

INDIVIDUAL INCOME TAX RETURNS 1989

▲ RETURNS FILED \$ TAX COMPUTATIONS \$

SALARIES & WAGES \$ TAXABLE INCOME ▼

▲ EXEMPTIONS \$ STANDARD DEDUCTIONS

ADJUSTED GROSS INCOME \$ INCOME TAX

NET GAINS ▲ NET LOSSES ▼ TAX LIABILITY

ITEMIZED DEDUCTIONS \$ ADJUSTMENTS ▼

▼ IRAS \$ MARITAL STATUS ▼ DEPENDENTS

INTEREST ▼ ALTERNATIVE MINIMUM TAX

\$ NONTAXABLE RETURNS ▼ TAX REFUNDS

▲ TAX CREDITS ▼ SOURCES OF INCOME \$

DIVIDENDS ▲ ROYALTIES \$ CAPITAL GAINS

\$ EARNED INCOME CREDIT ▼ TAX RATES ▲

Department
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Internal
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Service

Individual Income Tax Returns 1989

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This report contains data on sources of income, adjusted gross income, exemptions, deductions, taxable income, income tax, modified income tax, tax credits, self-employment tax, and taxpayments. Classifications are by tax status, size of adjusted gross income, marital status, and type of tax computation.

Additional unpublished information from individual income tax returns, classified by size of adjusted gross income, is available on a reimbursable basis. A public-use computer tape file, i.e., the Individual Tax File, containing the records selected for the Statistics of Income sample is also available on a reimbursable basis. This file is suitable primarily for making national level estimates.

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Section 1

Introduction and Changes in Law*

This report contains complete individual income tax data for Tax Year 1989. The statistics are estimates based on a stratified probability sample of individual income tax returns, selected before audit, and represent coverage of approximately 112 million Forms 1040, 1040A, and 1040EZ filed by the nation's taxpayers for Tax Year 1989.

Table A on the following page shows selected income and tax items for Tax Years 1975, 1980, 1985, 1988, and 1989, with the percentage change from Tax Year 1988 to 1989. **When comparing income and tax items from different years, it is important to note any changes in the tax law; of special importance are the changes generated by the Tax Reform Act of 1986**

From 1988 to 1989, the number of returns filed increased by 2.4 million, and adjusted gross income (AGI) increased by more than \$173.3 billion, or 5.6 percent. Total income tax (the sum of income tax after credits and the alternative minimum tax) rose 4.9 percent from 1988 to 1989.

This report is divided into six sections. Section 1 includes requirements for filing, changes in tax law for 1989 which may affect the statistics, and an explanation of the 1979 Income Concept.

The 1979 Income Concept is a consistent measure of income which is used to compare average tax rates from 1986 to 1989, showing the difference before and after tax reform. Section 2 gives a description of the sample of income tax returns upon which the statistics are based, and Section 3 contains the basic tables of detailed statistics on individual tax returns. Section 4 provides an explanation of the terms used in the tables. The tax return forms and instructions appear in Section 5, and Section 6 contains an index.

Requirements for Filing

The Internal Revenue Code of 1986, as amended, provides the legal basis for the tax activity detailed in this volume. For Tax Year 1989, the principal criteria that determined the general filing requirements were gross income, filing status, marital status, and age. Gross income included all income received in the form of money, property, and services that were not expressly exempt from tax.

*Edward Gross, Jr. was responsible for the production of this report. Louella Ballenger, Charles Hicks and Dodie Riley made contributions to the text. Technical assistance was provided by Michael Strudler. Copy design and preparation were completed by Edward Gross, Jr. This report was prepared under the direction of Jeff Hartzok, Chief, Returns Analysis Section, Individual Statistics Branch.

