if you qualify and how to figure this credit, see *Credit for the Elderly or the Disabled*, later.

Return preparation assistance. The IRS wants to make it easier for you to file your federal tax return. You may find it helpful to visit a Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), or American Association of Retired Persons (AARP) Tax-Aide site near you.

Volunteer Income Tax Assistance and Tax Counseling for the Elderly. These programs provide free help for low-income taxpayers and taxpayers age 60 or older to fill in and file their returns. For the VITA/TCE site nearest you, contact your local IRS office.

For the location of an AARP Tax-Aide site in your community, call 1-888-227-7669. When asked, be ready to press in or speak your 5-digit ZIP code. Or, you can visit their website at *www.aarp.org/taxaide*.

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

You can write to us at the following address:

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

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

You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. You can also send us comments from www.irs.gov/formspubs/, select "Comment on Tax Forms and Publications" under "Information about."

Although we cannot respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax products.

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

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

Table I. What You Should Know About Federal Taxes

Note. The following is a list of questions you may have about filling out your federal income tax return. To the right of each question is the location of the answer in this publication.

What I Should Know	Where To Find the Answer
Do I need to file a return?	See chapter 1.
Is my income taxable or nontaxable? If it is nontaxable, must I still report it?	See chapter 2.
How do I report benefits I received from the Social Security Administration or the Railroad Retirement Board? Are these benefits taxable?	See *Social Security and Equivalent Railroad Retirement Benefits* in chapter 2.
Must I report the sale of my home? If I had a gain, is any part of it taxable?	See *Sale of Home* in chapter 2.
What are some of the items that I can deduct to reduce my income?	See chapters 3 and 4.
How do I report the amounts I set aside for my IRA?	See *Individual Retirement Arrangement (IRA) Contributions and Deductions* in chapter 3.
Would it be better for me to claim the standard deduction or itemize my deductions?	See chapter 4.
What are some of the credits I can claim to reduce my tax?	See chapter 5 for discussions on the credit for the elderly or the disabled, the child and dependent care credit, and the earned income credit.
Must I make estimated tax payments?	See chapter 6.
How do I contact the IRS or get more information?	See chapter 7.

1.

2010 Filing Requirements

If income tax was withheld from your pay, or if you qualify for the earned income credit, the additional child tax credit, the health coverage tax credit, the refundable credit for prior year minimum tax, the making work pay credit, the first-time homebuyer credit, or the American opportunity credit, you should file a return to get a refund even if you are not otherwise required to file a return.

TIP *Do not file a federal income tax return, if you do not meet the filing requirements and are not due a refund. If you need assistance to determine if you need to file a federal income tax return for 2010, go to IRS.gov and click on "Individuals" and then on "Do You Need to File a Federal Income Tax Return?".*

General Requirements

If you are a U.S. citizen or resident, you must file a return if your gross income for the year was at least the amount shown on the appropriate line in Table 1-1. For other filing requirements, see the instructions for Form 1040, 1040A, or 1040-EZ, and Publication 501, Exemptions, Standard Deduction, and Filing Information, or go to IRS.gov. If you were a nonresident alien at any time during the year, the filing requirements that apply to you may be different from those that apply to U.S. citizens. See Publication 519, U.S. Tax Guide for Aliens.

Gross income. Gross income is all income you receive in the form of money, goods, property, and services that is not exempt from tax. If you are married and live with your spouse in a community property state, half of any income defined by state law as community income may be considered yours. The community property states are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. For more information about community property, see Publication 555, Community Property.

For more information on what to include in gross income, see chapter 2.

Self-employed persons. If you are self-employed in a business that provides services (where the production, purchase, or sale of merchandise is not an income-producing factor), gross income from that business is the gross receipts.

If you are self-employed in a business involving manufacturing, merchandising, or mining, gross income from that business is the total sales minus the cost of goods

Table 1-1. **2010 Filing Requirements Chart for Most Taxpayers**

Note. You must file a return if your gross income was at least the amount shown in the last column.

IF your filing status is. . .	**AND at the end of 2010 you were*. . .**	**THEN file a return if your gross income** was at least. . .**
Single	under 65	$ 9,350
	65 or older	10,750
Head of household	under 65	12,050
	65 or older	13,450
Married filing jointly***	under 65 (both spouses)	18,700
	65 or older (one spouse)	19,800
	65 or older (both spouses)	20,900
Married filing separately	any age	3,650
Qualifying widow(er) with dependent child	under 65	15,050
	65 or older	16,150

* If you were born before January 2, 1946, you are considered to be 65 or older at the end of 2010.

** Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). Do not include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2010 or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than $25,000 ($32,000 if married filing jointly). If (a) or (b) applies, see the Instructions for Form 1040 or Publication 915, Social Security Benefits and Equivalent Railroad Retirement Benefits, to figure the taxable part of social security benefits you must include in gross income.

*** If you did not live with your spouse at the end of 2010 (or on the date your spouse died) and your gross income was at least $3,650, you must file a return regardless of your age.

sold. Then, to this figure, you add any income from investments and from incidental or outside operations or sources. See Publication 334, Tax Guide for Small Business, for more information.

Dependents. If you could be claimed as a dependent by another taxpayer (that is, you meet the dependency tests in Publication 501), special filing requirements apply. See Publication 501.

Decedents

A personal representative of a decedent's estate can be an executor, administrator, or anyone who is in charge of the decedent's property.

If you are acting as the personal representative of a person who died during the year, you may have to file a final return for that decedent. You also have other duties, such as notifying the IRS that you are acting as the personal representative. Form 56, Notice Concerning Fiduciary Relationship, is available for this purpose.

When you file a return for the decedent, either as the personal representative or as the surviving spouse, you should write "DECEASED," the decedent's name, and the date of death across the top of the tax return.

If no personal representative has been appointed by the due date for filing the return, the surviving spouse (on a joint return) should sign the return and write in the signature area "Filing as surviving spouse."

For more information, see Publication 559, Survivors, Executors, and Administrators.

Surviving spouse. If you are the surviving spouse, the year your spouse died is the last year for which you can file a joint return with that spouse as long as you do not remarry before the end of the year of the decedent's death. After that, if you do not remarry, you must file as a qualifying widow(er) with dependent child, head of household, or single. For more information about each of these filing statuses, see Publication 501.

If you remarry before the end of the year in which your spouse died, a final joint return with the deceased spouse cannot be filed. You can, however, file a joint return with your new spouse. In that case, the filing status of your deceased spouse for his or her final return is married filing separately.

CAUTION

The level of income that requires you to file an income tax return changes when your filing status changes (see Table 1-1). Even if you and your deceased spouse were not required to file a return for several years, you may have to file a return for tax years ***after*** *the year of death. For example, if your filing status changes from filing jointly in 2009 to single in 2010 because of the death of your spouse, and your gross income is $17,500 for both years, you must file a return for 2010 even though you did not have to file a return for 2009.*

2.

Taxable and Nontaxable Income

Generally, income is taxable unless it is specifically exempt (not taxed) by law. Your taxable income may include compensation for services, interest, dividends, rents, royalties, income from partnerships, estate or trust income, gain from sales or exchanges of property, and business income of all kinds.

Under special provisions of the law, certain items are partially or fully exempt from tax. Provisions that are of special interest to older taxpayers are discussed in this chapter.

Compensation for Services

Generally, you must include in gross income everything you receive in payment for personal services. In addition to wages, salaries, commissions, fees, and tips, this includes other forms of compensation such as fringe benefits and stock options.

You need not receive the compensation in cash for it to be taxable. Payments you receive in the form of goods or services generally must be included in gross income at their fair market value.

Volunteer work. Do not include in your gross income amounts you receive for supportive services or reimbursements for out-of-pocket expenses under any of the following volunteer programs.

- Retired Senior Volunteer Program (RSVP).
- Foster Grandparent Program.
- Senior Companion Program.
- Service Corps of Retired Executives (SCORE).

Unemployment compensation. You must include in income all unemployment compensation you or your spouse (if married filing jointly) received.

More information. See Publication 525, Taxable and Nontaxable Income, for more detailed information on specific types of income.

Retirement Plan Distributions

This section summarizes the tax treatment of amounts you receive from traditional individual retirement arrangements (IRA), employee pensions or annuities, and disability pensions or annuities. A traditional IRA is any IRA that is not a

Roth or SIMPLE IRA. A Roth IRA is an individual retirement plan that can be either an account or an annuity and that features nondeductible contributions and tax-free distributions. A SIMPLE IRA is a tax-favored retirement plan that certain small employers (including self-employed individuals) can set up for the benefit of their employees. More detailed information can be found in Publication 590, Individual Retirement Arrangements (IRAs), and Publication 575, Pension and Annuity Income.

Disaster-related tax relief. Special rules apply to retirement funds received by qualified individuals who suffered an economic loss as a result of storms in the Kansas disaster area or Midwestern disaster areas. See Publication 575 and Publication 590 for information on these rules.

Individual Retirement Arrangements (IRAs)

In general, distributions from a traditional IRA are taxable in the year you receive them. Exceptions to the general rule are rollovers, tax-free withdrawals of contributions, and the return of nondeductible contributions. These are all discussed in Publication 590.

TIP *If you made nondeductible contributions to a traditional IRA, you must file Form 8606, Nondeductible IRAs. If you do not file Form 8606 with your return, you may have to pay a $50 penalty. Also, when you receive distributions from your traditional IRA, the amounts will be taxed unless you can show, with satisfactory evidence, that nondeductible contributions were made.*

Early distributions. Generally, early distributions are amounts distributed from your traditional IRA account or annuity before you are age 59½, or amounts you receive when you cash in retirement bonds before you are age 59½. You must include early distributions of taxable amounts in your gross income. These taxable amounts are also subject to an additional 10% tax unless the distribution qualifies for an exception. See *Tax on Early Distributions*, later.

After age 59½ and before age 70½. After you reach age 59½, you can receive distributions from your traditional IRA without having to pay the 10% additional tax. Even though you can receive distributions after you reach age 59½, distributions are not required until April 1 of the year following the year in which you reach age 70½.

Required distributions. If you are the owner of a traditional IRA, you must receive the entire balance in your IRA or start receiving periodic distributions from your IRA by April 1 of the year following the year in which you reach age 70½. See *When Must You Withdraw Assets? (Required Minimum Distributions)* in Publication 590. If distributions from your traditional IRA(s) are less than the required minimum distribution for the year, you may have to pay a 50% excise tax for that year on the amount not distributed as required. See *Tax on Excess Accumulations*, later. See also *Excess Accumulations (Insufficient Distributions)* in Publication 590.

TIP *If you reached age 70½ in 2009, you are not required to receive your first distribution by April 2010, due to the special waiver for 2009. Your first distribution, however, must be made for 2010 by December 31, 2010. For details, see Publication 590.*

Pensions and Annuities

Generally, if you did not pay any part of the cost of your employee pension or annuity, and your employer did not withhold part of the cost of the contract from your pay while you worked, the amounts you receive each year are fully taxable. However, see *Insurance Premiums for Retired Public Safety Officers*, later.

If you paid part of the cost of your pension or annuity plan (see *Cost*, later), you can exclude part of each annuity payment from income as a recovery of your cost (investment in the contract). This tax-free part of the payment is figured when your annuity starts and remains the same each year, even if the amount of the payment changes. The rest of each payment is taxable. However, see *Insurance Premiums for Retired Public Safety Officers*, later.

You figure the tax-free part of the payment using one of the following methods.

- ***Simplified Method.*** You generally must use this method if your annuity is paid under a qualified plan (a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity plan or contract). You cannot use this method if your annuity is paid under a nonqualified plan.
- ***General Rule.*** You must use this method if your annuity is paid under a nonqualified plan. You generally cannot use this method if your annuity is paid under a qualified plan.

TIP *Contact your employer or plan administrator to find out if your pension or annuity is paid under a qualified or nonqualified plan.*

You determine which method to use when you first begin receiving your annuity, and you continue using it each year that you recover part of your cost. See Publication 575 for details.

Exclusion limit. Your annuity starting date determines the total amount of annuity payments that you can exclude from income over the years. Once your annuity starting date is determined, it does not change. If you calculate the taxable portion of your annuity payments using the simplified method worksheet, the annuity starting date determines the recovery period for your cost. That recovery period begins on your annuity starting date and is not affected by the date you first complete the worksheet.

Exclusion limited to cost. If your annuity start date is after 1986, the total amount of annuity income that you can exclude over the years as a recovery of the cost cannot exceed your total cost. Any unrecovered cost at your (or the last annuitant's) death is allowed as a miscellaneous itemized deduction on the final return of the decedent. This deduction is not subject to the 2%-of-adjusted-gross-income limit.

Exclusion not limited to cost. If your annuity starting date is before 1987, you can continue to take your monthly exclusion for as long as you receive your annuity. If you chose a joint and survivor annuity, your survivor can continue to take the survivor's exclusion figured as of the annuity starting date. The total exclusion may be more than your cost.

Cost. Before you can figure how much, if any, of your pension or annuity benefits are taxable, you must determine your cost in the plan (your investment in the contract). Your total cost in the plan includes everything that you paid. It also includes amounts your employer contributed that were taxable to you when paid. However, see *Foreign employment contributions*, next.

From this total cost, subtract any refunded premiums, rebates, dividends, unrepaid loans, or other tax-free amounts you received by the later of the annuity starting date or the date on which you received your first payment.

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

TIP *The amount of your contributions to the plan may be shown in box 9b of any Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that you receive.*

Foreign employment contributions. If you worked abroad, certain amounts your employer paid into your retirement plan that were not includible in your gross income may be considered part of your cost. For details, see *Foreign employment contributions* in Publication 575.

Withholding. The payer of your pension, profit-sharing, stock bonus, annuity, or deferred compensation plan will withhold income tax on the taxable part of amounts paid to you. However, you can choose not to have tax withheld on the retirement plan payments you receive, unless they are eligible rollover distributions. (These are distributions that are eligible for rollover treatment but are not paid directly to another qualified retirement plan or to a traditional IRA.) See *Withholding Tax and Estimated Tax* and *Rollovers* in Publication 575 for more information.

For payments other than eligible rollover distributions, you can tell the payer how much to withhold by filing a Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Simplified Method. Under the Simplified Method, you figure the tax-free part of each annuity payment by dividing your cost by the total number of anticipated monthly payments. For an annuity that is payable over the lives of the annuitants, this number is based on the annuitants' ages on the annuity starting date and is determined from a table. For any other annuity, this number is the number of monthly annuity payments under the contract.

