



# 2003 Instructions for Schedule J

## Farm Income Averaging

Use Schedule J (Form 1040) to elect to figure your 2003 tax by averaging, over the previous 3 years (base years), all or part of your 2003 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 2003 income from farming is high and your taxable income for one or more of the 3 prior years was low.

If you owe alternative minimum tax (AMT) for 2003 (figured without regard to farm income averaging), filing Schedule J will not reduce your total tax for 2003. Filing Schedule J may, however, increase your credit for prior year minimum tax in a later tax year.

This election does not apply when figuring your tentative minimum tax on **Form 6251** (that is, you cannot average your AMT farm income). Also, you do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

## General Instructions

### Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2000, 2001, and 2002 to figure your tax on Schedule J. If you do not have copies of those returns, you can get them by filing **Form 4506**. See your Form 1040 instruction booklet to find out how to get this form. Keep a copy of your 2003 income tax return for use in 2004, 2005, or 2006.

### Additional Information

See Regulations section 1.1301-1 for more details.

## Specific Instructions

### Line 2

#### Elected Farm Income

To figure elected farm income, first figure your taxable income from farming. **Taxable income from farming** includes all income, gains, losses, and deductions attributable to any farming business. However, it does not include gain from the sale or other disposition of land.

Your **elected farm income** is the amount of your taxable income from

farming that you elect to include on line 2. You do not have to include all of your taxable income from farming on line 2. It may be to your advantage to include less than the full amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior 3 tax years.

Your elected farm income cannot exceed your taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the **smaller** of your total net capital gain or your net capital gain attributable to your farming business. If your elected farm income includes net capital gain, you must allocate an equal portion of the net capital gain to each of the base years. If, for any base year, you had a capital loss that resulted in a capital loss carryover to the next tax year, **do not** reduce the elected farm income allocated to that base year by any part of the carryover.

**Farming Business.** A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm;
- Raising or harvesting of trees bearing fruits, nuts, or other crops;
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);

- Raising, shearing, feeding, caring for, training, and managing animals; and
- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are **(a)** based on a share of the tenant's production (not a fixed amount) and **(b)** determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business **does not** include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else or
- Merely buying or reselling plants or animals grown or raised by someone else.



Generally, farm income, gains, losses, and deductions are reported on:

- **Form 1040**, line 7, to the extent of wages and other compensation you received as a shareholder in an S corporation engaged in a farming business;
- **Schedule D**;
- **Schedule E**, Part II;
- **Schedule F**;
- **Form 4797**; and
- **Form 4835**.

## Line 4

Figure the tax on the amount on line 3 using the **2003** Tax Table, Tax Rate Schedules, or Qualified Dividends and Capital Gain Tax Worksheet from your 2003 Form 1040 instruction booklet, or use Schedule D. Enter the tax on line 4.

## Line 5

If you used Schedule J to figure your tax for 2002 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 42, or on Form 1040X), enter on line 5 the amount from line 11 of your 2002 Schedule J. If you used Schedule J to figure your tax for 2001 but not 2002, enter on line 5 the amount from line 15 of your 2001 Schedule J. If you used Schedule J to figure your tax for 2000 but not 2001 nor 2002, enter on line 5 the amount from line 3 of your 2000 Schedule J.

If you figured your tax for 2000, 2001, and 2002 without using Schedule J, enter on line 5 the taxable income from your 2000 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 5.

If you filed your 2000 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2000, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2000 for at least 3 years after April 15, 2004 (or the date you file your

2003 tax return, if later), even if you did not file a tax return for 2000.

### Instructions for 2000 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2000 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2001. This could happen if the taxable income before subtracting exemptions shown on your 2000 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2000 capital loss carryover to 2001 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2000 Schedule D, line 17, over the loss on your 2000 Schedule D, line 18. If you had any net operating loss (NOL) carrybacks to 2000, be sure you refigured your 2000 capital loss carryover to 2001.

**Line 3.** If you had an NOL for 2000, enter the amount of that NOL as figured on line 27 of the 2000 Form 1045, Schedule A, you filed with **Form 1045** or Form 1040X. If you did not have an NOL for 2000, enter the portion, if any, of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to years after 2000.