Individual Returns/1989

Table A.—Selected Income and Tax Items for Selected Years, 1975—1989

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1975	1980	1985	1988	1989	Percent change, 1988 to 1989
	(1)	(2)	(3)	(4)	(5)		(6)
All returns	82,229,332	93,902,469	101,660,287	109,708,280	112,135,673	2.2
Form 1040 returns	54,527,726	57,122,592	67,006,425	71,359,242	71,563,456	0.3
Form 1040A returns	27,701,606	36,779,877	18,124,702	19,066,165	20,478,063	7.4
Form 1040EZ returns	(N.A.)	(N.A.)	16,529,160	19,282,873	20,094,154	4.2
Total income, amount	962,886,872	1,642,345,558	2,401,033,782	3,111,221,671	3,280,931,125	5.5
Adjusted gross income, less deficit	947,784,873	1,613,731,497	2,305,951,483	3,083,019,783	3,256,358,156	5.6
Salaries and wages:						
Number of returns	73,520,046	83,802,109	87,198,001	93,257,370	95,487,922	2.4
Amount	795,399,462	1,349,842,802	1,928,200,978	2,337,984,129	2,449,530,553	4.8
Taxable interest received:						
Number of returns	40,378,240	49,019,575	64,526,434	69,421,338	69,881,648	0.7
Amount	43,433,554	102,009,444	182,109,194	186,981,636	220,015,823	17.7
Dividends in adjusted gross income:						
Number of returns	8,853,491	10,738,982	15,527,579	22,903,155	23,079,592	0.8
Amount	21,892,126	38,761,253	55,046,351	77,329,507	81,309,036	5.1
Business or profession net income less loss:						
Number of returns	7,242,542	8,881,119	11,900,341	13,571,440	14,160,696	4.3
Amount	39,421,478	55,129,154	78,772,577	126,323,250	132,737,680	5.1
Net capital gain less loss in adjusted gross income ¹ :						
Number of returns	7,962,663	8,929,474	12,579,494	14,309,235	15,059,662	5.2
Amount	14,307,158	29,659,600	68,277,779	153,768,209	145,630,930	-5.3
Pensions and annuities in adjusted gross income:						
Number of returns	5,088,937	7,373,704	13,133,295	16,481,248	16,816,830	2.0
Amount	20,886,871	43,339,736	95,096,003	138,785,886	147,358,442	6.2
Rent and royalty net income less loss in adjusted gross income:						
Number of returns	7,143,812	8,208,132	9,544,495	9,985,858	9,747,254	-2.4
Amount	5,202,078	4,105,381	-12,963,726	-1,278,809	-1,438,255	12.5
Partnership and S Corporation net income less loss:						
Number of returns	(U)	(U)	5,487,671	5,899,223	5,928,288	0.5
Amount	12,811,091	10,099,346	-2,526,591	57,080,226	63,092,056	10.5
Farm net income less loss:						
Number of returns	2,755,041	2,608,430	2,620,861	2,367,527	2,359,718	-0.3
Amount	3,563,325	-1,792,466	-12,005,483	-1,176,537	-213,939	(N.A.)
Total statutory adjustments:						
Number of returns	9,024,255	13,148,919	37,763,418	10,747,370	9,926,729	-7.6
Amount	15,101,999	28,614,061	95,082,299	28,201,888	24,572,969	-12.9
Individual Retirement Arrangement payments:						
Number of returns	1,211,794	2,564,421	16,205,846	6,361,421	5,824,914	-8.4
Amount	1,436,443	3,430,894	38,211,574	11,881,754	10,828,694	-8.9
Self-employed (Keogh) retirement plan:						
Number of returns	595,892	568,936	675,822	814,586	822,353	1.0
Amount	1,603,788	2,007,666	5,181,993	6,626,908	6,326,156	-4.5
Number of exemptions	212,202,596	227,925,098	244,180,202	221,884,006	223,756,252	0.8
Total deductions:						
Number of returns	81,585,541	88,491,251	96,848,626	108,819,935	111,311,212	2.3
Amount	233,181,778	346,000,155	554,733,523 ²	685,954,065 ³	740,409,033 ³	7.9
Total itemized deductions:						
Number of returns	26,074,061	28,950,282	39,848,184	31,902,985	31,972,317	0.2
Amount	122,260,601	218,028,139	405,023,525	395,216,456	430,977,999	9.1
Medical and dental expense	11,422,312	14,972,082	22,926,214	17,993,829	20,920,881	16.3
Taxes paid	44,141,289	69,404,275	128,084,618	120,628,182	131,299,652	8.9
Interest paid	38,885,282	91,187,006	180,094,578	179,737,720	193,186,034	7.5
Contributions	15,393,331	25,809,608	47,962,848	50,949,273	55,459,205	8.9
Taxable income:						
Number of returns	65,852,602	88,104,696	96,124,046	90,281,729	92,313,789	2.3
Amount	595,492,866	1,279,985,360	1,820,740,833	2,069,966,980	2,173,345,881	5.0
Income tax before credits:						
Number of returns	65,854,734	76,135,819	85,994,216	90,218,979	92,246,065	2.3
Amount	132,452,044	256,294,315	332,165,333	418,889,165	438,240,138	4.6
Total tax credits	8,069,846	7,215,839	10,248,044	7,047,140	6,131,134	-13.0
Child care credit	(N.A.)	956,439	3,127,702	3,812,849	2,439,471	-36.0
Credit for the elderly or disabled	128,968	134,993	108,642	68,904	64,490	-6.4
Foreign tax credit	381,985	1,341,675	782,561	1,087,203	1,311,742	20.7
Income tax after credits	124,382,197	249,078,475	321,917,289	411,842,025	432,109,004	4.9
Total income tax:						
Number of returns	61,490,737	73,906,244	82,846,420	87,135,332	89,178,355	2.3
Amount	124,526,297	250,341,440	325,710,254	412,869,909	432,939,998	4.9

(N.A.) Not applicable

(U) Unavailable

¹ Includes capital gain distributions.² Includes total itemized deductions, charitable contributions for non-itemizers, and zero bracket amount on non-itemized deductions.³ Includes total itemized deductions, and basic and additional standard deductions (zero bracket amount in lieu of standard deduction for prior year returns).

Figure 1.—General Filing Requirements

Marital Status	Filing Status	Age	Gross Income
Single (including divorced and legally separated)	Single	under 65	\$5,100
		65 or older	\$5,850
	Head of household	under 65	\$6,550
		65 or older	\$7,300
Married with a child and living apart from spouse during the last 6 months of 1989	Head of household	under 65	\$6,550
		65 or older	\$7,300
Married and living with spouse at end of 1989 (or on the date spouse died)	Married, joint return	under 65 (both spouses)	\$9,200
		65 or older (one spouse)	\$9,800
		65 or older (both spouses)	\$10,400
	Married, separate return	any age	\$2,000
Married not living with spouse at end of 1989 (or on the date spouse died)	Married, joint or separate return	any age	\$2,000
	Single	under 65	\$5,100
		65 or older	\$5,850
Widowed before 1989 and not remarried in 1989	Head of household	under 65	\$6,550
		65 or older	\$7,300
	Qualifying widow(er) with dependent child	under 65	\$7,200
		65 or older	\$7,800

Generally, a U.S. citizen or resident had to file a tax return if gross income for the year was at least as much as the amount shown for the appropriate filing status in Figure 1 above. Figure 2 must be used if a taxpayer can be claimed as a dependent by another person (such as a parent).