Who must use the Simplified Method. You must use the Simplified Method if your annuity starting date is after November 18, 1996, and you receive your pension or annuity payments from a qualified plan or annuity, or a tax-sheltered annuity plan (403(b) plan), unless you were at least 75 years old and entitled to at least 5 years of guaranteed payments (defined next).

In addition, if your annuity starting date is after July 1, 1986, and before November 19, 1996, you could have chosen to use the Simplified Method for payments from a qualified plan, unless you were at least 75 years old and entitled to at least 5 years of guaranteed payments. If you chose to use the Simplified Method, you must continue to use it each year that you recover part of your cost.

Guaranteed payments. Your annuity contract provides guaranteed payments if a minimum number of payments or a minimum amount (for example, the amount of your investment) is payable even if you and any survivor annuitant do not live to receive the minimum. If the minimum amount is less than the total amount of the payments you are to receive, barring death, during the first 5 years after payments begin (figured by ignoring any payment increases), you are entitled to less than 5 years of guaranteed payments.

Who cannot use the Simplified Method. You cannot use the Simplified Method and must use the General Rule if you receive pension or annuity payments from:

- A nonqualified plan, such as a private annuity, a purchased commercial annuity, or a nonqualified employee plan, or
- A qualified plan if you are age 75 or older on your annuity starting date and you are entitled to at least 5 years of guaranteed payments (defined above).

In addition, you had to use the General Rule for either circumstance described above if your annuity starting date is after July 1, 1986, and before November 19, 1996. If you did not have to use the General Rule, you could have chosen to use it. You also had to use the General Rule for payments from a qualified plan if your annuity starting date is before July 2, 1986, and you did not qualify to use the Three-Year Rule.

If you had to use the General Rule (or chose to use it), you must continue to use it each year that you recover your cost.

Complete information on the General Rule, including the actuarial tables you need, is contained in Publication 939, General Rule for Pensions and Annuities.

How to use the Simplified Method. Complete the Simplified Method Worksheet in the Form 1040, Form 1040A, or Form 1040NR Instructions or in Publication 575 to figure your taxable annuity for 2010. To complete line 3 of the worksheet, you must determine the total number of expected monthly payments for your annuity. If your annuity is payable only over your life, use your age on the annuity starting date to determine this number. For annuity starting dates beginning in 1998, if your annuity is payable over your life and the lives of other individuals, use the combined ages of you and the youngest survivor annuitant at the annuity starting date. If the annuity does not depend on anyone's life expectancy, use the total number of monthly annuity payments under the contract.

TIP *Be sure to keep a copy of the completed worksheet; it will help you figure your taxable annuity in later years.*

Example. Bill Smith, age 65, began receiving retirement benefits in 2010, under a joint and survivor annuity. Bill's annuity starting date is January 1, 2010. The benefits are to be paid over the joint lives of Bill and his wife, Kathy, age 65. Bill had contributed $31,000 to a qualified plan and had received no distributions before the annuity starting date. Bill is to receive a retirement benefit of $1,200 a month, and Kathy is to receive a monthly survivor benefit of $600 upon Bill's death.

Bill must use the Simplified Method to figure his taxable annuity because his payments are from a qualified plan and he is under age 75. See the illustrated Worksheet 2-A, Simplified Method Worksheet, later.

His annuity is payable over the lives of more than one annuitant, so Bill uses his and Kathy's combined ages, 130 (65 + 65), and Table 2 at the bottom of the worksheet in completing line 3 of the worksheet and finds the line 3 amount to be 310. Bill's tax-free monthly amount is $100 ($31,000 ÷ 310 as shown on line 4 of the worksheet). Upon Bill's death, if Bill has not recovered the full $31,000 investment, Kathy will also exclude $100 from her $600 monthly payment. The full amount of any annuity payments received after 310 payments are paid must be included in gross income.

If Bill and Kathy die before 310 payments are made, a miscellaneous itemized deduction will be allowed for the unrecovered cost on the final income tax return of the last to die. This deduction is not subject to the 2%-of-adjusted-gross-income limit.

Survivors of retirees. Benefits paid to you as a survivor under a joint and survivor annuity must be included in your gross income in the same way the retiree would have included them in gross income.

If you receive a survivor annuity because of the death of a retiree who had reported the annuity under the Three-Year Rule and recovered all of the cost tax free, include the total received in your income, your survivor benefits are fully taxable.

If the retiree was reporting the annuity payments under the General Rule, you must apply the same exclusion percentage the retiree used to your initial payment called for in the contract. The resulting tax-free amount will then remain fixed. Any increases in the survivor annuity are fully taxable. See Publication 939 for more information on the General Rule.

If the retiree was reporting the annuity payments under the Simplified Method, the part of each payment that is tax free is the same as the tax-free amount figured by the retiree at the annuity starting date. This amount remains fixed even if the annuity payments are increased or decreased. See *Simplified Method*, earlier.

How to report. If you file Form 1040, report your total annuity on line 16a, and the taxable part on line 16b. If your pension or annuity is fully taxable, enter it on line 16b. Do not make an entry on line 16a.

If you file Form 1040A, report your total annuity on line 12a, and the taxable part on line 12b. If your pension or annuity is fully taxable, enter it on line 12b. Do not make an entry on line 12a.

If you file Form 1040NR, report your total annuity on line 17a, and the taxable part on line 17b. If your pension or annuity is fully taxable, enter it on line 17b. Do not make an entry on line 17a.

Example. You are a Form 1040 filer and you received monthly payments totaling $1,200 during 2010 from a pension plan that was completely financed by your employer. You had paid no tax on the payments that your employer made to the plan, and the payments were not used to pay for accident, health, or long-term care insurance premiums (as discussed later under *Insurance Premiums for Retired Public Safety Officers*). The entire $1,200 is taxable. You include $1,200 only on Form 1040, line 16b.

Joint return. If you file a joint return and you and your spouse each receive one or more pensions or annuities, report the total of the pensions and annuities on line 16a of Form 1040, line 12a of Form 1040A, or line 17a of Form 1040NR. Report the total of the taxable parts on line 16b of Form 1040, line 12b of Form 1040A, or line 17b of Form 1040NR.

Form 1099-R. You should receive a Form 1099-R for your pension or annuity. Form 1099-R shows your pension or annuity for the year and any income tax withheld. You should receive a Form W-2 if you receive distributions from certain nonqualified plans.

CAUTION *You must attach Forms 1099-R or Forms W-2 to your 2010 tax return if federal income tax was withheld. Generally, you should be sent these forms by January 31, 2011.*

Nonperiodic Distributions

If you receive a nonperiodic distribution from your retirement plan, you may be able to exclude all or part of it from your income as a recovery of your cost. Nonperiodic distributions include cash withdrawals, distributions of current earnings (dividends) on your investment, and certain loans. For information on how to figure the taxable amount of a nonperiodic distribution, see *Taxation of Nonperiodic Payments* in Publication 575.

Worksheet 2-A. **Simplified Method Worksheet—Illustrated**

Keep for Your Records

1. Enter the total pension or annuity payments received this year. Also, add this amount to the total for Form 1040, line 16a; Form 1040A, line 12a; or Form 1040NR, line 17a	1.	$ 14,400
2. Enter your cost in the plan (contract) at the annuity starting date plus any death benefit exclusion*	2.	31,000
Note. If your annuity starting date was before this year and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below (even if the amount of your pension or annuity has changed). Otherwise, go to line 3.		
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below	3.	310
4. Divide line 2 by line 3	4.	100
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, enter this amount on line 8 below and skip lines 6, 7, 10, and 11. Otherwise, go to line 6	5.	1,200
6. Enter any amount previously recovered tax free in years after 1986. This is the amount shown on line 10 of your worksheet for last year	6.	0
7. Subtract line 6 from line 2	7.	31,000
8. Enter the smaller of line 5 or line 7	8.	1,200
9. **Taxable amount for year.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also, add this amount to the total for Form 1040, line 16b; Form 1040A, line 12b; or Form 1040NR, line 17b. **Note.** If your Form 1099-R shows a larger taxable amount, use the amount on this line instead. If you are a retired public safety officer, see *Insurance Premiums for Retired Public Safety Officers*, later, before entering an amount on your tax return.	9.	$ 13,200
10. Was your annuity starting date before 1987? ☐ Yes. **STOP.** Do not complete the rest of this worksheet. ☐ No. Add lines 6 and 8. This is the amount you have recovered tax free through 2010. You will need this number if you need to fill out this worksheet next year.	10.	1,200
11. **Balance of cost to be recovered.** Subtract line 10 from line 2. If zero, you will not have to complete this worksheet next year. The payments you receive next year will generally be fully taxable	11.	$ 29,800

* A death benefit exclusion (up to $5,000) applied to certain benefits received by employees who died before August 21, 1996.

Table 1 for Line 3 Above

IF your age on your annuity starting date was . . .	**AND your annuity starting date was—** *before* November 19, 1996, **THEN enter on line 3 . . .**	*after* November 18, 1996, **THEN enter on line 3 . . .**
55 or younger	300	360
56-60	260	310
61-65	240	260
66-70	170	210
71 or older	120	160

Table 2 for Line 3 Above

IF the annuitants' combined ages on your annuity starting date were . . .	**THEN enter on line 3 . . .**
110 or younger	410
111-120	360
121-130	310
131-140	260
141 or older	210

CAUTION

The taxable part of a nonperiodic distribution may be subject to an additional 10% tax. See Tax on Early Distributions*, later.*

Lump-sum distributions. If you receive a lump-sum distribution from a qualified employee plan or qualified employee annuity and the plan participant was born before January 2, 1936, you may be able to elect optional methods of figuring the tax on the distribution. The part from active participation in the plan before 1974 may qualify as capital gain subject to a 20% tax rate. The part from participation after 1973 (and any part from participation before 1974 that you do not report as capital gain) is ordinary income. You may be able to use the 10-year tax option to figure tax on the ordinary income part.

Form 1099-R. If you receive a total distribution from a plan, you should receive a Form 1099-R. If the distribution qualifies as a lump-sum distribution, box 3 shows the capital gain part of the distribution. The amount in box 2a minus the amount in box 3 is the ordinary income part.

More information. For more detailed information on lump-sum distributions, see Publication 575 or Form 4972, Tax on Lump-Sum Distributions.

Tax on Early Distributions

Most distributions (both periodic and nonperiodic) you receive from your qualified retirement plan and nonqualified annuity contracts before you reach age 59½ are subject to an additional tax of 10%. The tax applies to the taxable part of the distribution (the part of the distribution you must include in gross income). It does not apply to any part of a distribution that is tax free, such as amounts that represent a return of your cost or that were rolled over to another retirement plan. It also does not apply to corrective distributions of excess deferrals, excess contributions, or excess aggregate contributions.

For this purpose, a qualified retirement plan is:

- A qualified employee plan (including a qualified cash or deferred arrangement (CODA) under Internal Revenue Code section 401(k)),
- A qualified employee annuity plan,
- A tax-sheltered annuity plan (403(b) plan),
- An IRA, or
- An eligible state or local government section 457 deferred compensation plan (to the extent that any distribution is attributable to amounts the plan received in a direct transfer or rollover from one of the other plans listed here).

General exceptions to tax. The early distribution tax does not apply to any distributions that are:

- Made as part of a series of substantially equal periodic payments (made at least annually) for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary (if from a qualified retirement plan, the payments must begin after separation from service),
- Made because you are totally and permanently disabled, or
- Made on or after the death of the plan participant or contract holder.

Additional exceptions. There are additional exceptions to the early distribution tax for certain distributions from qualified retirement plans and nonqualified annuity contracts. See Publication 575 for details.

Reporting tax. If you owe only the tax on early distributions and distribution code 1 (early distribution, no known exception) is correctly shown in Form 1099-R, box 7, multiply the taxable part of the early distribution by 10% (.10) and enter the result on Form 1040, line 58, or Form 1040NR, line 56. See the instructions for line 58 of Form 1040 or line 56 of Form 1040NR for more information about reporting the early distribution tax.

Tax on Excess Accumulation

To make sure that most of your retirement benefits are paid to you during your lifetime, rather than to your beneficiaries after your death, the payments that you receive from qualified retirement plans must begin no later than your required beginning date. Unless the rule for 5% owners applies, this is generally April 1 of the year that follows the later of:

- The calendar year in which you reach age 70½, or
- The calendar year in which you retire from employment with the employer maintaining the plan.

However, your plan may require you to begin to receive payments by April 1 of the year that follows the year in which you reach 70½, even if you have not retired. If you reach age 70½ in 2010, you are not required to receive your first distribution by April 1, 2011. Your first required distribution however must be made for 2011 by December 31, 2011.

For this purpose, a qualified retirement plan includes:

- A qualified employee plan,
- A qualified employee annuity plan,
- An eligible section 457 deferred compensation plan, or
- A tax-sheltered annuity plan (403(b) plan) (for benefits accruing after 1986).

TIP

An excess accumulation is the undistributed remainder of the required minimum distribution that was left in your qualified retirement plan.

5% owners. If you own (or are considered to own under section 318 of the Internal Revenue Code) more than 5% of the company maintaining your qualified retirement plan, you must begin to receive distributions from the plan by April 1 of the year after the calendar year in which you reach age 70½. See Publication 575 for more information.

Amount of tax. If you do not receive the required minimum distribution, you are subject to an additional tax. The tax equals 50% of the difference between the amount that must be distributed and the amount that was distributed during the tax year. You can get this excise tax excused if you establish that the shortfall in distributions was due to reasonable error and that you are taking reasonable steps to remedy the shortfall.

TIP *Generally, no minimum distribution is required for 2010. For details, see Publication 575.*

Form 5329. You must file a Form 5329 if you owe a tax because you did not receive a minimum required distribution from your qualified retirement plan.

Additional information. For more detailed information on the tax on excess accumulation, see Publication 575.

Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or $3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income cannot be used to claim a medical expense deduction.

An eligible retirement plan is a governmental plan that is:

- a qualified trust,
- a section 403(a) plan,
- a section 403(b) annuity, or
- a section 457(b) plan.