**Example.** John Farmington did not use farm income averaging for 2000, 2001, nor 2002. John has \$18,000 of elected farm income on line 2. The taxable income before subtracting exemptions shown on his 2000 Form 1040, line 37, was \$3,800. A deduction for exemptions of \$2,800 was shown on line 38, and line 39, taxable income, was \$1,000. How-

ever, John had a \$22,550 NOL in 2001, \$9,000 of which was remaining to carry to 2000 after the NOL was carried back to 1999. To complete line 1 of the worksheet, John combines the \$9,000 NOL deduction with the \$1,000 from his 2000 Form 1040, line 39. The result is a negative \$8,000, John's 2000 taxable income, which he enters as a positive amount on line 1 of the 2000 worksheet.

When John filed his 2000 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$4,000 capital loss carryover to 2001. However, when John carried back the 2001 NOL to 2000, he refigured his 2000 capital loss carryover to 2001 as \$7,000. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John had \$1,000 of taxable income in 2000 that reduced the 2001 NOL carryback. The \$2,800 of exemptions and \$3,000 net capital loss deduction also reduced the amount of the 2001 NOL carryback. Therefore, only \$2,200 was available to carry to 2002 and later years, as shown on his 2001 Form 1045, Schedule B, line 9. John enters the \$2,200 on line 3 of the worksheet, and \$5,200 on line 4. He then subtracts the \$5,200 from the \$8,000 on line 1 and enters the result, \$2,800, on line 5 of the worksheet. He enters a negative \$2,800 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$3,200 on Schedule J, line 7.

## 2000 Taxable Income Worksheet—Line 5

Keep for Your Records

Complete this worksheet if you figured your tax for both 2001 and 2002 without using Schedule J and your 2000 taxable income was zero or less. See the instructions above before completing this worksheet.



1. Figure the taxable income from your 2000 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2000, <b>do not</b> include any NOL carryovers or carrybacks to 2000. Enter the result as a positive amount . . . . .	1.	_____
2. If there is a loss on your 2000 Schedule D, line 18, add that loss (as a positive amount) and your 2000 capital loss carryover to 2001. Subtract from that sum the amount of the loss on your 2000 Schedule D, line 17, and enter the result . . . . .	2.	_____
3. If you had an NOL for 2000, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to years after 2000 . . . . .	3.	_____
4. Add lines 2 and 3 . . . . .	4.	_____
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 5 . . . . .	5.	_____

## Line 8

If line 7 is zero, enter zero on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2000 Tax Rate Schedules below,

- The 2000 Capital Gain Tax Worksheet below, or

- The Schedule D you filed for 2000 (but use the 2000 Tax Rate Schedules below instead of the 2000 Tax Table when

figuring the tax on Schedule D, lines 33 and 53).

## 2000 Tax Rate Schedules—Line 8

Schedule X—Use if your 2000 filing status was <b>Single</b>				Schedule Y-2—Use if your 2000 filing status was <b>Married filing separately</b>			
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—
\$0	\$26,250	.....	<b>15%</b>	\$0	\$21,925	.....	<b>15%</b>
26,250	63,550	<b>\$3,937.50 +</b>	<b>28%</b>	26,250	52,975	<b>\$3,288.75 +</b>	<b>28%</b>
63,550	132,600	<b>14,381.50 +</b>	<b>31%</b>	63,550	80,725	<b>11,982.75 +</b>	<b>31%</b>
132,600	288,350	<b>35,787.00 +</b>	<b>36%</b>	132,600	144,175	<b>20,585.25 +</b>	<b>36%</b>
288,350	.....	<b>91,857.00 +</b>	<b>39.6%</b>	288,350	.....	<b>43,427.25 +</b>	<b>39.6%</b>

  

Schedule Y-1—Use if your 2000 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b>				Schedule Z—Use if your 2000 filing status was <b>Head of household</b>			
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—
\$0	\$43,850	.....	<b>15%</b>	\$0	\$35,150	.....	<b>15%</b>
43,850	105,950	<b>\$6,577.50 +</b>	<b>28%</b>	43,850	90,800	<b>\$5,272.50 +</b>	<b>28%</b>
105,950	161,450	<b>23,965.50 +</b>	<b>31%</b>	105,950	147,050	<b>20,854.50 +</b>	<b>31%</b>
161,450	288,350	<b>41,170.50 +</b>	<b>36%</b>	161,450	288,350	<b>38,292.00 +</b>	<b>36%</b>
288,350	.....	<b>86,854.50 +</b>	<b>39.6%</b>	288,350	.....	<b>89,160.00 +</b>	<b>39.6%</b>