In addition to these filing requirements, an individual had to file a return for Tax Year 1989 if he or she:

- (1) was liable for any of the following taxes:
 - social security tax on unreported tip income;
 - uncollected social security tax or railroad retirement tax on reported tip income;
 - tax on an individual retirement arrangement (IRA) or other qualified retirement plan;
 - alternative minimum tax;
- tax from the recapture of investment credit or low income housing credit.
- (2) received advanced earned income payments;
- (3) had net earnings of at least \$400 from self-employment income; or
- (4) had wages of \$100 or more from a church or qualified church-controlled organization that was exempt from employer social security taxes.

Data shown in these tables include individuals who were not required to file tax returns but filed in order to obtain refunds of tax withheld or to take advantage of the earned income credit.

Changes in Law

All major changes in effect for Tax Year 1989 that are included in Statistics of Income data are listed below in alphabetical order. Section 4 contains more detailed explanations and definitions of the terms used in this report.

- The care provider had to be identified (by social security or employer identification number) on the return.
- The dollar limit had to be reduced by any employer-provided dependent care benefits that could be excluded in the computation of AGI.

Child Care Credit

Beginning in 1989, the following new rules were applicable:

- Payments for the care of a dependent child could be claimed only if the child was disabled or under age 13; the limit was under age 15 for Tax Year 1988.

Earned Income Credit

The earned income credit was increased to a maximum \$910 for 1989. Some credit was available for qualified individuals whose earned income and AGI were each less than \$19,340. For 1988, the maximum credit was \$874, and the credit phased out entirely if income or earnings exceeded \$18,576.

Figure 2.—Filing Requirements for Children and Other Dependents

If someone (such as a parent) can claim the filer as a dependent, use Figure 2 to determine if a return must be filed. Unearned income includes taxable interest and dividends. Earned income includes wages, tips, and taxable scholarships and fellowships.

1. A single dependent under 65

Must file a return if—

His or her unearned income was:	and	the total of that income plus earned income was:
\$1 or more		more than \$500
\$0		more than \$3,100

2. A single dependent 65 or older or blind

Must file a return if—

- His or her earned income was more than \$3,850, or
- His or her unearned income was more than \$1,250 (\$2,000 if 65 or older and blind), or
- His or her gross income was more than the total of earned income (up to \$3,100) or \$500, whichever is larger, plus \$750 (\$1,500 if 65 or older and blind).

3. A married dependent under 65

Must file a return if—

- His or her earned income was more than \$2,600, or
- He or she had any unearned income and gross income was more than \$500, or
- His or her gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.

4. A married dependent 65 or older or blind

Must file a return if—

- His or her earned income was more than \$3,200, or
- His or her unearned income was more than \$1,100 (\$1,700 if 65 or older and blind), or
- His or her gross income was more than the total of earned income (up to \$2,600), or \$500, whichever is larger, plus \$600 (\$1,200 if 65 or older and blind), or
- His or her gross income was at least \$5 and spouse files a separate return on Form 1040 and itemizes deductions.

Exception for Children Under Age 14. If a child was under the age of 14 on January 1, 1990, and all of the following apply, a filer may elect to report the child's income on his or her return. If this election is made, the child does not have to file a return.

- The child had income only from interest and dividends;
- The child's gross income was less than \$5,000; and

- The child had no Federal income tax withheld from his or her income (backup withholding) or did not make estimated tax payments for 1989.

If the child's parents are not filing a joint return, special rules apply to determine which parent may make the election. Details may be found in Form 8814, Parent's Election to Report Child's Interest and Dividends, for details.

Employee Business Expenses

For Tax Year 1988, there was an adjustment as well as an itemized deduction item for employee business expenses. The adjustment item was to cover expenses that were included as income on the taxpayer's Forms W-2 and 1040; the deduction item was for unreimbursed expenses. For 1989, employers were to include only "nonaccountable" business expenses on Form W-2. "Accountable" expenses were to be excluded from income and shown neither as an adjustment nor a deduction. All other employee business expenses could be deducted only as an itemized deduction, subject to reduction by 2 percent of AGI.

Exemptions

The amount of each individual personal exemption increased to \$2,000 for 1989 from \$1,950 for 1988. As was true for 1988, the deduction for exemptions was phased out for taxpayers with taxable income above certain limits. These limits, which varied according to marital status, were adjusted for inflation for Tax Year 1989. See also Tax Rates.

For Tax Year 1989, an age limit for students was introduced to the exemption qualification test: to qualify for the exemption, a student had to be under age 24. For previous years, any dependent child who was a full-time student could qualify for the exemption.

Interest Paid Deduction

For 1989, the deductible portion of personal interest was limited to 20 percent of expenditures for personal interest, which included interest on credit cards, car loans, or personal loans. For 1988, 40 percent of personal interest was deductible.