If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The taxable amount shown in box 2a of any Form 1099-R that you receive does not reflect the exclusion. Report your total distributions on Form 1040, line 16a; Form 1040A, line 12a; or Form 1040NR, line 17a. Report the taxable amount on Form 1040, line 16b; Form 1040A, line 12b; or Form 1040NR, line 17b. Enter "PSO" next to the appropriate line on which you report the taxable amount.

If you are retired on disability and reporting your disability pension on line 7 of Form 1040 or Form 1040A, or line 8 of Form 1040NR, include only the taxable amount on that line and enter "PSO" and the amount excluded on the dotted line next to the applicable line.

Railroad Retirement Benefits

Benefits paid under the Railroad Retirement Act fall into two categories. These categories are treated differently for income tax purposes.

Social security equivalent benefits. The first category is the amount of tier 1 railroad retirement benefits that equals the social security benefit that a railroad employee or beneficiary would have been entitled to receive under the social security system. This part of the tier 1 benefit is the social security equivalent benefit (SSEB) and is treated (for tax purposes) like social security benefits. (See *Social Security and Equivalent Railroad Retirement Benefits*, later.)

Non-social security equivalent benefits. The second category contains the rest of the tier 1 benefits, called the non-social security equivalent benefit (NSSEB). It also contains any tier 2 benefit, vested dual benefit (VDB), and supplemental annuity benefit. This category of benefits is treated as an amount received from a qualified employee plan. This allows for the tax-free (nontaxable) recovery of employee contributions from the tier 2 benefits and the NSSEB part of the tier 1 benefits. Vested dual benefits and supplemental annuity benefits are non-contributory pensions and are fully taxable.

More information. For more information about railroad retirement benefits, see Publication 575 and Publication 915, Social Security and Equivalent Railroad Retirement Benefits.

Military Retirement Pay

Military retirement pay based on age or length of service is taxable and must be included in income as a pension on Form 1040, lines 16a and 16b or on Form 1040A, lines 12a and 12b. But, certain military and government disability pensions that are based on a percentage of disability from active service in the Armed Forces of any country generally are not taxable. For more information, including information about veterans' benefits and insurance, see Publication 525.

Social Security and Equivalent Railroad Retirement Benefits

This discussion explains the federal income tax rules for social security benefits and equivalent tier 1 railroad retirement benefits.

Social security benefits include monthly retirement, survivor, and disability benefits. They do not include supplemental security income (SSI) payments, which are not taxable.

Equivalent tier 1 railroad retirement benefits are the part of tier 1 benefits that a railroad employee or beneficiary would have been entitled to receive under the social security system. They commonly are called the social security equivalent benefit (SSEB) portion of tier 1 benefits.

If you received these benefits during 2010, you should have received a Form SSA-1099 or Form RRB-1099 (Form SSA-1042S or Form RRB-1042S if you are a nonresident alien), showing the amount of the benefits.

Note. When the term "benefits" is used in this section, it applies to both social security benefits and the SSEB portion of tier 1 railroad retirement benefits.

Are Any of Your Benefits Taxable?

To find out whether any of your benefits may be taxable, compare the base amount for your filing status (explained later) with the total of:

- One-half of your benefits, plus
- All your other income, including tax-exempt interest.

When making this comparison, do not reduce your other income by any exclusions for:

- Interest from qualified U.S. savings bonds,
- Employer-provided adoption benefits,
- Foreign earned income or foreign housing, or
- Income earned in American Samoa or Puerto Rico by bona fide residents.

Figuring total income. To figure the total of one-half of your benefits plus your other income, use Worksheet 2-B. If that total amount is more than your base amount, part of your benefits may be taxable.

If you are married and file a joint return for 2010, you and your spouse must combine your incomes and your benefits to figure whether any of your combined benefits are taxable. Even if your spouse did not receive any benefits, you

Worksheet 2-B. **Are Any of Your Benefits Taxable?** *Keep for Your Records*

A. Enter the amount from box 5 of all your Forms SSA-1099 and RRB-1099. Include the full amount of any lump-sum benefit payments received in 2010, for 2010 and earlier years. (If you received more than one form, combine the amounts from box 5 and enter the total.) . . . **A.** ______

Note. If the amount on line A is zero or less, stop here; none of your benefits are taxable this year.

B. Enter one-half of the amount on line A . . . **B.** ______

C. Enter your taxable pensions, wages, interest, dividends, and other taxable income . . . **C.** ______

D. Enter any tax-exempt interest income (such as interest on municipal bonds) plus any exclusions from income for:
- Interest from qualified U.S. savings bonds,
- Employer-provided adoption benefits,
- Foreign earned income or foreign housing, or
- Income earned in American Samoa or Puerto Rico by bona fide residents . . . **D.** ______

E. Add lines B, C, and D and enter the total . . . **E.** ______

F. If you are:
- Married filing jointly, enter $32,000
- Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2010, enter $25,000
- Married filing separately and you lived with your spouse at any time during 2010, enter -0- . . . **F.** ______

G. Is the amount on line F less than or equal to the amount on line E?
- **No.** None of your benefits are taxable this year.
- **Yes.** Some of your benefits may be taxable. To figure how much of your benefits are taxable, see *Which worksheet to use* under *How Much Is Taxable*, later.

must add your spouse's income to yours to figure whether any of your benefits are taxable.

TIP *If the only income you received during 2010 was your social security or the SSEB portion of tier 1 railroad retirement benefits, your benefits generally are not taxable and you probably do not have to file a return. If you have income in addition to your benefits, you may have to file a return even if none of your benefits are taxable.*

Base Amount

Your base amount is:

- $25,000 if you are single, head of household, or qualifying widow(er),
- $25,000 if you are married filing separately and lived apart from your spouse for all of 2010,
- $32,000 if you are married filing jointly, or
- $0 if you are married filing separately and lived with your spouse at any time during 2010.

Repayment of Benefits

Any repayment of benefits you made during 2010 must be subtracted from the gross benefits you received in 2010. It does not matter whether the repayment was for a benefit you received in 2010 or in an earlier year. If you repaid more than the gross benefits you received in 2010, see Repayments More Than Gross Benefits, later.

Your gross benefits are shown in box 3 of Form SSA-1099 or Form RRB-1099. Your repayments are shown in box 4. The amount in box 5 shows your net benefits for 2010 (box 3 minus box 4). Use the amount in box 5 to figure whether any of your benefits are taxable.

Tax Withholding and Estimated Tax

You can choose to have federal income tax withheld from your social security and/or the SSEB portion of your tier 1 railroad retirement benefits. If you choose to do this, you must complete a Form W-4V, Voluntary Withholding Request. You can choose withholding at 7%, 10%, 15%, or 25% of your total benefit payment.

If you do not choose to have income tax withheld, you may have to request additional withholding from other income, or pay estimated tax during the year. For details, see Publication 505, Tax Withholding and Estimated Tax, or the Instructions for Form 1040-ES, Estimated Tax for Individuals.

How Much Is Taxable?

If part of your benefits is taxable, how much is taxable depends on the total amount of your benefits and other income. Generally, the higher that total amount, the greater the taxable part of your benefits.

Maximum taxable part. The taxable part of your benefits usually cannot be more than 50%. However, up to 85% of your benefits can be taxable if either of the following situations applies to you.

- The total of one-half of your benefits and all your other income is more than $34,000 ($44,000 if you are married filing jointly).
- You are married filing separately and lived with your spouse at any time during 2010.

If you are a nonresident alien, 85% of your benefits are taxable. However, this income is exempt under some tax treaties.

Which worksheet to use. A worksheet to figure your taxable benefits is in the Instructions for your Form 1040 or 1040A. However, you will need to use a different worksheet(s) if any of the following situations applies to you.

1. You contributed to a traditional IRA and you or your spouse were covered by a retirement plan at work. In this situation, you must use the special worksheets in Appendix B of Publication 590 to figure both your IRA deduction and your taxable benefits.
2. Situation (1) does not apply and you take an exclusion for interest from qualified U.S. savings bonds (Form 8815), for employer-provided adoption benefits (Form 8839), for foreign earned income or housing (Form 2555 or Form 2555-EZ), or for income earned in American Samoa (Form 4563) or Puerto Rico by bona fide residents. In this situation, you must use Worksheet 1 in Publication 915 to figure your taxable benefits.
3. You received a lump-sum payment for an earlier year. In this situation, also complete Worksheet 2 or 3 and Worksheet 4 in Publication 915. See Lump-Sum Election, later.

How To Report Your Benefits

If part of your benefits are taxable, you must use Form 1040, Form 1040A, or Form 1040NR. You cannot use Form 1040EZ.

Reporting on Form 1040. Report your net benefits (the amount in box 5 of your Form SSA-1099 or Form RRB-1099) on line 20a and the taxable part on line 20b. If you are married filing separately and you lived apart from your spouse for all of 2010, also enter "D" to the right of the word "benefits" on line 20a.

Reporting on Form 1040A. Report your net benefits (the amount in box 5 of your Form SSA-1099 or Form RRB-1099) on line 14a and the taxable part on line 14b. If you are married filing separately and you lived apart from your spouse for all of 2010, also enter "D" to the right of the word "benefits" on line 14a.

Reporting on Form 1040NR. Report 85% of the total amount of your benefits (box 5 of your Form SSA-1042S or Form RRB-1042S) in the appropriate column of line 8 of Form 1040-NR, Schedule NEC.

Benefits not taxable. If you are filing Form 1040EZ, do not report any benefits on your tax return. If you are filing Form 1040 or Form 1040A, report your net benefits (the amount in box 5 of your Form SSA-1099 or Form RRB-1099) on Form 1040, line 20a, or Form 1040A, line 14a. Enter -0- on Form 1040, line 20b, or Form 1040A, line 14b. If you are married filing separately and you lived apart from your spouse for all of 2010, also enter "D" to the right of the word "benefits" on Form 1040, line 20a, or Form 1040A, line 14a.

Lump-Sum Election

You must include the taxable part of a lump-sum (retroactive) payment of benefits received in 2010 in your 2010 income, even if the payment includes benefits for an earlier year.

TIP *This type of lump-sum benefit payment should not be confused with the lump-sum death benefit that both the Social Security Administration (SSA) and U.S. Railroad Retirement Board (RRB) pay to many of their beneficiaries. No part of the lump-sum death benefit is subject to tax.*

Generally, you use your 2010 income to figure the taxable part of the total benefits received in 2010. However, you may be able to figure the taxable part of a lump-sum payment for an earlier year separately, using your income for the earlier year. You can elect this method if it lowers your taxable benefits. See Publication 915 for more information.

Repayments More Than Gross Benefits

In some situations, your Form SSA-1099 or Form RRB-1099 will show that the total benefits you repaid (box 4) are more than the gross benefits (box 3) you received. If this occurred, your net benefits in box 5 will be a negative figure (a figure in parentheses) and none of your benefits will be taxable. If you receive more than one form, a negative figure in box 5 of one form is used to offset a positive figure in box 5 of another form for that same year.

If you have any questions about this negative figure, contact your local SSA office or your local RRB field office.

Joint return. If you and your spouse file a joint return, and your Form SSA-1099 or RRB-1099 has a negative figure in box 5 but your spouse's does not, subtract the amount in box 5 of your form from the amount in box 5 of your spouse's form. You do this to get your net benefits when figuring if your combined benefits are taxable.

Repayment of benefits received in an earlier year. If the total amount shown in box 5 of all of your Forms SSA-1099 and RRB-1099 is a negative figure, you can take an itemized deduction for the part of this negative figure that represents benefits you included in gross income in an earlier year.

If this deduction is $3,000 or less, it is subject to the 2%-of-adjusted-gross-income limit that applies to certain miscellaneous itemized deductions. Claim it on Schedule A (Form 1040), line 23.

If this deduction is more than $3,000, you have to follow some special instructions. See Publication 915 for those instructions.

Sickness and Injury Benefits

Generally, you must report as income any amount you receive for personal injury or sickness through an accident or health plan that is paid for by your employer. If both you and your employer pay for the plan, only the amount you receive that is due to your employer's payments is reported as income. However, certain payments may not be taxable to you. Some of these payments are discussed later in this section. Also, see *Military and Government Disability Pensions* and *Other Sickness and Injury Benefits* in Publication 525.

Cost paid by you. If you pay the entire cost of an accident or health plan, do not include any amounts you receive from the plan for personal injury or sickness as income on your tax return. If your plan reimbursed you for medical expenses you deducted in an earlier year, you may have to include some, or all, of the reimbursement in your income.

Disability Pensions

If you retired on disability, you must include in income any disability pension you receive under a plan that is paid for by your employer. You must report your taxable disability payments as wages on line 7 of Form 1040 or Form 1040A or on line 8 of Form 1040NR until you reach minimum retirement age. Minimum retirement age generally is the age at which you can first receive a pension or annuity if you are not disabled.

TIP *If you were 65 or older by the end of 2010, or you were retired on permanent and total disability and received taxable disability income and on January 1, 2010, you had not reached mandatory retirement age, you may be able to claim the credit for the elderly or the disabled. See* *Credit for the Elderly or the Disabled, later.* *For more information on this credit, see Publication 524, Credit for the Elderly or the Disabled.*

Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension or annuity. Report the payments on lines 16a and 16b of Form 1040, on lines 12a and 12b of Form 1040A, or on lines 17a and 17b of Form 1040NR. For more information on pensions and annuities, see Publication 575.

Retirement and profit-sharing plans. If you receive payments from a retirement or profit-sharing plan that does not provide for disability retirement, do not treat the payments as a disability pension. The payments must be reported as a pension or annuity.

Accrued leave payment. If you retire on disability, any lump-sum payment you receive for accrued annual leave is a salary payment. The payment is not a disability payment. Include it in your income in the tax year you receive it.

Long-Term Care Insurance Contracts

Long-term care insurance contracts generally are treated as accident and health insurance contracts. Amounts you receive from them (other than policyholder dividends or premium refunds) generally are excludable from income as amounts received for personal injury or sickness. However, the amount you can exclude may be limited. Long-term care insurance contracts are discussed in more detail in Publication 525.

Workers' Compensation

Amounts you receive as workers' compensation for an occupational sickness or injury are fully exempt from tax if they are paid under a workers' compensation act or a statute in the nature of a workers' compensation act. The exemption also applies to your survivors. The exemption, however, does not apply to retirement plan benefits you receive based on your age, length of service, or prior contributions to the plan, even if you retired because of an occupational sickness or injury.