## 2000 Capital Gain Tax Worksheet—Line 8

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2000 Form 1040 (or line 10 of your 2000 Form 1040A) and checked the box on that line **and** elected farm income included on Schedule J, lines 5 and 6, does not include any net capital gain.



1.	Amount from Schedule J, line 7	1.	_____
2.	Amount from your 2000 Form 1040, line 13 (or Form 1040A, line 10)	2.	_____
3.	Subtract line 2 from line 1. If zero or less, enter -0-	3.	_____
4.	Figure the tax on the amount on line 3. Use the 2000 Tax Rate Schedules above	4.	_____
5.	Enter the <b>smaller</b> of:		
	• The amount on line 1 above or		
	• \$26,250 if single for 2000; \$43,850 if married filing jointly or qualifying widow(er); \$21,925 if married filing separately; or \$35,150 if head of household.	5.	_____
6.	Enter the amount from line 3	6.	_____
7.	Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	_____
8.	Multiply line 7 by 10% (.10)	8.	_____
9.	Enter the <b>smaller</b> of line 1 or line 2	9.	_____
10.	Enter the amount from line 7	10.	_____
11.	Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	_____
12.	Multiply line 11 by 20% (.20)	12.	_____
13.	Add lines 4, 8, and 12	13.	_____
14.	Figure the tax on the amount on line 1. Use the 2000 Tax Rate Schedules above	14.	_____
15.	<b>Tax.</b> Enter the <b>smaller</b> of line 13 or line 14 here and on Schedule J, line 8.	15.	_____

## Line 9

If you used Schedule J to figure your tax for 2002 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 42, or on Form 1040X), enter on line 9 the amount from line 15 of your 2002 Schedule J. If you used Schedule J to figure your tax for 2001 but not 2002, enter on line 9 the amount from line 3 of your 2001 Schedule J.

If you figured your tax for both 2001 and 2002 without using Schedule J, enter on line 9 the taxable income from your 2001 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you filed your 2001 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2001, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2001 until at least 3 years after April 15, 2004 (or the date you file your 2003 tax return, if later), even if you did not file a tax return for 2001.

### Instructions for 2001 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2001 Schedule D, line 18, is not al-

lowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2002. This could happen if the taxable income before subtracting exemptions shown on your 2001 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2001 capital loss carryover to 2002 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2001 Schedule D, line 17, over the loss on your 2001 Schedule D, line 18. If you had any NOL carrybacks to 2001, be sure you refigured your 2001 capital loss carryover to 2002.

**Line 3.** If you had an NOL for 2001, enter the amount of that NOL as figured on line 27 of the 2001 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2001, enter the portion, if any, of the NOL carryovers and carrybacks to 2001 that were not used in 2001 and were carried to years after 2001.

**Example.** John Farmington did not use farm income averaging for 2000, 2001, nor 2002. The taxable income before subtracting exemptions on his 2001 Form 1040, line 37, is a negative \$30,100. A deduction for exemptions of \$2,900 is shown on line 38, and line 39, taxable income, is limited to zero. John subtracts from the \$30,100 loss the \$2,900 deduction for exemptions. The result is a nega-

tive \$33,000, John's 2001 taxable income, which he enters as a positive amount on line 1 of the 2001 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 17 (as adjusted). He also had a \$7,000 capital loss carryover to 2002. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John enters \$22,550 on line 3 of the worksheet, the 2001 NOL from his 2001 Form 1045, Schedule A, line 27. Of the \$33,000 negative taxable income, the \$2,900 deduction for exemptions, the \$3,000 capital loss deduction, and his \$4,550 standard deduction were not allowed in figuring the NOL. John had a \$22,550 loss on his 2001 Schedule F, the only other item on his 2001 tax return.