Passive Losses

Under the Tax Reform Act of 1986, some of the "passive" losses (i.e., those generated by any

trade, business, or rental activity in which the taxpayer did not materially participate) entered into before October 23, 1986 were allowed to offset "nonpassive income". For Tax Year 1989, 20 percent of such losses were allowed to offset nonpassive income, down from 40 percent allowed for 1988. The disallowed, or nondeductible, passive losses for 1989 could, in many cases, be carried forward to 1990. (Most of the passive loss activity was concentrated in partnerships and rental activities on Schedule E.)

Parent's Election to Report Child's Interest and Dividends

For Tax Year 1989, a child's interest and dividends could be reported on the parent's return if the child was under age 14 on January 1, 1990, and met certain other conditions. If this election was made, the child was not required to file a return.

Pensions and Annuities

For Tax Year 1989, a 50 percent excise tax was applied to excess accumulations in any qualified pension plan. In previous years, the 50 percent tax applied only when required distributions were not made from Individual Retirement Arrangements, but it did not apply to other pension plans which qualified for special tax treatment under the Internal Revenue Code. See also Penalty Tax on Qualified Retirement Plans in Section 4.

Self-Employment Tax

The maximum net earnings subject to self-employment tax increased to \$48,000 for 1989 from \$45,000 for 1988, while the net tax rate remained at 13.02 percent for 1989.

Standard Deduction

As the result of an inflation adjustment, the basic standard deduction was increased for 1989.

The standard deduction rose from \$3,000 to \$3,100 for single taxpayers, from \$5,000 to \$5,200 for those filing joint returns, from \$2,500 to \$2,600 for married filing separately, and from \$4,400 to \$4,550 for heads of household. The additional standard deduction for taxpayers age 65 or older or blind also increased for 1989. See also Section 4, Standard Deduction.

Tax Rates

For 1989, the tax rate schedules contained the same two basic rates as for 1988: 15 and 28 percent, plus a range in which an additional 5 percent rate applied. The income levels at which the rate increased to 28 percent, and at which the 5 percent additional rate applied were all indexed for inflation.

For single filers, taxable income in excess of \$18,550 was taxed at the 28 percent rate, an increase over the \$17,850 breakpoint for 1988. For married couples filing jointly and qualifying widow(er)s, the breakpoint amount for 1989 was \$30,950, up from \$29,750 for 1988. The breakpoints for heads of households and married couples filing separately were \$24,850 and \$15,475, respectively.

Taxable income in excess of \$44,900 if the taxpayer was single, \$74,850 if married filing jointly or a qualifying widow(er), \$64,200 if head of household, and \$37,425 if married filing separately, was subject to the additional 5 percent tax. The purpose of this was to phase out the benefits of the 15 percent tax rate and the deduction for personal exemptions for taxpayers and dependents. The benefits of the 15 percent tax rate bracket were phased out, and completely disappeared at varying levels of taxable income, according to filing status: \$93,130 for single taxpayers, \$155,320 for married filing jointly and qualifying widow(er)s, \$128,810 for heads of households, and \$117,895 for married filing separately. After the benefits of personal exemptions were also phased out, a 28 percent tax was imposed on each additional dollar of taxable income.

The 1979 Income Concept

A Retrospective Income Definition

In order to analyze changes in income and taxes over a period of years, a consistent definition of income must be used. The income concept available from Federal income tax returns, AGI, was designed to facilitate tax administration, and its definition has changed to reflect modifications to the Internal Revenue Code. Tax laws of the 1980's—the Economic Recovery Tax Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984, and the Tax Reform Act of 1986—made significant changes to the components of AGI, which made it more difficult to use AGI for accurate comparisons of income from year to year. For this reason, it was decided to develop an income definition that would be applicable over several years and allow comparisons both before and after the major tax legislation of the 1980's.

The result was a retrospective income definition known as the *1979 Income Concept*, reflecting a base period from 1979 through 1986. It was calculated using only data available from individual income tax returns; by using the same income items in the calculation each year, its definition was consistent throughout the base years. In addition, this retrospective income definition could be used in future years to compare income by continuing to include the same components that were common to all years [1].

The calculation of the 1979 Income Concept is shown in Figure 3. Several items partially excluded from AGI for the base years were fully included in this new income measure, the largest of which was capital gains. The full amount of all capital gains, as well as all dividends and unemployment compensation, was included in the income calculation. Total pensions, annuities, IRA distributions, and rollovers were added, including

Figure 3.—Calculation of the 1979 Income Concept for 1989

1979 Total Income Concept =

Salaries and wages*

plus (+):

- Interest*
- Dividends (without any exclusion)*
- Alimony received*
- Capital gains (without any exclusion) reported on Schedule D and allowable losses*
- Capital gains and losses not reported on Schedule D (without any exclusion)*
- Other gains or losses (Form 4797)*
- Net business income or loss*
- Net farm income or loss*
- Net rent income or loss*
- Net royalty income or loss*
- Net partnership income or loss*
- Net Subchapter S Corporation income or loss*
- Net farm rental income or loss*
- Net estate and trust income or loss*
- Unemployment insurance income reported*
- Depreciation in excess of straight-line depreciation**
- Total pension income reported**
- Other net income*

minus (—):

- Disallowed passive losses**
- Moving expenses**
- Employee business expenses (includes both reimbursed and unreimbursed)**
- Alimony paid*

*Included in AGI for Tax Year 1989.