CAUTION *If part of your workers' compensation reduces your social security or equivalent railroad retirement benefits received, that part is considered social security (or equivalent railroad retirement) benefits and may be taxable. For a discussion of the taxability of these benefits, see* Social Security and Equivalent Railroad Retirement Benefits*, earlier.*

Return to work. If you return to work after qualifying for workers' compensation, salary payments you receive for performing light duties are taxable as wages.

Other Sickness and Injury Benefits

In addition to disability pensions and annuities, you may receive other payments for sickness or injury.

Federal Employees' Compensation Act (FECA). Payments received under this Act for personal injury or sickness, including payments to beneficiaries in case of death, are not taxable. However, you are taxed on amounts you receive under this Act as continuation of pay for up to 45 days while a claim is being decided. Report this income on line 7 of Form 1040 or Form 1040A or on line 1 of Form 1040EZ. Also, pay for sick leave while a claim is being processed is taxable and must be included in your income as wages.

CAUTION *If part of the payments you receive under FECA reduces your social security or equivalent railroad retirement benefits received, that part is considered social security (or equivalent railroad retirement) benefits and may be taxable. For a discussion of the taxability of these benefits, see* Social Security and Equivalent Railroad Retirement Benefits*, earlier.*

Other compensation. Many other amounts you receive as compensation for sickness or injury are not taxable. These include the following amounts.

- Benefits you receive under an accident or health insurance policy on which either you paid the premiums or your employer paid the premiums but you had to include them in your income.
- Disability benefits you receive for loss of income or earning capacity as a result of injuries under a no-fault car insurance policy.
- Compensation you receive for permanent loss or loss of use of a part or function of your body, for your permanent disfigurement, or for such loss or disfigurement suffered by your spouse or dependents. This compensation must be based only on the injury and not on the period of your absence from work. These benefits are not taxable even if your employer pays for the accident and health plan that provides these benefits.

Life Insurance Proceeds

Life insurance proceeds paid to you because of the death of the insured person are not taxable unless the policy was turned over to you for a price. This is true even if the proceeds were paid under an accident or health insurance policy or an endowment contract.

Proceeds not received in installments. If death benefits are paid to you in a lump sum or other than at regular intervals, include in your income only the benefits that are more than the amount payable to you at the time of the insured person's death. If the benefit payable at death is not specified, you include in your income the benefit payments that are more than the present value of the payments at the time of death.

Proceeds received in installments. If you receive life insurance proceeds in installments, you can exclude part of each installment from your income.

To determine the excluded part, divide the amount held by the insurance company (generally the total lump sum payable at the death of the insured person) by the number of installments to be paid. Include anything over this excluded part in your income as interest.

Installments for life. If, as the beneficiary under an insurance contract, you are entitled to receive the proceeds in installments for the rest of your life without a refund or period-certain guarantee, you figure the excluded part of each installment by dividing the amount held by the insurance company by your life expectancy.

If there is a refund or period-certain guarantee, the amount held by the insurance company for this purpose is reduced by the actuarial value of the guarantee.

Surviving spouse. If your spouse died before October 23, 1986, and insurance proceeds paid to you because of the death of your spouse are received in installments, you can exclude up to $1,000 a year of the interest included in the installments. If you remarry, you can continue to take the exclusion.

Surrender of policy for cash. If you surrender a life insurance policy for cash, you must include in income any proceeds that are more than the cost of the life insurance policy. In general, your cost (or investment in the contract) is the total of premiums that you paid for the life insurance policy, less any refunded premiums, rebates, dividends, or unrepaid loans that were not included in your income. You should receive a Form 1099-R showing the total proceeds and the taxable part. Report these amounts on lines 16a and 16b of Form 1040, lines 12a and 12b of Form 1040A, or lines 17a and 17b of Form 1040NR.

Endowment Contract Proceeds

An endowment contract is a policy under which you are paid a specified amount of money on a certain date unless you die before that date, in which case the money is paid to your designated beneficiary. Endowment proceeds paid in a lump sum to you at maturity are taxable only if the proceeds are more than the cost of the policy. To determine your cost, subtract from the total premiums (or other consideration) paid for the contract any amount that you previously received under the contract and excluded from your income. Include in your income the part of the lump-sum payment that is more than your cost.

Endowment proceeds that you choose to receive in installments instead of a lump-sum payment at the maturity of the policy are taxed as an annuity. The tax treatment of an annuity is explained in Publication 575. For this treatment to apply, you must choose to receive the proceeds in installments before receiving any part of the lump sum. This election must be made within 60 days after the lump-sum payment first becomes payable to you.

Accelerated Death Benefits

Certain amounts paid as accelerated death benefits under a life insurance contract or viatical settlement before the insured's death are generally excluded from income if the insured is terminally or chronically ill. However, see *Exception*, later. For a chronically ill individual, accelerated death benefits paid on the basis of costs incurred for qualified long-term care services are fully excludable. Accelerated death benefits paid on a per diem or other periodic basis without regard to the costs are excludable up to a limit.

In addition, if any portion of a death benefit under a life insurance contract on the life of a terminally or chronically ill individual is sold or assigned to a viatical settlement provider, the amount received also is excluded from income. Generally, a viatical settlement provider is one who regularly engages in the business of buying or taking assignment of life insurance contracts on the lives of insured individuals who are terminally or chronically ill.

To report taxable accelerated death benefits made on a per diem or other periodic basis, you must file Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, with your return.

Terminally or chronically ill defined. A terminally ill person is one who has been certified by a physician as having an illness or physical condition that reasonably can be expected to result in death within 24 months from the date of the certification. A chronically ill person is one who is not terminally ill but has been certified (within the previous 12 months) by a licensed health care practitioner as meeting either of the following conditions.

- The person is unable to perform (without substantial help) at least two activities of daily living (eating, toileting, transferring, bathing, dressing, and continence) for a period of 90 days or more because of a loss of functional capacity.
- The person requires substantial supervision to protect himself or herself from threats to health and safety due to severe cognitive impairment.

Exception. The exclusion does not apply to any amount paid to a person other than the insured if that other person has an insurable interest in the life of the insured because the insured:

- Is a director, officer, or employee of the other person, or
- Has a financial interest in the business of the other person.

Sale of Home

You may be able to exclude from income any gain up to $250,000 ($500,000 on a joint return in most cases) on the sale of your main home. Generally, if you can exclude all of the gain, you do not need to report the sale on your tax return. You can choose not to take the exclusion by including the gain from the sale in your gross income on your tax return for the year of the sale.

Main home. Usually, your main home is the home you live in most of the time and can be a:

- House,

- Houseboat,
- Mobile home,
- Cooperative apartment, or
- Condominium.

Recapture of 2008 first-time homebuyer credit. If you claimed the 2008 first-time homebuyer credit when you purchased your home, you may have to recapture all or a portion of the amount you claimed. The 2008 first-time homebuyer credit is intended to be repaid by the taxpayer over a period of 15 years, starting in 2010. If your home ceases to be your main home before the 15-year period has lapsed, you must include all remaining annual installments as additional tax on the tax return for that year. Your home ceases to be your main home if you sell the home, convert the home to business or rental property use, or the home is destroyed, condemned, or disposed under the threat of condemnation. In the event of a sale or other conversion you will need to file Form 5405, First-Time Homebuyer Credit and Repayment of the Credit, with your annual tax return.

In the case of the sale of the principal residence to a person who is not related to the taxpayer, the recapture shall not exceed the amount of gain, if any, on such sale.

Exceptions. If one of the following applies, you do not have to recapture the 2008 first-time homebuyer credit.

- Death.
- Involuntary conversion.
- Transfers between spouses or incident to divorce.
- You are a member of the uniformed services, an employee of the intelligence community, or a member of the Foreign Service of the United States on qualified official extended duty service.

TIP *For details on claiming and repaying or recapturing the credit, see Publication 523, Selling Your Home, and see also Form 5405 and its Instructions.*

Recapture of the 2009 or 2010 first-time homebuyer credit. If you claimed the 2009 or 2010 first-time homebuyer credit when you purchased your home, the credit is not required to be repaid unless your home ceases to be your main home within 36 months of the date of purchase. If you sell the home to someone who is not related to you, the repayment in the year of sale is limited to the amount of gain on the sale. The amount of the credit does not have to be repaid. However, when figuring the gain, reduce the adjusted basis by the amount of the credit. See the Instructions for Form 5405 for additional exceptions that may apply.

Exception. Members of the uniformed services or Foreign Service and employees of the intelligence community do not have to repay the credit, if you sell the home or the home ceases to be your main home because you received Government orders to serve on qualified official extended duty.

Maximum Amount of Exclusion

You can exclude up to $250,000 of the gain on the sale of your main home if all of the following are true.

- You meet the ownership test.
- You meet the use test.
- During the 2-year period ending on the date of the sale, you did not exclude gain from the sale of another home.

You may be able to exclude up to $500,000 of the gain on the sale of your main home if you are married and file a joint return and meet the requirements listed in the discussion of the special rules for joint returns, later, under Married Persons.

Ownership and Use Tests

To claim the exclusion, you must meet the ownership and use tests. This means that during the 5-year period ending on the date of the sale, you must have:

- Owned the home for at least 2 years (the ownership test), and
- Lived in the home as your main home for at least 2 years (the use test).

Exception to ownership and use tests. If you owned and lived in the property as your main home for less than 2 years, you still can claim an exclusion in some cases. Generally, you must have sold the home due to a change in place of employment, health, or unforeseen circumstances. The maximum amount you can exclude will be reduced. See Publication 523 for more information.

Exception to use test for individuals with a disability. There is an exception to the use test if, during the 5-year period before the sale of your home:

- You become physically or mentally unable to care for yourself, and
- You owned and lived in your home as your main home for a total of at least 1 year.

Under this exception, you are considered to live in your home during any time that you own the home and live in a facility (including a nursing home) that is licensed by a state or political subdivision to care for persons in your condition.

If you meet this exception to the use test, you still have to meet the 2-out-of-5-year ownership test to claim the exclusion.

Exception to ownership test for property acquired in a like-kind exchange. You must have owned your main home for at least 5 years to qualify for the exclusion if you acquired your main home in a like-kind exchange. This special 5-year ownership rule continues to apply to a home you acquired in a like-kind exchange and gave to another person. A like-kind exchange is an exchange of property held for productive use in a trade or business or for investment. See Publication 523 for more information.

Period of nonqualified use. Generally, the gain from the sale or exchange of your main home will not qualify for the exclusion to the extent that the gain is allocated to periods of nonqualified use. Nonqualified use is any period after December 31, 2008, during which the property is not used as the main home. See Publication 523 for more information.

Married Persons

In the special situations discussed below, if you and your spouse file a joint return for the year of sale and one spouse meets the ownership and use test, you can exclude up to $250,000 of gain. However, see *Special rules for joint returns*, next.

Special rules for joint returns. You can exclude up to $500,000 of the gain on the sale of your main home if all of the following are true.

- You are married and file a joint return for the year.
- Either you or your spouse meets the ownership test.
- Both you and your spouse meet the use test.
- During the 2-year period ending on the date of the sale, neither you nor your spouse exclude gain from the sale of another home.

If either spouse does not satisfy all these requirements, the maximum exclusion that can be claimed by the couple is the total of the maximum exclusions that each spouse would qualify for if not married and the amounts were figured separately. For this purpose, each spouse is treated as owning the property during the period that either spouse owned the property.

Sale of home by surviving spouse. If your spouse died and you did not remarry before the date of sale, you are considered to have owned and lived in the property as your main home during any period of time when your spouse owned and lived in it as a main home.

If you meet all of the following requirements, you may qualify to exclude up to $500,000 of any gain from the sale or exchange of your main home in 2010.

- The sale or exchange took place after 2008.
- The sale or exchange took place no more than 2 years after the date of death of your spouse.
- You have not remarried.
- You and your spouse met the use test at the time of your spouse's death.
- You or your spouse met the ownership test at the time of your spouse's death.
- Neither you nor your spouse excluded gain from the sale of another home during the last 2 years.

Home transferred from spouse. If your home was transferred to you by your spouse (or former spouse if the transfer was incident to divorce), you are considered to have owned it during any period of time when your spouse owned it.

Use of home after divorce. You are considered to have used property as your main home during any period when:

- You owned it, and
- Your spouse or former spouse is allowed to live in it under a divorce or separation instrument and uses it as his or her main home.

Business Use or Rental of Home

You may be able to exclude gain from the sale of a home that you have used for business or to produce rental income if you meet the ownership and use tests. See Publication 523 for more information.

Depreciation after May 6, 1997. If you were entitled to take depreciation deductions because you used your home for business purposes or as rental property, you cannot exclude the part of your gain equal to any depreciation allowed or allowable as a deduction for periods after May 6, 1997. If you can show by adequate records or other evidence that the depreciation allowed was less than the amount allowable, then you may limit the amount of gain recognized to the deprecation allowed. See Publication 523 for more information.

Reporting the Sale

Do not report the 2010 sale of your main home on your tax return unless:

- You have a gain and you do not qualify to exclude all of it,
- You have a gain and you choose not to exclude it, or
- You have a loss and you received Form 1099-S.

If you have any taxable gain on the sale of your main home that cannot be excluded, report the entire gain on Schedule D (Form 1040). If you used your home for business or to produce rental income, you may have to use Form 4797, Sales of Business Property, to report the sale of the business or rental part. See Publication 523 for more information.

Reverse Mortgages

A reverse mortgage is a loan where the lender pays you (in a lump sum, a monthly advance, a line of credit, or a combination of all three) while you continue to live in your home. With a reverse mortgage, you retain title to your home. Depending on the plan, your reverse mortgage becomes due with interest when you move, sell your home, reach the end of a pre-selected loan period, or die. Because reverse mortgages are considered loan advances and not income, the amount you receive is not taxable. Any interest (including original interest discount) accrued on a reverse mortgage is not deductible until you actually pay it, which is usually when you pay off the loan in full. Your deduction may be limited because a reverse mortgage loan generally is subject to the limit on home equity debt discussed in Publication 936, Home Mortgage Interest Deduction.

Other Items

The following items generally are excluded from taxable income. You should not report them on your return, unless otherwise indicated as taxable or includable in income.