John enters \$25,550 on line 4 and \$7,450 on line 5. He enters \$7,450 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$1,450 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2004, he will enter the negative \$1,450 amount on his 2004 Schedule J as his 2001 taxable income for farm income averaging purposes.

## 2001 Taxable Income Worksheet—Line 9

*Keep for Your Records*

Complete this worksheet if you did not use Schedule J to figure your tax for 2002 and your 2001 taxable income was zero or less. See the instructions above before completing this worksheet.



1. Figure the taxable income from your 2001 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2001, <b>do not</b> include any NOL carryovers or carrybacks to 2001. Enter the result as a positive amount . . . . .	1.	<input type="text"/>
2. If there is a loss on your 2001 Schedule D, line 18, add that loss (as a positive amount) and your 2001 capital loss carryover to 2002. Subtract from that sum the amount of the loss on your 2001 Schedule D, line 17, and enter the result . . . . .	2.	<input type="text"/>
3. If you had an NOL for 2001, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2001 that were not used in 2001 and were carried to years after 2001 . . . . .	3.	<input type="text"/>
4. Add lines 2 and 3 . . . . .	4.	<input type="text"/>
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 9 . . . . .	5.	<input type="text"/>



## Line 12

If line 11 is zero or less, enter zero on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2001 Tax Rate Schedules below,
- The 2001 Capital Gain Tax Worksheet below, or
- The Schedule D you filed for 2001 (but use the 2001 Tax Rate Schedules below instead of the 2001 Tax Table when figuring the tax on Schedule D, lines 25

and 39, or on lines 15 and 36 of the Schedule D Tax Worksheet).

**Exception.** You must use the **2001 Tax Computation Worksheet for Certain Dependents and Nonresident Alien Individuals** on page J-6 if you, or your spouse if filing jointly, **did not** receive (before offset) an advance payment of your 2001 taxes and either of the following apply.

- You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2001 tax return.

- You filed Form 1040NR for 2001.

If the 2001 Capital Gain Tax Worksheet or Schedule D also applies, follow the **Special Rules** on the worksheet on page J-6 to figure your tax.

## 2001 Tax Rate Schedules—Line 12

Schedule X—Use if your 2001 filing status was <b>Single</b>					Schedule Y-2—Use if your 2001 filing status was <b>Married filing separately</b>				
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$27,050	.....	<b>15%</b>	<b>\$0</b>	\$0	\$22,600	.....	<b>15%</b>	<b>\$0</b>
27,050	65,550	<b>\$4,057.50</b> +	<b>27.5%</b>	<b>27,050</b>	22,600	54,625	<b>\$3,390.00</b> +	<b>27.5%</b>	<b>22,600</b>
65,550	136,750	<b>14,645.00</b> +	<b>30.5%</b>	<b>65,550</b>	54,625	83,250	<b>12,196.88</b> +	<b>30.5%</b>	<b>54,625</b>
136,750	297,350	<b>36,361.00</b> +	<b>35.5%</b>	<b>136,750</b>	83,250	148,675	<b>20,927.50</b> +	<b>35.5%</b>	<b>83,250</b>
297,350	.....	<b>93,374.00</b> +	<b>39.1%</b>	<b>297,350</b>	148,675	.....	<b>44,153.38</b> +	<b>39.1%</b>	<b>148,675</b>
Schedule Y-1—Use if your 2001 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b>					Schedule Z—Use if your 2001 filing status was <b>Head of household</b>				
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$45,200	.....	<b>15%</b>	<b>\$0</b>	\$0	\$36,250	.....	<b>15%</b>	<b>\$0</b>
45,200	109,250	<b>\$6,780.00</b> +	<b>27.5%</b>	<b>45,200</b>	36,250	93,650	<b>\$5,437.50</b> +	<b>27.5%</b>	<b>36,250</b>
109,250	166,500	<b>24,393.75</b> +	<b>30.5%</b>	<b>109,250</b>	93,650	151,650	<b>21,222.50</b> +	<b>30.5%</b>	<b>93,650</b>
166,500	297,350	<b>41,855.00</b> +	<b>35.5%</b>	<b>166,500</b>	151,650	297,350	<b>38,912.50</b> +	<b>35.5%</b>	<b>151,650</b>
297,350	.....	<b>88,306.75</b> +	<b>39.1%</b>	<b>297,350</b>	297,350	.....	<b>90,636.00</b> +	<b>39.1%</b>	<b>297,350</b>

## 2001 Capital Gain Tax Worksheet—Line 12

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2001 Form 1040 (or line 10 of your 2001 Form 1040A) and checked the box on that line **and** elected farm income included on Schedule J, lines 9 and 10, does not include any net capital gain.