**Not fully included in AGI for Tax Year 1989.

the nontaxable portion that was excluded from AGI. Social security benefits were omitted because they were not reported on tax returns until 1984. Also, any depreciation deduction in excess of straight-line depreciation, which was subtracted in computing AGI, was added back.

Deductions that could be subtracted in the calculation of the 1979 Income Concept were limited to employee business expenses, alimony paid, and moving expenses. These same items were also subtracted in computing AGI until 1987 when unreimbursed business expenses and moving expenses were changed from adjustments to itemized deductions. The amount reported for these two expenses by taxpayers who itemized deductions was subtracted in the calculation of the 1979 Income Concept. But, taxpayers who did not itemize deductions could not claim either of these two expenses, since they were not allowed as "adjustments" after 1986. For this reason, the deduction for these two expenses beginning in 1987 is not completely comparable to that for previous years.

Comparison of AGI with 1979 Income Concept

The Tax Reform Act of 1986 made extensive changes to the calculation of AGI beginning with 1987. These changes made it necessary that the calculation of the 1979 Income Concept be revised, in order to make tax years beginning with 1987 comparable to the base years, 1979 to 1986. The new law limited the deduction of passive losses and eliminated unreimbursed employee business expenses and moving expenses as "adjustments" in figuring AGI beginning with Tax Year 1987. Since passive losses had been fully deductible for both income measures prior to 1987, the disallowed passive losses had to be deducted in the 1979 Income Concept calculation of income for tax years after 1986.

Some income items, such as capital gains, that had been partially excluded from AGI under prior law were fully included. The new law also eliminated or restricted some deductions. For this reason, if AGI is used to measure income, any comparison of 1986 income and tax data with that for 1987, 1988, and 1989 is misleading. A more accurate comparison can be made using the 1979 Income Concept because it measures income in the same way for all four years. Table B shows total income and selected tax items for 1989 using AGI and the 1979 Income Concept.

Individual Returns/1989

Table B.—All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 1989
 [All figures are estimates based on samples—numbers of returns are in thousands and money amounts are in millions of dollars]

Size of income	Income				Salaries and wages			
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All returns, total	112,136	3,256,358	112,136	3,286,325	95,488	2,449,531	95,488	2,449,531
Under \$10,000	32,599	110,945	32,329	102,004	25,923	122,735	25,781	120,945
\$10,000 under \$20,000	26,041	382,319	25,979	381,806	21,436	290,517	21,400	290,513
\$20,000 under \$30,000	16,947	418,153	17,120	422,122	14,956	340,644	14,952	339,730
\$30,000 under \$40,000	12,100	420,232	12,302	426,848	11,014	350,660	11,117	352,791
\$40,000 under \$50,000	8,590	383,689	8,590	383,493	7,855	316,833	7,924	321,756
\$50,000 under \$60,000	5,506	300,536	5,383	293,945	5,097	249,631	5,018	246,325
\$60,000 under \$70,000	3,284	212,047	3,252	210,111	3,013	173,006	3,006	171,952
\$70,000 under \$80,000	2,042	152,436	2,042	152,490	1,873	122,556	1,869	122,114
\$80,000 under \$90,000	1,277	108,060	1,255	106,219	1,141	80,416	1,121	79,461
\$90,000 under \$100,000	872	82,512	845	79,963	768	59,926	745	56,311
\$100,000 under \$125,000	1,057	117,086	1,090	120,570	909	80,002	951	81,847
\$125,000 under \$150,000	512	69,605	563	76,448	434	44,501	474	45,558
\$150,000 under \$175,000	312	50,285	322	52,039	256	29,567	270	30,489
\$175,000 under \$200,000	210	39,356	221	41,308	174	22,277	179	22,676
\$200,000 under \$300,000	384	92,772	404	97,990	312	50,720	331	50,326
\$300,000 under \$400,000	152	52,007	166	56,829	124	27,020	131	27,017
\$400,000 under \$500,000	77	34,337	80	35,786	63	17,026	64	16,816
\$500,000 under \$1,000,000	116	78,516	127	86,940	94	34,438	103	34,955
\$1,000,000 or more	58	151,465	63	159,414	47	37,056	52	37,946