Gifts and inheritances. Generally, property you receive as a gift, bequest, or inheritance is not included in your income. However, if property you receive this way later produces income such as interest, dividends, or rents, that income is taxable to you. If property is given to a trust and the income from it is paid, credited, or distributed to you, that income also is taxable to you. If the gift, bequest, or inheritance is the income from property, that income is taxable to you.

Veterans' benefits. Do not include in your income any veterans' benefits paid under any law, regulation, or administrative practice administered by the Department of Veterans Affairs (VA). See Publication 525.

Public assistance benefits. Other items that are generally excluded from taxable income also include the following public assistance benefits.

Welfare benefits. Do not include in your income benefit payments from a public welfare fund based upon need, such as payments due to blindness. However, you must include in your income any welfare payments that are compensation for services or that are obtained fraudulently.

Payments from a state fund for victims of crime. These payments should not be included in the victims' incomes if they are in the nature of welfare payments. Do not deduct medical expenses that are reimbursed by such a fund.

Home Affordable Modification Program (HAMP). If you benefit from Pay-for-Performance Success Payments under HAMP, the payments are not taxable.

Mortgage assistance payments. Payments made under section 235 of the National Housing Act for mortgage assistance are not included in the homeowner's income. Interest paid for the homeowner under the mortgage assistance program cannot be deducted.

Payments to reduce cost of winter energy use. Payments made by a state to qualified people to reduce their cost of winter energy use are not taxable.

Nutrition Program for the Elderly. Food benefits you receive under the Nutrition Program for the Elderly are not taxable. If you prepare and serve free meals for the program, include in your income as wages the cash pay you receive, even if you also are eligible for food benefits.

Alternative trade adjustment assistance (ATAA) payments. Payments you receive from a state agency under the Demonstration Project for Alternative Trade Adjustment Assistance for Older Workers (ATAA) must be included in your income. The state must send you Form 1099-G to advise you of the amount you should include in income. The amount should be reported on Form 1040, line 21 or Form 1040NR, line 21.

Persons with disabilities. If you have a disability, you must include in income compensation you receive for services you perform unless the compensation is otherwise excluded. However, you do not include in income the value of goods, services, and cash that you receive, not in return for your services, but for your training and rehabilitation because you have a disability. Excludable amounts include payments for transportation and attendant care, such as interpreter services for the deaf, reader services for the blind, and services to help mentally disabled persons do their work.

Medicare. Medicare benefits received under title XVIII of the Social Security Act are not includible in the gross income of the individuals for whom they are paid. This includes basic (part A (Hospital Insurance Benefits for the Aged)) and supplementary (part B (Supplementary Medical Insurance Benefits for the Aged)).

Old-age, survivors, and disability insurance benefits (OASDI). OASDI payments under section 202 of title II of the Social Security Act are not includible in the gross income of the individuals to whom they are paid. This applies to old-age insurance benefits, and insurance benefits for wives, husbands, children, widows, widowers, mothers and fathers, and parents, as well as the lump-sum death payment.

3. Adjustments to Income

You may be able to subtract amounts from your total income (Form 1040, line 22 or Form 1040A, line 15) or total effectively connected income (Form 1040NR, line 23) to get your adjusted gross income (Form 1040, line 37; Form 1040A, line 21; or Form 1040NR, line 36). Some adjustments to income follow.

- Contributions to your individual retirement arrangement (IRA) (Form 1040, line 32; Form 1040A, line 17; or Form 1040NR, line 32), explained later in this publication.
- Certain moving expenses (line 26 of Form 1040 or Form 1040NR) if you changed job locations or started a new job in 2010. See Publication 521, Moving Expenses, or see Form 3903, Moving Expenses, and its Instructions.
- Some health insurance costs (Form 1040, line 29 or Form 1040NR, line 29) if you were self-employed and had a net profit for the year, or if you received wages in 2010 from an S corporation in which you were a more-than-2% shareholder. For more details, see Publication 535, Business Expenses.
- Payments to your self-employed SEP, SIMPLE, or qualified plan (Form 1040, line 28 or Form 1040NR, line 28). For more information, including limits on how much you can deduct, see Publication 560, Retirement Plans for Small Business.
- Penalties paid on early withdrawal of savings (Form 1040, line 30 or Form 1040NR, line 30). Form 1099-INT, Interest Income, or Form 1099-OID, Original Issue Discount, will show the amount of any penalty you were charged.
- Alimony payments (Form 1040, line 31a). For more information, see Publication 504, Divorced or Separated Individuals.

There are other items you can claim as adjustments to income. These adjustments are discussed in your tax return instructions.

Individual Retirement Arrangement (IRA) Contributions and Deductions

This section explains the tax treatment of amounts you pay into traditional IRAs. A traditional IRA is any IRA that is not a Roth or SIMPLE IRA. Roth and SIMPLE IRAs are defined earlier in the IRA discussion under *Retirement Plan Distributions*. For more detailed information, see Publication 590.

Contributions. An IRA is a personal savings plan that offers you tax advantages to set aside money for your retirement. Two advantages of a traditional IRA are:

- You may be able to deduct some or all of your contributions to it, depending on the type of IRA you have and your circumstances, and
- Generally, amounts in your IRA, including earnings and gains, are not taxed until distributed. In some cases, amounts are not taxed at all if distributed according to the applicable rules.

CAUTION *Although interest earned from your traditional IRA generally is not taxed in the year earned, it is not tax-exempt interest. Do not report this interest on your tax return as tax-exempt interest.*

General limit. The most that can be contributed for 2010 to your traditional IRA is the smaller of the following amounts.

- Your taxable compensation for the year, or
- $5,000 ($6,000 if you were age 50 or older by the end of 2010).

Contributions to spousal IRAs. In the case of a married couple filing a joint return for 2010, up to $5,000 ($6,000 for each spouse age 50 or older by the end of 2010) can be contributed to IRAs on behalf of each spouse, even if one spouse has little or no compensation.

For more information on the general limit and the spousal IRA limit, see *How Much Can Be Contributed?* in Publication 590.

Deductible contribution. Generally, you can deduct the lesser of the contributions to your traditional IRA for the year or the general limit (or spousal IRA limit, if applicable) just explained. However, if you or your spouse was covered by an employer retirement plan at any time during the year for which contributions were made, you may not be able to deduct all of the contributions. Your deduction may be reduced or eliminated, depending on your filing status and the amount of your income. Your deduction may also be affected by social security benefits you received. For more information, see *Limit if Covered by Employer Plan* in Publication 590.

Nondeductible contribution. The difference between your total permitted contributions and your IRA deduction, if any, is your nondeductible contribution. You must file Form 8606, Nondeductible IRAs, to report nondeductible contributions even if you do not have to file a tax return for the year.

4.

Deductions

Most taxpayers have a choice of taking a standard deduction or itemizing their deductions. You benefit from the standard deduction if your standard deduction is more than the total of your allowable itemized deductions. If you have a choice, you should use the method that gives you the lower tax.

Standard Deduction

The standard deduction amount depends on your filing status, whether you are 65 or older or blind, whether an exemption can be claimed for you by another taxpayer, whether you paid state or local sales or excise tax (or certain other taxes or fees in a state without a sales tax) in 2010 on the purchase of a new motor vehicle after February 16, 2009, and before 2010 and whether you have a net disaster loss from a federally declared disaster. Generally, the standard deduction amounts are adjusted each year for inflation. In most cases, you can use Worksheet 4-1 to figure your standard deduction amount.

Persons not eligible for the standard deduction. Your standard deduction is zero and you should itemize any deductions you have if:

- You are married and filing a separate return, and your spouse itemizes deductions on his or her return,
- You are filing a tax return for a short tax year because of a change in your annual accounting period, or
- You are a nonresident or dual-status alien during the year. You are considered a dual-status alien if you were both a nonresident alien and a resident alien during the year.

If you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the year, you can choose to be treated as a U.S. resident. See Publication 519, U.S. Tax Guide for Aliens. If you make this choice, you can take the standard deduction.

Decedent's final return. The amount of the standard deduction for a decedent's final tax return is the same as it would have been had the decedent continued to live. However, if the decedent was not 65 or older at the time of death, the higher standard deduction for age cannot be claimed.

Higher standard deduction for age (65 or older). If you do not itemize deductions, you are entitled to a higher standard deduction if you are age 65 or older at the end of the year. You are considered age 65 on the day before your 65th birthday. Therefore, you can take a higher standard deduction for 2010 if you were born before January 2, 1946.

Higher standard deduction for blindness. If you are blind on the last day of the year and you do not itemize deductions, you are entitled to a higher standard deduction. You qualify for this benefit if you are totally or partly blind.

Partly blind. If you are partly blind, you must get a certified statement from an eye doctor or registered optometrist that:

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

If your eye condition will never improve beyond these limits, the statement should include this fact. You must keep the statement in your records.

If your vision can be corrected beyond these limits only by contact lenses that you can wear only briefly because of pain, infection, or ulcers, you can take the higher standard deduction for blindness if you otherwise qualify.

Spouse 65 or older or blind. You can take the higher standard deduction if your spouse is age 65 or older or blind and:

- You file a joint return, or
- You file a separate return and can claim an exemption for your spouse because your spouse had no gross income and an exemption for your spouse could not be claimed by another taxpayer.

CAUTION *You cannot claim the higher standard deduction for an individual other than yourself and your spouse.*

Higher standard deduction for motor vehicle taxes. Your standard deduction is increased by any state or local sales or excise taxes you paid in 2010 on the purchase of a new vehicle after February 16, 2009, and before 2010. If you bought the vehicle in 2010, you cannot increase your standard deduction by any taxes you paid on the purchase. The amount is limited to tax on the first $49,500 of the purchase price. The taxes must be state or local sales or excise taxes that would be deductible on Form 1040 (Schedule A) if you were itemizing your deductions. In states without a sales tax, certain other taxes or fees qualify if they are assessed on the purchase of the vehicle and are based on the vehicle's sales price or as a per unit fee. Taxes deductible in arriving at adjusted gross income, such as taxes on a vehicle used in your business, cannot be used to increase your standard deduction. If you are increasing your standard deduction by the amount of these state or local sales or excise taxes, complete Schedule L (Form 1040A or 1040) and attach it to your return.

Higher standard deduction for net disaster loss. Your standard deduction is increased by any net disaster loss you had in 2010 because of a disaster that occurred before 2010 and was declared a federal disaster after 2007. This amount is on Form 4684, line 17.

If you are increasing your standard deduction by the amount of your net disaster loss, be sure to complete Schedule L (Form 1040A or 1040) and attach it to your return.

Example. The following example illustrates how to determine your standard deduction using Worksheet 4-1.

Example. Bill and Lisa are filing a joint return for 2010. Both are over age 65. Neither is blind, and neither can be claimed as a dependent. They did not pay sales or excise taxes on the purchase of a new motor vehicle or have a net disaster loss. They do not itemize deductions, so they use Worksheet 4-1. Because they are married filing jointly, they enter $11,400 on line 1. They check the "No" box on line 2, so they also enter $11,400 on line 4. Because they are both over age 65, they enter $2,200 ($1,100 × 2) on line 5. They enter $13,600 ($11,400 + $2,200) on line 7, so their standard deduction is $13,600.

Standard Deduction for Dependents

The standard deduction for an individual for whom an exemption can be claimed on another person's tax return is generally limited to the greater of:

- $950, or
- The individual's earned income for the year plus $300 (but not more than the regular standard deduction amount, generally $5,700).

However, the standard deduction may be higher if the individual is 65 or older or blind, paid state or local sales taxes or excise taxes or taxes on the purchase of a new motor vehicle, or had a net disaster loss from a federally declared disaster.

Worksheet 4-1. **2010 Standard Deduction Worksheet**

Keep for Your Records

Caution. If your filing status is married filing separate and your spouse itemizes deductions on his or her return, or if you are a dual-status alien, do not complete this worksheet. You cannot take the standard deduction even if you were born before January 2, 1946, are blind, had a net disaster loss, or paid state or local sales or excise tax on the purchase of a new motor vehicle.
If you paid state or local sales or excise tax in 2010 on the purchase of a new motor vehicle after February 16, 2009, and before 2010, you cannot use this worksheet to figure your standard deduction. You must use Schedule L (Form 1040A or 1040) and attach it to your return.
If you are filing Form 1040EZ, do not use this worksheet. Instead, see line 5 of Form 1040EZ.

If you were born before January 2, 1946, and/or blind, check the correct number of boxes below. Put the total number of boxes checked in box c and go to line 1.

a.	You	Born before January 2, 1946 ☐	Blind ☐
b.	Your spouse, if claiming spouse's exemption	Born before January 2, 1946 ☐	Blind ☐
c.	**Total boxes checked** ☐		

1. Enter the amount shown below for your filing status.
   - Single or married filing separately — $5,700
   - Married filing jointly or Qualifying widow(er) — $11,400
   - Head of household — $8,400

   . . . . **1.** ______
2. Can you (or your spouse if filing jointly) be claimed as a dependent on someone else's return?
   ☐ **No.** Skip line 3; enter the amount from line 1 on line 4, and go to line 5.
   ☐ **Yes.** Go to line 3.
3. Is your **earned income*** more than $650?
   ☐ **Yes.** Add $300 to your earned income. Enter the total
   ☐ **No.** Enter $950

   . . . . **3.** ______
4. Enter the **smaller** of line 1 or line 3 . . . . **4.** ______
5. If born before January 2, 1946, or blind, multiply the number in box c by $1,100 ($1,400 if single or head of household). Enter the result here. Otherwise, enter -0- . . . . **5.** ______
6. Enter any net disaster loss from Form 4684, line 17** . . . . **6.** ______
7. Add lines 4, 5, and 6. This is your standard deduction for 2010. . . . . **7.** ______

*** 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 27 (or the amount you reported on Form 1040A, line 7).*
***If the amount on line 6 of this worksheet is more than zero, you must complete Schedule L (Form 1040A or 1040) and attach it to your return. Also, if the amount on line 6 of this worksheet is more than zero, you cannot file Form 1040A, you must file Form 1040.*

If an exemption for you (or your spouse if you are filing jointly) can be claimed on someone else's return, use Worksheet 4-1, if applicable, to determine your standard deduction.

Itemized Deductions

Some individuals should itemize their deductions because it will save them money. Others should itemize because they do not qualify for the standard deduction. See the discussion under Standard Deduction, earlier, to decide if it would be to your advantage to itemize deductions.