1.	Amount from Schedule J, line 11	1.	_____
2.	Amount from your 2001 Form 1040, line 13 (or Form 1040A, line 10)	2.	_____
3.	Subtract line 2 from line 1. If zero or less, enter -0-	3.	_____
4.	Figure the tax on the amount on line 3. Use the 2001 Tax Rate Schedules above	4.	_____
5.	Enter the <b>smaller</b> of:		
	• The amount on line 1 above or		
	• \$27,050 if single for 2001; \$45,200 if married filing jointly or qualifying widow(er); \$22,600 if married filing separately; or \$36,250 if head of household.	5.	_____
6.	Enter the amount from line 3	6.	_____
7.	Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	_____
8.	Multiply line 7 by 10% (.10)	8.	_____
9.	Enter the <b>smaller</b> of line 1 or line 2	9.	_____
10.	Enter the amount from line 7	10.	_____
11.	Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	_____
12.	Multiply line 11 by 20% (.20)	12.	_____
13.	Add lines 4, 8, and 12	13.	_____
14.	Figure the tax on the amount on line 1. Use the 2001 Tax Rate Schedules above	14.	_____
15.	<b>Tax.</b> Enter the <b>smaller</b> of line 13 or line 14 here and on Schedule J, line 12.	15.	_____

**2001 Tax Computation Worksheet for Certain Dependents and Nonresident Alien Individuals — Line 12**

*Keep for Your Records*

Use this worksheet only if you, or your spouse if filing jointly, **did not** receive (before offset) an advance payment of your 2001 taxes and (a) you, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2001 tax return or (b) you filed Form 1040NR for 2001.



**Special Rules. If:**

- The **2001 Capital Gain Tax Worksheet** on page J-5 applies, use this worksheet to figure the tax on lines 4 and 14 of the 2001 Capital Gain Tax Worksheet.
- **Part IV** of the 2001 **Schedule D** applies, use this worksheet to figure the tax on lines 25 and 39 of Part IV. If the 2001 **Schedule D Tax Worksheet** applies, use this worksheet to figure the tax on lines 15 and 36 of the Schedule D Tax Worksheet.

- |  |   |
|--|---|
| <p>1. Figure the tax on the amount on Schedule J, line 11 (or the applicable line of the worksheet or schedule listed above). Use the 2001 Tax Rate Schedules on page J-5 . . . . .</p>  | <p><b>1.</b> <input style="width: 100px; height: 20px;" type="text"/></p> |
| <p>2. Is the amount on line 1 more than the amount shown below for your 2001 filing status?</p> <ul style="list-style-type: none"> <li>• Single or married filing separately—\$900</li> <li>• Married filing jointly or qualifying widow(er)—\$1,800</li> <li>• Head of household—\$1,500</li> </ul> <p><input type="checkbox"/> <b>Yes.</b> Enter: \$300 if single or married filing separately for 2001; \$500 if head of household; \$600 if married filing jointly or qualifying widow(er). } . . . . .</p> <p><input type="checkbox"/> <b>No.</b> Divide the amount on line 1 by 3.0. }</p> | <p><b>2.</b> <input style="width: 100px; height: 20px;" type="text"/></p> |
| <p>3. Subtract line 2 from line 1. Enter the result here and on Schedule J, line 12 (or the applicable line of the worksheet or schedule listed above) . . . . .</p>   | <p><b>3.</b> <input style="width: 100px; height: 20px;" type="text"/></p> |

## Line 13

If you used Schedule J to figure your tax for 2002 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 42, or on Form 1040X), enter on line 13 the amount from line 3 of that Schedule J.