Size of income	Taxable interest received				Dividends in AGI		Dividends received	
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All returns, total	69,882	220,016	69,882	220,016	23,080	81,309	23,080	81,309
Under \$10,000	13,482	20,003	13,251	20,650	3,159	4,010	3,057	4,116
\$10,000 under \$20,000	13,493	31,780	13,370	31,174	3,348	6,358	3,273	6,220
\$20,000 under \$30,000	11,182	25,160	11,365	27,290	3,102	6,077	3,200	6,586
\$30,000 under \$40,000	9,416	20,549	9,613	22,557	2,912	5,801	2,988	6,460
\$40,000 under \$50,000	7,374	18,631	7,377	17,567	2,662	5,307	2,665	5,342
\$50,000 under \$60,000	5,021	13,489	4,899	12,678	2,061	5,099	1,998	4,704
\$60,000 under \$70,000	3,090	10,773	3,067	9,819	1,512	4,400	1,481	3,980
\$70,000 under \$80,000	1,945	7,579	1,951	7,475	1,022	3,154	1,035	3,512
\$80,000 under \$90,000	1,225	6,688	1,201	6,399	739	3,352	719	2,863
\$90,000 under \$100,000	841	5,859	816	5,555	511	2,442	490	2,621
\$100,000 under \$125,000	1,026	7,930	1,057	7,689	682	4,038	696	3,558
\$125,000 under \$150,000	496	4,949	551	5,354	354	2,507	399	2,934
\$150,000 under \$175,000	305	4,091	314	3,591	223	2,116	226	1,681
\$175,000 under \$200,000	206	3,127	215	2,998	156	1,593	164	1,890
\$200,000 under \$300,000	381	7,128	401	7,296	300	4,709	317	4,527
\$300,000 under \$400,000	150	4,728	164	4,754	123	2,761	136	2,779
\$400,000 under \$500,000	77	3,063	80	3,048	63	1,987	66	1,919
\$500,000 under \$1,000,000	115	7,844	127	7,648	99	4,590	110	4,718
\$1,000,000 or more	58	16,644	63	16,474	52	11,009	57	10,900

Size of income	Business or profession net income less loss				Sales of capital assets			
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total	14,161	132,738	14,161	132,738	15,060	145,631	15,060	145,631
Under \$10,000	2,927	1,650	2,883	1,394	1,930	7,671	1,871	8,312
\$10,000 under \$20,000	2,638	14,280	2,585	13,689	1,990	2,463	1,925	2,322
\$20,000 under \$30,000	2,140	13,382	2,141	13,029	1,910	3,482	1,966	3,412
\$30,000 under \$40,000	1,777	12,359	1,824	12,496	1,803	3,683	1,903	4,466
\$40,000 under \$50,000	1,384	11,883	1,381	11,309	1,652	4,761	1,639	4,638
\$50,000 under \$60,000	983	10,562	978	10,350	1,271	4,380	1,224	4,323
\$60,000 under \$70,000	595	7,975	596	7,670	999	4,288	975	4,384
\$70,000 under \$80,000	410	6,383	395	5,963	708	3,693	716	3,415
\$80,000 under \$90,000	279	5,820	290	6,011	556	3,495	544	3,399
\$90,000 under \$100,000	201	4,741	201	4,954	409	3,768	388	3,638
\$100,000 under \$125,000	297	10,228	308	9,683	548	6,071	544	5,513
\$125,000 under \$150,000	143	5,965	163	6,909	308	4,603	348	5,117
\$150,000 under \$175,000	84	3,957	89	4,441	213	4,162	207	3,738
\$175,000 under \$200,000	67	3,668	68	3,425	140	4,048	148	3,966
\$200,000 under \$300,000	118	7,253	127	7,923	288	10,669	299	10,257
\$300,000 under \$400,000	46	3,540	52	4,044	120	6,510	129	6,791
\$400,000 under \$500,000	21	1,945	19	1,854	62	5,465	65	5,451
\$500,000 under \$1,000,000	33	3,619	39	4,001	100	14,016	110	14,079
\$1,000,000 or more	17	3,527	20	3,593	53	48,403	58	48,410

Table B.—All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 1989
 [All figures are estimates based on samples—numbers of returns are in thousands and money amounts are in millions of dollars]

Size of income	Rents, royalties, and farm rental net income less loss				Partnership and S Corporation net income less loss			
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All returns, total	10,131	928	10,131	928	5,928	63,092	5,928	63,092
Under \$10,000	1,266	-2,098	1,242	-2,133	633	-17,472	641	-19,146
\$10,000 under \$20,000	1,579	134	1,545	-126	584	701	555	910
\$20,000 under \$30,000	1,400	-1,111	1,444	-626	570	579	588	472
\$30,000 under \$40,000	1,292	-849	1,335	-965	604	1,477	640	1,528
\$40,000 under \$50,000	1,105	-660	1,075	-630	577	1,520	559	1,295
\$50,000 under \$60,000	840	-1,132	818	-1,036	467	2,099	450	2,553
\$60,000 under \$70,000	602	-779	588	-947	384	1,615	357	1,742
\$70,000 under \$80,000	410	-228	416	-253	291	1,620	294	1,413
\$80,000 under \$90,000	309	-154	302	77	276	2,334	275	2,269
\$90,000 under \$100,000	270	197	259	-2	201	1,369	204	1,438
\$100,000 under \$125,000	313	167	330	298	323	3,339	319	3,228
\$125,000 under \$150,000	175	416	193	428	209	3,961	218	3,753
\$150,000 under \$175,000	124	1,113	122	888	159	3,201	155	3,121
\$175,000 under \$200,000	83	306	83	284	109	2,716	116	2,830
\$200,000 under \$300,000	166	1,233	171	1,306	239	8,662	236	8,738
\$300,000 under \$400,000	69	1,092	71	1,005	105	4,836	110	5,206
\$400,000 under \$500,000	35	553	37	550	56	3,210	58	3,657
\$500,000 under \$1,000,000	61	1,173	67	1,233	91	9,990	99	10,165
\$1,000,000 or more	32	1,552	34	1,578	50	27,335	54	27,921