Medical and dental expenses, some taxes, certain interest expenses, charitable contributions, casualty and theft losses, and certain other miscellaneous expenses may be itemized as deductions on Schedule A (Form 1040 or Form 1040NR).

TIP *Starting with tax year 2010, your itemized deductions are no longer limited because of the amount of your adjusted gross income (AGI).*

You may benefit from itemizing your deductions on Schedule A (Form 1040 or Form 1040NR) if you:

- Cannot take the standard deduction,
- Had uninsured medical or dental expenses that are more than 7.5% of your adjusted gross income (see Medical and Dental Expenses, next),
- Paid interest (including mortgage insurance premiums) and taxes on your home,
- Had large unreimbursed employee business expenses or other miscellaneous deductions,
- Had large uninsured casualty or theft losses,
- Made large contributions to qualified charities (see Publication 526, Charitable Contributions), or
- Have total itemized deductions that are more than the standard deduction to which you otherwise are entitled.

See the Schedule A (Form 1040 or Form 1040NR) instructions for more information.

Medical and Dental Expenses

You can deduct certain medical and dental expenses you paid for yourself, your spouse, and your dependents, if you itemize your deductions on Schedule A (Form 1040).

Table 4-1 shows items that you can or cannot include in figuring your medical expense deduction. For more information, see the following discussions of selected items, which are presented in alphabetical order. More information can also be found in Publication 502, Medical and Dental Expenses.

CAUTION *You can deduct only the amount of your medical and dental expenses that is more than 7.5% of your adjusted gross income shown on Form 1040, line 37.*

What to include. Generally, you can include only the medical and dental expenses you paid this year, regardless of when the services were provided (but see *Decedent* in Publication 502 for an exception). If you pay medical expenses by check, the day you mail or deliver the check generally is the date of payment. If you use a pay-by-phone or online account to pay your medical expenses, the date reported on the statement of the financial institution showing when payment was made is the date of payment. You can include medical expenses you charge to your credit card in the year the charge is made. It does not matter when you actually pay the amount charged.

Home Improvements

You can include in medical expenses amounts you pay for home improvements if their main purpose is medical care for you, your spouse, or your dependent.

Only reasonable costs to accommodate a home to your disabled condition (or that of your spouse or your dependents who live with you) are considered medical care. Additional costs for personal motives, such as for architectural or aesthetic reasons, are not medical expenses. Publication 502 contains additional information and examples, including a capital expense worksheet, to assist you in figuring the amount of the capital expense that you can include in your medical expenses. Also, see Publication 502 for information about deductible operating and upkeep expenses related to such capital expense items, and for information about improvements, for medical reasons, to property rented by a person with disabilities.

Household Help

You cannot include in medical expenses the cost of household help, even if such help is recommended by a doctor. This is a personal expense that is not deductible. However, you may be able to include certain expenses paid to a person providing nursing-type services. For more information, see *Nursing Services*, later. Also, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. For more information, see *Qualified long-term care services* under Long-Term Care, later.

Hospital Services

You can include in medical expenses amounts you pay for the cost of inpatient care at a hospital or similar institution if a principal reason for being there is to receive medical care. This includes amounts paid for meals and lodging. Also, see Meals and Lodging, later.

Table 4-1. **Medical and Dental Expenses Checklist**

You can include:		You cannot include:	
• Bandages • Capital expenses for equipment or improvements to your home needed for medical care (see Publication 502) • Certain weight-loss expenses for obesity • Diagnostic devices • Expenses of an organ donor • Eye surgery—to promote the correct function of the eye • Guide dogs or other animals aiding the blind, deaf, and disabled • Hospital services fees (lab work, therapy, nursing services, surgery, etc.) • Lead-based paint removal (see Publication 502) • Long-term care contracts, qualified (see Publication 502) • Meals and lodging provided by a hospital during medical treatment • Medical and hospital insurance premiums • Medical services fees (from doctors, dentists, surgeons, specialists, and other medical practitioners)	• Medicare Part D premiums • Oxygen equipment and oxygen • Part of life-care fee paid to retirement home designated for medical care • Prescription medicines (prescribed by a doctor) and insulin • Psychiatric and psychological treatment • Social security tax, Medicare tax, FUTA, and state employment tax for worker providing medical care (see Publication 502) • Special items (artificial limbs, false teeth, eyeglasses, contact lenses, hearing aids, crutches, wheelchair, etc.) • Special education for mentally or physically disabled persons (see Publication 502) • Stop-smoking programs • Transportation for needed medical care • Treatment at a drug or alcohol center (includes meals and lodging provided by the center) • Wages for nursing services (see Publication 502)	• Contributions to Archer MSAs (see Publication 969) • Diaper service • Expenses for your general health (even if following your doctor's advice) such as: —Health club dues —Household help (even if recommended by a doctor) —Social activities, such as dancing or swimming lessons —Trip for general health improvement • Flexible spending account reimbursements for medical expenses (if contributions were on a pretax basis) (see Publication 502) • Funeral, burial, or cremation expenses • Health savings account payments for medical expenses (see Publication 502) • Illegal operation or treatment • Life insurance or income protection policies, or policies providing payment for loss of life, limb, sight, etc.	• Medical insurance included in a car insurance policy covering all persons injured in or by your car • Medicine you buy without a prescription • Nursing care for a healthy baby • Prescription drugs you brought in (or ordered shipped) from another country, in most cases (see Publication 502) • Surgery for purely cosmetic reasons (see Publication 502) • Toothpaste, toiletries, cosmetics, etc. • Teeth whitening • Weight-loss expenses not for the treatment of obesity or other disease

Long-Term Care

You can include in medical expenses amounts paid for qualified long-term care services and premiums paid for qualified long-term care insurance contracts.

Qualified long-term care services. Qualified long-term care services are necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, rehabilitative services, and maintenance and personal care services (defined later) that are:

1. Required by a chronically ill individual, and
2. Provided pursuant to a plan of care prescribed by a licensed health care practitioner.

Chronically ill individual. An individual is chronically ill if, within the previous 12 months, a licensed health care practitioner has certified that the individual meets either of the following descriptions.

1. He or she is unable to perform at least two activities of daily living without substantial assistance from another individual for at least 90 days, due to a loss of functional capacity. Activities of daily living are eating, toileting, transferring, bathing, dressing, and continence.
2. He or she requires substantial supervision to be protected from threats to health and safety due to severe cognitive impairment.

Maintenance and personal care services. Maintenance or personal care services is care which has as its primary purpose the providing of a chronically ill individual with needed assistance with his or her disabilities (including protection from threats to health and safety due to severe cognitive impairment).

Qualified long-term care insurance contracts. A qualified long-term care insurance contract is an insurance contract that provides only coverage of qualified long-term care services. The contract must:

1. Be guaranteed renewable,
2. Not provide for a cash surrender value or other money that can be paid, assigned, pledged, or borrowed,
3. Provide that refunds, other than refunds on the death of the insured or complete surrender or cancellation of the contract, and dividends under the contract must be used only to reduce future premiums or increase future benefits, and
4. Generally not pay or reimburse expenses incurred for services or items that would be reimbursed under Medicare, except where Medicare is a secondary payer, or the contract makes *per diem* or other periodic payments without regard to expenses.

The amount of qualified long-term care premiums you can include is limited. You can include the following as medical expenses on Schedule A (Form 1040).

1. Qualified long-term care premiums up to the amounts shown below.
   a. Age 40 or under – $330.
   b. Age 41 to 50 – $620.
   c. Age 51 to 60 – $1,230.
   d. Age 61 to 70 – $3,290.
   e. Age 71 or over – $4,110.
2. Unreimbursed expenses for qualified long-term care services.

Note. The limit on premiums is for each person.

Also, if you are an eligible retired public safety officer, you cannot include premiums for long-term care insurance if you elected to pay these premiums with tax-free distributions from a qualified retirement plan made directly to the insurance provider and these distributions would otherwise have been included in your income.

Meals and Lodging

You can include in medical expenses the cost of meals and lodging at a hospital or similar institution if your main reason for being there is to receive medical care.

You may be able to include in medical expenses the cost of lodging (but not meals) not provided in a hospital or similar institution. You can include the cost of such lodging while away from home if all of the following requirements are met.

- The lodging is primarily for, and essential to, medical care.
- The medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital.
- The lodging is not lavish or extravagant under the circumstances.
- There is no significant element of personal pleasure, recreation, or vacation in the travel away from home.

The amount you include in medical expenses for lodging cannot be more than $50 per night for each person. You can include lodging for a person traveling with the person receiving the medical care. For example, if a parent is traveling with a sick child, up to $100 per night can be included as a medical expense for lodging. Meals are not included.

Nursing home. You can include in medical expenses the cost of medical care in a nursing home, home for the aged, or similar institution, for yourself, your spouse, or your dependents. This includes the cost of meals and lodging in the home if a main reason for being there is to get medical care.

Do not include the cost of meals and lodging if the reason for being in the home is personal. However, you can include in medical expenses the part of the cost that is for medical or nursing care.

Medical Insurance Premiums

You can include in medical expenses insurance premiums you pay for policies that cover medical care. Policies can provide payment for:

- Hospitalization, surgical fees, X-rays,
- Prescription drugs and insulin,
- Replacement of lost or damaged contact lenses,
- Qualified long-term care insurance contracts (subject to the additional limits included in the discussion on qualified long-term care insurance contracts under Long-Term Care, earlier), or
- Membership in an association that gives cooperative or so-called “free-choice” medical service, or group hospitalization and clinical care.

If you have a policy that provides more than one kind of payment, you can include the premiums for the medical care part of the policy if the charge for the medical part is reasonable. The cost of the medical portion must be separately stated in the insurance contract or given to you in a separate statement.

Medicare Part A. If you are covered under social security (or if you are a government employee who paid Medicare tax), you are enrolled in Medicare Part A. The payroll tax paid for Medicare Part A is not a medical expense. If you are not covered under social security (or were not a government employee who paid Medicare tax), you can enroll voluntarily in Medicare Part A. In this situation you can include the premiums you paid for Medicare Part A as a medical expense.

Medicare Part B. Medicare Part B is a supplemental medical insurance. Premiums you pay for Medicare Part B are a medical expense. If you applied for it at age 65 or after you became disabled, you can include in medical expenses the monthly premiums you paid. If you were over age 65 or disabled when you first enrolled, check the information you received from the Social Security Administration to find out your premium.

Medicare Part D. Medicare Part D is a voluntary prescription drug insurance program for persons with Medicare Part A or Part B. You can include as a medical expense premiums you pay for Medicare Part D.

Prepaid insurance premiums. Insurance premiums you pay before you are age 65 for medical care for yourself, your spouse, or your dependents, after you reach age 65 are medical care expenses in the year paid if they are:

- Payable in equal yearly installments, or more often, and
- Payable for at least 10 years, or until you reach age 65 (but not for less than 5 years).

Medicines

You can include in medical expenses amounts you pay for prescribed medicines and drugs. A prescribed drug is one that requires a prescription by a doctor for its use by an individual. You can also include amounts you pay for insulin. Except for insulin, you cannot include in medical expenses amounts you pay for a drug that is not prescribed.

Imported medicines and drugs. If you imported medicines or drugs from other countries, see *Medicines and Drugs From Other Countries*, under *What Expenses Are Not Includible*, in Publication 502.

Nursing Services

You can include in medical expenses wages and other amounts you pay for nursing services. The services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming the patient. These services can be provided in your home or another care facility.

Generally, only the amount spent for nursing services is a medical expense. If the attendant also provides personal and household services, amounts paid to the attendant must be divided between the time spent performing household and personal services and the time spent for nursing services. However, certain maintenance or personal care services provided for qualified long-term care can be included in medical expenses. See *Maintenance and personal care services* under *Qualified long-term care services*, earlier. Additionally, certain expenses for household services or for the care of a qualifying individual incurred to allow you to work may qualify for the child and dependent care credit. See *Child and Dependent Care Credit*, later, and Publication 503, Child and Dependent Care Expenses.

You can also include in medical expenses part of the amount you pay for that attendant's meals. Divide the food expense among the household members to find the cost of the attendant's food. Then divide that cost in the same manner as in the preceding paragraph. If you had to pay additional amounts for household upkeep because of the attendant, you can include the extra amounts with your medical expenses. This includes extra rent or utilities you pay because you moved to a larger apartment to provide space for the attendant.

Employment taxes. You can include as a medical expense social security tax, FUTA, Medicare tax, and state employment taxes you pay for a nurse, attendant, or other person who provides medical care. If the attendant also provides personal and household services, you can include as a medical expense only the amount of employment taxes paid for medical services as explained earlier under *Nursing Services*. For information on employment tax responsibilities of household employers, see Publication 926, Household Employer's Tax Guide.

Transportation

You can include in medical expenses amounts paid for transportation primarily for, and essential to, medical care.

You can also include:

- Bus, taxi, train, or plane fares or ambulance service, and
- Transportation expenses of a nurse or other person who can give injections, medications, or other treatment required by a patient who is traveling to get medical care and is unable to travel alone.

Car expenses. You can include out-of-pocket expenses, such as the cost of gas and oil, when you use a car for medical reasons. You cannot include depreciation, insurance, general repair, or maintenance expenses.

Instead of deducting the actual expenses, you can deduct the standard rate of 16.5 cents per mile for use of your car for medical reasons.

You can also include parking fees and tolls. You can add these fees and tolls to your medical expenses whether you use actual expenses or use the standard mileage rate.

Do not include transportation expenses if, for purely personal reasons, you choose to travel to another city for an operation or other medical care prescribed by your doctor.

5.

Credits

This chapter briefly discusses the credit for the elderly or disabled, the child and dependent care credit, and the earned income credit. You may be able to reduce your federal income tax by claiming one or more of these credits.

Credit for the Elderly or the Disabled

This section explains who qualifies for the credit for the elderly or the disabled and how to figure this credit. For more information, see Publication 524, Credit for the Elderly or the Disabled.

You can take the credit only if you file Form 1040 or Form 1040A. You cannot take the credit if you file Form 1040EZ or Form 1040NR.

Can You Take the Credit?

You can take the credit for the elderly or the disabled if:

- You are a qualified individual, and
- Your income is not more than certain limits.

See Figures 5-A and 5-B, later.

Qualified Individual

You are a qualified individual for this credit if you are a U.S. citizen or resident alien, and either of the following applies.