If you did not use Schedule J to figure your tax for 2002, enter on line 13 the taxable income from your 2002 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you filed your 2002 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2002, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2002 until at least 3 years after April 15, 2004 (or the date you file your 2003 tax return, if later), even if you did not file a tax return for 2002.

### Instructions for 2002 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2002 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2003. This could happen if the taxable income before subtracting exemptions shown on your 2002 Form 1040, line 39 (or as previously adjusted), was less than zero. Enter the

amount by which your 2002 capital loss carryover to 2003 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2002 Schedule D, line 17, over the loss on your 2002 Schedule D, line 18.

**Line 3.** If you had an NOL for 2002, enter the amount of that NOL as figured on line 27 of the 2002 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2002, enter the portion, if any, of the NOL carryovers and carrybacks to 2002 that were not used in 2002 and were carried to years after 2002.

**Example.** John Farmington did not use farm income averaging for 2000, 2001, nor 2002. The taxable income before subtracting exemptions on his 2002 Form 1040, line 39, is a negative \$1,000. This amount includes an NOL deduction (NOLD) on his 2002 Form 1040, line 21, of \$2,200. The \$2,200 is the portion of the 2001 NOL that was remaining from 2000 to be carried to 2002. See the examples on pages J-2 and J-4. A deduction for exemptions of \$3,000 is shown on Form 1040, line 40, and line 41, taxable income, is limited to zero. John does not have an NOL for 2002. John subtracts from the \$1,000 negative amount on Form 1040, line 39, the \$3,000 deduction for exemptions. The result is a negative \$4,000, John's 2002 taxable income, which he enters as a positive amount on line 1 of the 2002 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which

was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$5,000 capital loss carryover to 2003 (his 2002 capital loss carryover to 2003 was \$5,000, not \$4,000, because the amount on his Form 1040, line 39, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 18, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 17, and enters \$1,000 on line 2 of the worksheet.

John enters zero on line 3 of the worksheet because he does not have an NOL for 2002 and did not have an NOL carryover from 2002 available to carry to 2003 and later years. The NOLD for 2002 of \$2,200 was reduced to zero because it did not exceed his modified taxable income of \$4,200. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$3,000 of exemptions to negative taxable income (figured without regard to the NOLD) of \$1,800. John enters \$1,000 on line 4 and \$3,000 on line 5. He enters \$3,000 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$3,000 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2004, he will enter \$3,000 on his 2004 Schedule J as his 2002 taxable income for farm income averaging purposes.

## 2002 Taxable Income Worksheet—Line 13

Keep for Your Records

Complete this worksheet if your 2002 taxable income is zero or less. See the instructions above before completing this worksheet.



1. Figure the taxable income from your 2002 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2002, <b>do not</b> include any NOL carryovers or carrybacks to 2002. Enter the result as a positive amount . . . . .		1. _____
2. If there is a loss on your 2002 Schedule D, line 18, add that loss (as a positive amount) and your 2002 capital loss carryover to 2003. Subtract from that sum the amount of the loss on your 2002 Schedule D, line 17, and enter the result . . . . .	2. _____	
3. If you had an NOL for 2002, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2002 that were not used in 2002 and were carried to years after 2002 . . . . .	3. _____	
4. Add lines 2 and 3 . . . . .		4. _____
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13 . . . . .		5. _____

## Line 16

If line 15 is zero or less, enter zero on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2002 Tax Rate Schedules below,
- The 2002 Capital Gain Tax Worksheet below, or
- The Schedule D you filed for 2002 (but use the 2002 Tax Rate Schedules below instead of the 2002 Tax Table when figuring the tax on Schedule D, lines 25 and 39, or on lines 15 and 36 of the Schedule D Tax Worksheet).

your TeleFile Tax Record. If you amended your return or the IRS made changes to it, enter the corrected amount.