Size of income	Nondeductible passive losses				Estate and trust net income less loss			
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total	1,719	23,193	1,719	23,193	552	3,959	552	3,959
Under \$10,000	129	6,240	160	10,223	96	114	93	61
\$10,000 under \$20,000	91	610	98	400	81	199	77	179
\$20,000 under \$30,000	124	596	132	583	64	227	77	296
\$30,000 under \$40,000	155	919	148	450	54	202	53	177
\$40,000 under \$50,000	129	331	127	455	35	39	36	-29
\$50,000 under \$60,000	131	541	118	436	33	44	30	79
\$60,000 under \$70,000	105	690	96	350	26	66	28	102
\$70,000 under \$80,000	84	264	91	306	20	106	19	117
\$80,000 under \$90,000	79	341	75	415	22	64	17	107
\$90,000 under \$100,000	61	378	58	324	18	218	18	151
\$100,000 under \$125,000	114	1,088	119	909	23	203	24	272
\$125,000 under \$150,000	97	1,000	93	945	13	133	12	111
\$150,000 under \$175,000	93	1,033	84	801	9	133	9	78
\$175,000 under \$200,000	61	746	61	561	8	101	9	114
\$200,000 under \$300,000	126	2,376	119	1,642	19	286	19	325
\$300,000 under \$400,000	49	1,076	50	929	10	190	11	222
\$400,000 under \$500,000	26	777	26	530	5	95	5	61
\$500,000 under \$1,000,000	42	1,916	44	1,266	9	425	10	427
\$1,000,000 or more	21	2,271	21	1,668	6	1,115	6	1,110

Size of income	Pensions and annuities in AGI ¹		Pensions and annuities ¹		Total statutory adjustments			
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)
All returns, total	18,516	161,234	19,807	225,232	9,927	24,573	9,367	29,196
Under \$10,000	2,815	11,399	2,739	11,306	849	1,078	178	823
\$10,000 under \$20,000	4,710	32,678	4,696	32,941	1,647	2,283	610	1,931
\$20,000 under \$30,000	3,019	26,847	3,281	30,281	1,949	3,332	1,285	3,365
\$30,000 under \$40,000	2,318	21,598	2,553	25,934	1,740	3,298	1,629	3,735
\$40,000 under \$50,000	1,942	18,688	2,034	21,205	1,338	2,343	1,695	3,845
\$50,000 under \$60,000	1,227	12,535	1,353	13,816	566	1,405	1,218	3,045
\$60,000 under \$70,000	790	8,319	897	11,795	379	1,176	882	2,524
\$70,000 under \$80,000	484	6,245	592	8,931	273	1,095	548	1,941
\$80,000 under \$90,000	333	4,871	377	6,371	226	833	350	1,556
\$90,000 under \$100,000	238	3,477	284	5,329	176	789	210	1,007
\$100,000 under \$125,000	253	4,220	366	8,843	237	1,424	288	1,457
\$125,000 under \$150,000	116	2,219	184	6,818	147	979	150	978
\$150,000 under \$175,000	70	1,377	104	4,245	83	719	83	528
\$175,000 under \$200,000	43	1,175	65	3,026	65	634	55	431
\$200,000 under \$300,000	75	1,711	130	8,113	123	1,382	98	829
\$300,000 under \$400,000	28	776	54	5,130	47	584	36	409
\$400,000 under \$500,000	17	502	27	2,359	23	325	17	196
\$500,000 under \$1,000,000	24	1,278	48	9,428	38	576	24	338
\$1,000,000 or more	12	1,318	23	9,363	19	316	11	256

Table B.—All Returns: Selected Income and Tax Items, by Size of Adjusted Gross Income and by 1979 Income Concept, 1989
 [All figures are estimates based on samples—numbers of returns are in thousands and money amounts are in millions of dollars]

Size of income	Total itemized deductions				Taxable income			
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
All returns, total	31,972	430,978	31,965	412,931	92,314	2,173,346	92,314	2,173,346
Under \$10,000	792	7,032	827	8,133	14,929	27,515	14,833	27,910
\$10,000 under \$20,000	2,576	21,092	2,638	20,358	24,147	175,635	23,995	174,015
\$20,000 under \$30,000	4,289	35,788	4,348	34,344	16,776	254,268	16,924	256,541
\$30,000 under \$40,000	5,364	49,201	5,375	47,854	12,063	278,320	12,241	283,717
\$40,000 under \$50,000	5,424	56,658	5,409	53,891	8,566	263,108	8,559	263,500
\$50,000 under \$60,000	4,186	48,967	4,077	46,153	5,496	212,090	5,367	207,593
\$60,000 under \$70,000	2,797	37,194	2,736	34,909	3,282	152,785	3,241	150,564
\$70,000 under \$80,000	1,823	28,149	1,801	26,601	2,036	111,048	2,030	110,292
\$80,000 under \$90,000	1,159	20,102	1,131	18,760	1,276	79,960	1,252	77,820
\$90,000 under \$100,000	817	15,440	775	13,714	871	61,747	843	58,779
\$100,000 under \$125,000	990	21,946	1,015	21,041	1,056	88,632	1,087	88,607
\$125,000 under \$150,000	487	13,196	513	12,692	510	53,274	562	56,048
\$150,000 under \$175,000	297	9,136	299	8,671	310	39,304	322	39,022
\$175,000 under \$200,000	203	7,051	209	6,805	210	30,974	221	31,088
\$200,000 under \$300,000	374	15,978	383	15,095	383	74,519	403	74,550
\$300,000 under \$400,000	148	8,117	161	8,099	151	43,008	166	43,901
\$400,000 under \$500,000	76	5,036	79	4,958	77	28,863	80	28,708
\$500,000 under \$1,000,000	114	11,031	125	11,061	115	66,882	127	67,786
\$1,000,000 or more	57	19,863	62	19,792	57	131,415	63	132,907