1. You were age 65 or older at the end of 2010.
2. You were under age 65 at the end of 2010 and all three of the following statements are true.
   a. You retired on permanent and total disability (explained later).
   b. You received taxable disability income for 2010.
   c. On January 1, 2010, you had not reached mandatory retirement age (defined later under *Disability income*).

Age 65. You are considered to be age 65 on the day before your 65th birthday. Therefore, if you were born on January 1, 1946, you are considered to be age 65 at the end of 2010.

U.S. citizen or resident alien. You must be a U.S. citizen or resident alien (or be treated as a resident alien) to take the credit. Generally, you cannot take the credit if you were a nonresident alien at any time during the tax year.

Exceptions. You may be able to take the credit if you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the tax year and you and your spouse choose to treat you as a U.S. resident alien. If you make that choice, both you and your spouse are taxed on your worldwide income.

If you were a nonresident alien at the beginning of the year and a resident alien at the end of the year, and you were married to a U.S. citizen or resident alien at the end of the year, you may be able to choose to be treated as a U.S. resident alien for the entire year. In that case, you may be allowed to take the credit.

For information on these choices, see chapter 1 of Publication 519, U.S. Tax Guide for Aliens.

Married persons. Generally, if you are married at the end of the tax year, you and your spouse must file a joint return to take the credit. However, if you and your spouse did not live in the same household at any time during the tax year, you can file either a joint return or separate returns and still take the credit.

Head of household. You can file as head of household and qualify to take the credit even if your spouse lived with you during the first 6 months of the year if you meet certain tests. See Publication 524 and Publication 501.

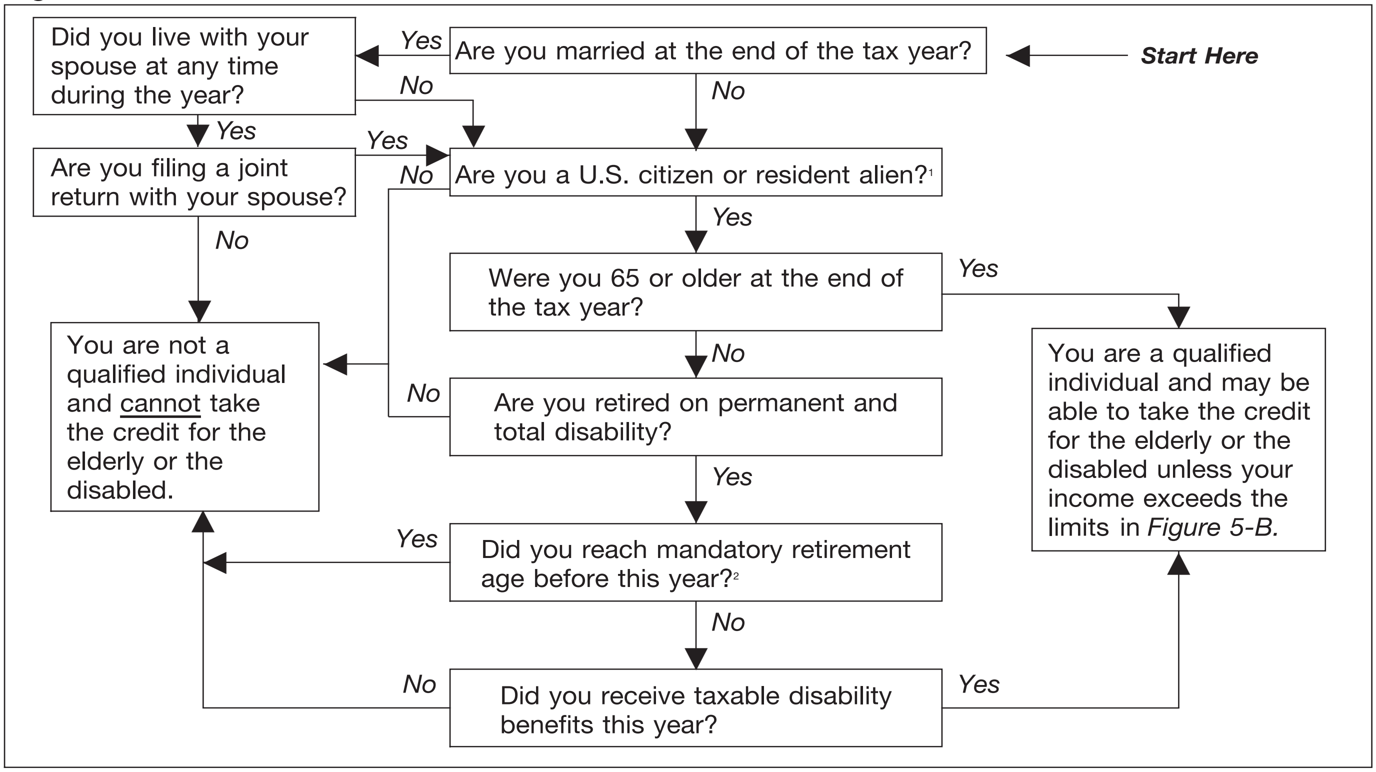
Under age 65. If you are under age 65 at the end of the year, you can qualify for the credit only if you are retired on permanent and total disability and have taxable disability income (discussed later under *Disability income*). You are considered to be under age 65 at the end of 2010 if you were born after January 1, 1946. You are retired on permanent and total disability if:

- You were permanently and totally disabled when you retired, and
- You retired on disability before the end of the tax year.

Even if you do not retire formally, you may be considered retired on disability when you have stopped working because of your disability. If you retired on disability before 1977 and were not permanently and totally disabled at the time, you can qualify for the credit if you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

Permanent and total disability. You are permanently and totally disabled if you cannot engage in any substantial gainful activity because of your physical or mental condition. A physician must certify that the condition has lasted or can be expected to last continuously for 12 months or

Figure 5-A. **Are You a Qualified Individual?**



[1]If you were a nonresident alien at any time during the tax year and were married to a U.S. citizen or resident alien at the end of the tax year, see *U.S. citizen or resident alien* under *Qualified Individual.* If you and your spouse choose to treat you as a U.S. resident alien, answer "Yes" to this question.

[2]Mandatory retirement age is the age set by your employer at which you would have been required to retire, had you not become disabled.

Figure 5-B. **Income Limits**

	THEN even if you qualify (see *Figure 5-A*), you CANNOT take the credit if:	
IF your filing status is . . .	**Your adjusted gross income (AGI)* is equal to or more than . . .**	**OR the total of your nontaxable social security and other nontaxable pension(s) is equal to or more than . . .**
single, head of household, or qualifying widow(er) with dependent child	$17,500	$5,000
married filing a joint return **and** both spouses qualify in *Figure 5-A*	$25,000	$7,500
married filing a joint return **and** only one spouse qualifies in *Figure 5-A*	$20,000	$5,000
married filing a separate return	$12,500	$3,750

*AGI is the amount on Form 1040A, line 22, or Form 1040, line 38 more, or that the condition can be expected to result in death. See *Physician's statement*, later.

Substantial gainful activity. Substantial gainful activity is the performance of significant duties over a reasonable period of time while working for pay or profit, or in work generally done for pay or profit.

Full-time work (or part-time work done at the employer's convenience) in a competitive work situation for at least the minimum wage conclusively shows that you are able to engage in substantial gainful activity.

Substantial gainful activity is not work you do to take care of yourself or your home. It is not unpaid work on hobbies, institutional therapy or training, school attendance, clubs, social programs, and similar activities. However, doing this kind of work may show that you are able to engage in substantial gainful activity.

The fact that you have not worked for some time is not, of itself, conclusive evidence that you cannot engage in substantial gainful activity.

Physician's statement. If you are under age 65, you must have your physician complete a statement certifying that you were permanently and totally disabled on the date you retired.

You do not have to file this statement with your Form 1040 or Form 1040A, but you must keep it for your records. The instructions for Schedule R include a statement your physician can complete and that you can keep for your records.

Veterans. If the Department of Veterans Affairs (VA) certifies that you are permanently and totally disabled, you can substitute VA Form 21-0172, Certification of Permanent and Total Disability, for the physician's statement you are required to keep. VA Form 21-0172 must be signed by a person authorized by the VA to do so. You can get this form from your local VA regional office.

Physician's statement obtained in earlier year. If you got a physician's statement in an earlier year and, due to your continued disabled condition, you were unable to engage in any substantial gainful activity during 2010, you may not need to get another physician's statement for 2010. For a detailed explanation of the conditions you must meet, see the instructions for Part II of Schedule R. If you meet the required conditions, you must check the box in Part II, line 2 of Schedule R.

If you checked box 4, 5, or 6 in Part I of Schedule R, print in the space above the box in Part II, line 2, the first name(s) of the spouse(s) for whom the box is checked.

Disability income. If you are under age 65, you must also have taxable disability income to qualify for the credit.

Disability income must meet the following two requirements.

- It must be paid under your employer's accident or health plan or pension plan.
- It must be included in your income as wages (or payments in lieu of wages) for the time you are absent from work because of permanent and total disability.

Payments that are not disability income. Any payment you receive from a plan that does not provide for disability retirement is not disability income. Any lump-sum payment for accrued annual leave that you receive when you retire on disability is a salary payment and is not disability income.

For purposes of the credit for the elderly or the disabled, disability income does not include amounts you receive after you reach mandatory retirement age. Mandatory retirement age is the age set by your employer at which you would have had to retire had you not become disabled.

Figuring the Credit

You can figure the credit yourself, or the IRS will figure it for you.

Figuring the credit yourself. If you figure the credit yourself, fill out the front of Schedule R. Next, fill out Part III of Schedule R.

Credit figured for you. If you can take the credit and choose to have the IRS figure the credit for you, see Publication 524 or the Instructions for Schedule R. If you want the IRS to figure your tax, see Publication 967, The IRS Will Figure Your Tax.

Child and Dependent Care Credit

You may be able to claim this credit if you pay someone to care for your dependent who is under age 13 or for your spouse or dependent who is not able to care for himself or herself. The credit can be up to 35% of your expenses. To qualify, you must pay these expenses so you can work or look for work.

CAUTION

If you claim this credit, you must include on your return the name and taxpayer identification number (generally the social security number) of each qualifying person for whom care is provided. If the correct information is not shown, the credit may be reduced or disallowed.

You also must show on your return the name, address, and the taxpayer identification number of the person(s) or organization(s) that provided the care.

For more information, see Publication 503, Child and Dependent Care Expenses.

Earned Income Credit

The earned income credit (EIC) is a refundable tax credit for certain people who work and have earned income under $48,362. The EIC is available to persons with or without a qualifying child.

Credit has no effect on certain welfare benefits. Any refund you receive because of the EIC and any advance EIC payments you receive generally will not be considered income when determining whether you are eligible for the following benefit programs, or how much you can receive from the programs. However, if the amounts you receive are not spent within a certain period of time, they may count as an asset (or resource) and affect your eligibility.

- Medicaid and supplemental security income (SSI).
- Food stamps.
- Low-income housing.

Temporary Assistance for Needy Families (TANF) benefits may be affected. Please check with your state.

Do You Qualify for the Credit?

To qualify to claim the EIC, you must first meet Rules 1 through 7 in Part A of Table 5-1, *Rules for Everyone*. Then you must meet Rules 8 through 10 in Part B of Table 5-1, *Rules If You Have a Qualifying Child*, or Rules 11 through 14 in Part C of Table 5-1, *Rules If You Do Not Have a Qualifying Child*. There is one final rule you must meet, Rule 15, in Part D of Table 5-1, *Figuring and Claiming the EIC*. You qualify for the credit if you meet all the rules in each part that applies to you.

- If you have a qualifying child, the rules in *Parts A, B,* and *D* apply to you.
- If you do not have a qualifying child, the rules in *Parts A, C,* and *D* apply to you.

Table 5-1, Earned Income Credit in a Nutshell. Use Table 5-1 as a guide to *Parts A, B, C,* and *D*. The table is a summary of all the rules in each part. After you have read the rules in the table, if you think you may qualify for the credit, see Publication 596, Earned Income Credit, for more details. You also can find more information in the instructions for Form 1040 (line 64a), Form 1040A (line 41a), or Form 1040EZ (line 9a).

Adjusted gross income (AGI). Under Rule 1, you cannot claim the EIC unless your AGI is less than the applicable limit shown in Part A of Table 5-1. Your AGI is the amount on line 38 (Form 1040), line 22 (Form 1040A), or line 4 (Form 1040EZ).

Social security number. Under Rule 2, you (and your spouse if filing a joint return) must have a valid social security number (SSN) issued by the Social Security Administration (SSA). Any qualifying child listed on Schedule EIC also must have a valid SSN. (See *Qualifying child*, later, if you have a qualifying child.)

If your social security card (or your spouse's if filing a joint return) says "Not valid for employment" and your SSN was issued so that you (or your spouse) could get a federally funded benefit, you cannot get the EIC. An example of a federally funded benefit is Medicaid.

Table 5-1. **Earned Income Credit in a Nutshell**

First, you must meet all the rules in this column.		**Second, you must meet all the rules in *one* of these columns, whichever applies.**		**Third, you must meet the rule in this column.**
Part A. Rules for Everyone		**Part B. Rules If You Have a Qualifying Child**	**Part C. Rules If You Do Not Have a Qualifying Child**	**Part D. Figuring and Claiming the EIC**
1. Your adjusted gross income (AGI) must be less than: •$43,352 ($48,362 for married filing jointly) if you have three or more qualifying children, •$40,363 ($45,373 for married filing jointly) if you have two qualifying children, •$35,535 ($40,545 for married filing jointly) if you have one qualifying child, or •$13,460 ($18,470 for married filing jointly) if you do not have a qualifying child.	**2.** You must have a valid social security number. **3.** Your filing status cannot be "Married filing separately." **4.** You must be a U.S. citizen or resident alien all year. **5.** You cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income). **6.** Your investment income must be $3,100 or less. **7.** You must have earned income.	**8.** Your child must meet the relationship, age, residency, and joint return tests. **9.** Your qualifying child cannot be used by more than one person to claim the EIC. **10.** You cannot be a qualifying child of another person.	**11.** You must be at least age 25 but under age 65. **12.** You cannot be the dependent of another person. **13.** You cannot be a qualifying child of another person. **14.** You must have lived in the United States more than half of the year.	**15.** Your earned income must be less than: •$43,352 ($48,362 for married filing jointly) if you have three or more qualifying children, •$40,363 ($45,373 for married filing jointly) if you have two qualifying children, •$35,535 ($40,545 for married filing jointly) if you have one qualifying child, or •$13,460 ($18,470 for married filing jointly) if you do not have a qualifying child.