## Lines 18, 19, and 20

If you filed your 2000, 2001, or 2002 tax return using TeleFile, enter your tax from

### 2002 Tax Rate Schedules—Line 16

Schedule X—Use if your 2002 filing status was <b>Single</b>					Schedule Y-2—Use if your 2002 filing status was <b>Married filing separately</b>				
If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$6,000	.....	<b>10%</b>	<b>\$0</b>	\$0	\$6,000	.....	<b>10%</b>	<b>\$0</b>
6,000	27,950	<b>\$600.00 +</b>	<b>15%</b>	<b>6,000</b>	6,000	23,350	<b>\$600.00 +</b>	<b>15%</b>	<b>6,000</b>
27,950	67,700	<b>3,892.50 +</b>	<b>27%</b>	<b>27,950</b>	23,350	56,425	<b>3,202.50 +</b>	<b>27%</b>	<b>23,350</b>
67,700	141,250	<b>14,625.00 +</b>	<b>30%</b>	<b>67,700</b>	56,425	85,975	<b>12,132.75 +</b>	<b>30%</b>	<b>56,425</b>
141,250	307,050	<b>36,690.00 +</b>	<b>35%</b>	<b>141,250</b>	85,975	153,525	<b>20,997.75 +</b>	<b>35%</b>	<b>85,975</b>
307,050	.....	<b>94,720.00 +</b>	<b>38.6%</b>	<b>307,050</b>	153,525	.....	<b>44,640.25 +</b>	<b>38.6%</b>	<b>153,525</b>
Schedule Y-1—Use if your 2002 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b>					Schedule Z—Use if your 2002 filing status was <b>Head of household</b>				
If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$12,000	.....	<b>10%</b>	<b>\$0</b>	\$0	\$10,000	.....	<b>10%</b>	<b>\$0</b>
12,000	46,700	<b>\$1,200.00 +</b>	<b>15%</b>	<b>12,000</b>	10,000	37,450	<b>\$1,000.00 +</b>	<b>15%</b>	<b>10,000</b>
46,700	112,850	<b>6,405.00 +</b>	<b>27%</b>	<b>46,700</b>	37,450	96,700	<b>5,117.50 +</b>	<b>27%</b>	<b>37,450</b>
112,850	171,950	<b>24,265.50 +</b>	<b>30%</b>	<b>112,850</b>	96,700	156,600	<b>21,115.00 +</b>	<b>30%</b>	<b>96,700</b>
171,950	307,050	<b>41,995.50 +</b>	<b>35%</b>	<b>171,950</b>	156,600	307,050	<b>39,085.00 +</b>	<b>35%</b>	<b>156,600</b>
307,050	.....	<b>89,280.50 +</b>	<b>38.6%</b>	<b>307,050</b>	307,050	.....	<b>91,742.50 +</b>	<b>38.6%</b>	<b>307,050</b>

### 2002 Capital Gain Tax Worksheet—Line 16

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2002 Form 1040 (or line 10 of your 2002 Form 1040A) and checked the box on that line **and** elected farm income on Schedule J, line 2, does not include any net capital gain.



1.	Amount from Schedule J, line 15	1.	<input type="text"/>	
2.	Amount from your 2002 Form 1040, line 13 (or Form 1040A, line 10)	2.	<input type="text"/>	
3.	Subtract line 2 from line 1. If zero or less, enter -0-	3.	<input type="text"/>	
4.	Figure the tax on the amount on line 3. Use the 2002 Tax Rate Schedules above	4.	<input type="text"/>	
5.	Enter the <b>smaller</b> of:			
	• The amount on line 1 above or			
	• \$27,950 if single for 2002; \$46,700 if married filing jointly or qualifying widow(er); \$23,350 if married filing separately; or \$37,450 if head of household.	5.	<input type="text"/>	
6.	Enter the amount from line 3	6.	<input type="text"/>	
7.	Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	<input type="text"/>	
8.	Multiply line 7 by 10% (.10)	8.	<input type="text"/>	
9.	Enter the <b>smaller</b> of line 1 or line 2	9.	<input type="text"/>	
10.	Enter the amount from line 7	10.	<input type="text"/>	
11.	Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	<input type="text"/>	
12.	Multiply line 11 by 20% (.20)	12.	<input type="text"/>	
13.	Add lines 4, 8, and 12	13.	<input type="text"/>	
14.	Figure the tax on the amount on line 1. Use the 2002 Tax Rate Schedules above	14.	<input type="text"/>	
15.	<b>Tax.</b> Enter the <b>smaller</b> of line 13 or line 14 here and on Schedule J, line 16.	15.	<input type="text"/>	