Investment income. Under Rule 6, you cannot claim the EIC unless your investment income is $3,100 or less. If your investment income is more than $3,100, you cannot claim the credit. For most people, investment income is the total of the following amounts.

- Taxable interest (line 8a of Form 1040 or 1040A).
- Tax-exempt interest (line 8b of Form 1040 or 1040A).
- Dividend income (line 9a of Form 1040 or 1040A).
- Capital gain net income (line 13 of Form 1040, if more than zero, or line 10 of Form 1040A).

If you file Form 1040EZ, your investment income is the total of the amount of line 2 and the amount of any tax-exempt interest you wrote to the right of the words "Form 1040EZ" on line 2.

Earned income. Under Rule 7, you must have earned income to claim the EIC. Under Rule 15, you cannot claim the EIC unless your earned income is less than the applicable limit shown in Part D of Table 5-1. Earned income includes all of the following types of income.

1. Wages, salaries, tips, and other taxable employee pay. Employee pay is earned income only if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, is generally not earned income. You can elect to include your nontaxable combat pay in earned income for purposes of the EIC. See Publication 596 for details.
2. Net earnings from self-employment.
3. Gross income received as a statutory employee.

Self-employed persons. If you are self-employed and your net earnings are $400 or more, be sure to correctly fill out Schedule SE (Form 1040), Self-Employment Tax, and pay the proper amount of self-employment tax. If you do not, you may not get all the credit to which you are entitled.

Disability benefits. If you retired on disability, taxable benefits you receive under your employer's disability retirement plan are considered earned income until you reach minimum retirement age. Minimum retirement age generally is the earliest age at which you could have received a pension or annuity if you were not disabled. Beginning on the day after you reach minimum retirement age, payments you receive are taxable as a pension and are not considered earned income.

Payments you received from a disability insurance policy that you paid the premiums for are not earned income. It does not matter whether you have reached minimum retirement age. If this policy is through your employer, the amount may be shown in Box 12 of your Form W-2 with code "J."

Income that is not earned income. Examples of items that are not earned income under Rule 7 include interest and dividends, pensions and annuities, social security and railroad retirement benefits (including disability benefits), alimony and child support, welfare benefits, workers' compensation benefits, unemployment compensation (insurance), nontaxable foster care payments, and veterans' benefits, including VA rehabilitation payments. Do not include any of these items in your earned income.

Workfare payments. Nontaxable workfare payments are not earned income for the EIC. These are cash payments certain people receive from a state or local agency that administers public assistance programs funded under the federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as (1) work experience activities (including remodeling or repairing public housing) if sufficient private sector employment is not available, or (2) community service program activities.

Qualifying child. Under Rule 8, your child is a qualifying child if your child meets four tests. The four tests are:

1. Relationship,
2. Age,
3. Residency, and
4. Joint return.

The four tests are illustrated in Figure 5-C. See Publication 596 for more information about each test.

Figuring the EIC

To figure the amount of your credit, you have two choices.

1. Have the IRS figure the EIC for you. If you want to do this, see *IRS Will Figure the EIC for You* in Publication 596.
2. Figure the EIC yourself. If you want to do this, see *How To Figure the EIC Yourself* in Publication 596.

Advance Earned Income Credit Payments

After 2010, you can no longer get advance payments of part of the credit in your pay as you could in 2010 and earlier years. However, if you are eligible you can still claim the credit on your tax return.

Figure 5-C. **Tests for Qualifying Child**

A qualifying child for the EIC is a child who is your...

Son, daughter, stepchild, foster child,
or a descendant of any of them (for example, your grandchild)

OR

Brother, sister, half brother, half sister, stepbrother,
stepsister, or a descendant of any of them (for example, your
niece or nephew)

AND

was ...

Under age 19 at the end of 2010 and younger than you (or your spouse if filing jointly)

OR

Under age 24 at the end of 2010, a student, and younger than you (or your spouse if filing jointly)

OR

Permanently and totally disabled at any time during the year, regardless of age

AND

who...

Is not filing a joint return for 2010
(or is filing a joint return for 2010 only as a claim for refund)

AND

who...

Lived with you in the United States for more than half
of 2010.
If the child did not live with you for the
required time, see Publication 596 for more information.

For 2010 and prior years, see Publication 596 or the Form W-5 Instructions for more information on the advance EIC.

6. Estimated Tax

Estimated tax is a method used to pay tax on income that is not subject to withholding. This income includes self-employment income, interest, dividends, alimony, rent, gains from the sale of assets, prizes, and awards.

Income tax generally is withheld from pensions and annuity payments you receive. However, if the tax withheld from your pension (or other) income is not enough, you may have to pay estimated tax. If you do not pay enough tax through withholding, by making estimated tax payments, or both, you may be charged a penalty.

Who Must Make Estimated Tax Payments

If you had a tax liability for 2010, you may have to pay estimated tax for 2011. Generally, you must make estimated tax payments for 2011 if you expect to owe at least $1,000 in tax for 2011 after subtracting your withholding and credits, and you expect your withholding and credits to be less than the smaller of:

- 90% of the tax to be shown on your 2011 tax return, or
- 100% of the tax shown on your 2010 tax return. The 2010 tax return must cover all 12 months.

If all of your income will be subject to income tax withholding, you probably do not need to make estimated tax payments.

For more information on estimated tax, see Publication 505.

7. How To Get Tax Help

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

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS. We help taxpayers who are experiencing economic harm, such as not being able to provide necessities like housing, transportation, or food; taxpayers who are seeking help in resolving tax problems with the IRS; and those who believe that an IRS system or procedure is not working as it should. Here are seven things every taxpayer should know about TAS:

- The Taxpayer Advocate Service is your voice at the IRS.
- Our service is free, confidential, and tailored to meet your needs.
- You may be eligible for our help if you have tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn't working as it should.
- We help taxpayers whose problems are causing financial difficulty or significant cost, including the cost of professional representation. This includes businesses as well as individuals.
- Our employees know the IRS and how to navigate it. If you qualify for our help, we'll assign your case to an advocate who will listen to your problem, help you understand what needs to be done to resolve it, and stay with you every step of the way until your problem is resolved.
- We have at least one local taxpayer advocate in every state, the District of Columbia, and Puerto Rico. You can call your local advocate, whose number is in your phone book, in Pub. 1546, Taxpayer Advocate Service—Your Voice at the IRS, and on our website at *www.irs.gov/advocate*. You can also call our toll-free line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.
- You can learn about your rights and responsibilities as a taxpayer by visiting our online tax toolkit at *www.taxtoolkit.irs.gov*. You can get updates on hot tax topics by visiting our YouTube channel at *www.youtube.com/tasnta* and our Facebook page at *www.facebook.com/YourVoiceAtIRS*, or by following our tweets at *www.twitter.com/YourVoiceAtIRS*.

Low Income Taxpayer Clinics (LITCs). The Low Income Taxpayer Clinic program serves individuals who have a problem with the IRS and whose income is below a certain level. LITCs are independent from the IRS. Most LITCs can provide representation before the IRS or in court on audits, tax collection disputes, and other issues for free or a small fee. If an individual's native language is not English, some clinics can provide multilingual information about taxpayer rights and responsibilities. For more information, see Publication 4134, Low Income Taxpayer Clinic List. This publication is available at IRS.gov, by calling 1-800-TAX-FORM (1-800-829-3676), or at your local IRS office.

Free tax services. Publication 910, IRS Guide to Free Tax Services, is your guide to IRS services and resources. Learn about free tax information from the IRS, including publications, services, and education and assistance programs. The publication also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on the telephone. The majority of the information and services listed in this publication are available to you free of charge. If there is a fee associated with a resource or service, it is listed in the publication.

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

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

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

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

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

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2010 refund. Go to IRS.gov and click on *Where's My Refund*. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2010 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, including talking tax forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- Use the online Internal Revenue Code, Regulations, or other official guidance.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at *www.irs.gov/individuals*.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to *www.irs.gov/localcontacts* or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* To check the status of your 2010 refund, call 1-800-829-1954 or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2010 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.

- *Other refund information.* To check the status of a prior-year refund or amended return refund, call 1-800-829-1040.

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

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

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

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

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

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

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
  – The first release shipped the beginning of January 2011.
  – The final release shipped the beginning of March 2011.

Purchase the DVD from National Technical Information Service (NTIS) at *www.irs.gov/cdorders* for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee).

Index

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

■

Tax Publications for Individual Taxpayers

See *How To Get Tax Help* 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
334 Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
509 Tax Calendars for 2011
910 IRS Guide to Free Tax Services

Specialized Publications

3 Armed Forces' Tax Guide
54 Tax Guide for U.S. Citizens and Resident Aliens Abroad
225 Farmer's Tax Guide
463 Travel, Entertainment, Gift, and Car Expenses
501 Exemptions, Standard Deduction, and Filing Information
502 Medical and Dental Expenses (Including the Health Coverage Tax Credit)
503 Child and Dependent Care Expenses
504 Divorced or Separated Individuals
505 Tax Withholding and Estimated Tax
514 Foreign Tax Credit for Individuals
516 U.S. Government Civilian Employees Stationed Abroad
517 Social Security and Other Information for Members of the Clergy and Religious Workers
519 U.S. Tax Guide for Aliens
521 Moving Expenses
523 Selling Your Home
524 Credit for the Elderly or the Disabled
525 Taxable and Nontaxable Income
526 Charitable Contributions
527 Residential Rental Property (Including Rental of Vacation Homes)
529 Miscellaneous Deductions
530 Tax Information for Homeowners
531 Reporting Tip Income
535 Business Expenses
536 Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
537 Installment Sales
541 Partnerships
544 Sales and Other Dispositions of Assets
547 Casualties, Disasters, and Thefts
550 Investment Income and Expenses (Including Capital Gains and Losses)
551 Basis of Assets
552 Recordkeeping for Individuals
554 Tax Guide for Seniors
555 Community Property
556 Examination of Returns, Appeal Rights, and Claims for Refund
559 Survivors, Executors, and Administrators
561 Determining the Value of Donated Property
570 Tax Guide for Individuals With Income From U.S. Possessions
571 Tax-Sheltered Annuity Plans (403(b) Plans) For Employees of Public Schools and Certain Tax-Exempt Organizations
575 Pension and Annuity Income
584 Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
587 Business Use of Your Home (Including Use by Daycare Providers)
590 Individual Retirement Arrangements (IRAs)
593 Tax Highlights for U.S. Citizens and Residents Going Abroad
594 The IRS Collection Process
596 Earned Income Credit (EIC)
721 Tax Guide to U.S. Civil Service Retirement Benefits
901 U.S. Tax Treaties
907 Tax Highlights for Persons with Disabilities
908 Bankruptcy Tax Guide
915 Social Security and Equivalent Railroad Retirement Benefits
919 How Do I Adjust My Tax Withholding?
925 Passive Activity and At-Risk Rules
926 Household Employer's Tax Guide For Wages Paid in 2011
929 Tax Rules for Children and Dependents
936 Home Mortgage Interest Deduction
946 How To Depreciate Property
947 Practice Before the IRS and Power of Attorney
950 Introduction to Estate and Gift Taxes
967 The IRS Will Figure Your Tax
969 Health Savings Accounts and Other Tax-Favored Health Plans
970 Tax Benefits for Education
971 Innocent Spouse Relief
972 Child Tax Credit
1542 Per Diem Rates (For Travel Within the Continental United States)
1544 Reporting Cash Payments of Over $10,000 (Received in a Trade or Business)
1546 Taxpayer Advocate Service – Your Voice at the IRS

Spanish Language Publications

1SP Derechos del Contribuyente
17(SP) El Impuesto Federal sobre los Ingresos Para Personas Fisicas
547(SP) Hechos Fortuitos Desastres y Robos
584(SP) Registro de Pérdidas por Hechos Fortuitos (Imprevistos), Desastres y Robos (Propiedad de Uso Personal)
594SP El Proceso de Cobro del IRS
596SP Crédito por Ingreso del Trabajo
850(EN/SP) English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
1544(SP) Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)

Commonly Used Tax Forms

See *How To Get Tax Help* for a variety of ways to get forms, including by computer, phone, and mail.

Form Number and Title

1040 U.S. Individual Income Tax Return
Sch A Itemized Deductions
Sch B Interest and Ordinary Dividends
Sch C Profit or Loss From Business
Sch C-EZ Net Profit From Business
Sch D Capital Gains and Losses
Sch D-1 Continuation Sheet for Schedule D
Sch E Supplemental Income and Loss
Sch EIC Earned Income Credit
Sch F Profit or Loss From Farming
Sch H Household Employment Taxes
Sch J Income Averaging for Farmers and Fishermen
Sch L Standard Deduction for Certain Filers
Sch M Making Work Pay
Sch R Credit for the Elderly or the Disabled
Sch SE Self-Employment Tax
1040A U.S. Individual Income Tax Return
1040EZ Income Tax Return for Single and Joint Filers With No Dependents
1040-ES Estimated Tax for Individuals
1040X Amended U.S. Individual Income Tax Return
2106 Employee Business Expenses
2106-EZ Unreimbursed Employee Business Expenses
2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts
2441 Child and Dependent Care Expenses
2848 Power of Attorney and Declaration of Representative
2848(SP) Poder Legal y Declaración del Representante
3903 Moving Expenses
4562 Depreciation and Amortization
4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
4868(SP) Solicitud de Prórroga Automática para Presentar la Declaración del Impuesto sobre el Ingreso Personal de los Estados Unidos
4952 Investment Interest Expense Deduction
5329 Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
6251 Alternative Minimum Tax—Individuals
8283 Noncash Charitable Contributions
8582 Passive Activity Loss Limitations
8606 Nondeductible IRAs
8812 Additional Child Tax Credit
8822 Change of Address
8829 Expenses for Business Use of Your Home
8863 Education Credits (American Opportunity, and Lifetime Learning Credits)
9465 Installment Agreement Request
9465(SP) Solicitud para un Plan de Pagos a Plazos