Size of income	Total tax credits				Total income tax			
	Size of AGI		1979 Income Concept		Size of AGI		1979 Income Concept	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)
All returns, total	12,035	6,131	12,035	6,131	89,178	432,940	89,178	432,940
Under \$10,000	634	99	632	107	14,322	4,251	14,229	4,423
\$10,000 under \$20,000	5,624	1,844	5,613	1,840	21,702	24,619	21,553	24,337
\$20,000 under \$30,000	1,361	600	1,383	600	16,716	38,920	16,861	39,386
\$30,000 under \$40,000	1,221	546	1,221	549	12,047	45,598	12,221	46,583
\$40,000 under \$50,000	955	411	967	417	8,560	44,034	8,554	44,170
\$50,000 under \$60,000	747	322	727	313	5,495	38,673	5,366	37,913
\$60,000 under \$70,000	454	235	446	213	3,282	30,192	3,241	29,831
\$70,000 under \$80,000	269	146	280	140	2,037	23,276	2,031	23,148
\$80,000 under \$90,000	193	163	174	130	1,275	17,542	1,249	17,215
\$90,000 under \$100,000	116	112	113	88	871	14,240	843	13,457
\$100,000 under \$125,000	132	138	136	129	1,056	21,526	1,086	21,387
\$125,000 under \$150,000	73	119	76	98	511	13,769	563	14,407
\$150,000 under \$175,000	53	104	53	106	310	10,600	321	10,415
\$175,000 under \$200,000	37	80	38	83	210	8,576	221	8,552
\$200,000 under \$300,000	71	229	76	272	383	21,152	403	21,029
\$300,000 under \$400,000	30	138	32	174	151	12,284	165	12,461
\$400,000 under \$500,000	16	87	16	99	77	8,196	80	8,109
\$500,000 under \$1,000,000	30	243	32	252	115	18,883	127	19,105
\$1,000,000 or more	20	515	20	520	58	36,610	63	37,010

¹ Individual Retirement Arrangements are included in the calculation of "Pensions and annuities in AGI" and "Pensions and annuities."

Income, as calculated by the two measures, showed little difference for 1989. Before TRA became effective, a comparison of income measured by AGI with that measured by the 1979 Income Concept showed significant differences at income levels of \$200,000 or more. But, with the elimination of preferential treatment of various income items by TRA, such as the exclusion of capital gains, much of the difference disappeared. Under tax law prior to 1987, the capital gains exclusion accounted for the largest difference at the higher income levels between the two income measures.

Total income for all returns, using the 1979 Income Concept, increased 5.8 percent for 1989; total income

for the group \$200,000 and above increased only 2.3 percent, following an increase of more than 50 percent for 1988. Total income tax reported for the \$200,000 and above income group decreased 2.8 percent for 1989 after increasing almost 38 percent for 1988. The slow growth in income for the \$200,000 and above income group is due in part to the decline of almost 12 percent in the sales of capital assets (net capital gains) for 1989. This decline may stem from decisions by taxpayers to postpone capital gains in anticipation of more favorable tax treatment in 1990, which had been outlined in proposed legislation.

The average tax rates (income tax as a percentage of total income) for each income class for years 1986

Figure 4.-Total Income Tax as a Percentage of Adjusted Gross Income and the 1979 Income Concept, 1986-1989

Size of Income	Total income tax as a percentage of adjusted gross income				Taxes as a percentage of 1979 Income Concept			
	1986	1987	1988	1989	1986	1987	1988	1989
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All returns, total	14.8	13.3	13.4	13.3	13.3	13.1	13.3	13.2
Under \$10,000	4.3	4.0	4.0	3.8	4.9	4.2	4.4	4.3
\$10,000 under \$20,000	7.8	6.8	6.5	6.4	7.6	6.7	6.5	6.4
\$20,000 under \$30,000	10.6	9.4	9.3	9.3	10.0	9.3	9.3	9.3
\$30,000 under \$40,000	12.2	10.6	10.6	10.9	11.6	10.7	10.7	10.9
\$40,000 under \$50,000	13.8	11.8	11.6	11.5	12.6	11.7	11.7	11.5
\$50,000 under \$60,000	15.5	13.5	13.2	12.9	13.8	13.4	13.2	12.9
\$60,000 under \$70,000	16.9	15.1	14.5	14.2	14.9	15.0	14.5	14.2
\$70,000 under \$80,000	18.7	16.5	15.6	15.3	15.8	16.2	15.4	15.2
\$80,000 under \$90,000	19.9	17.8	16.6	16.2	16.7	17.5	16.1	16.2
\$90,000 under \$100,000	20.8	18.8	17.4	17.3	16.8	18.1	17.1	16.8
\$100,000 under \$125,000	23.1	20.1	18.8	18.4	18.3	19.3	18.0	17.7
\$125,000 under \$150,000	25.2	21.8	20.3	19.8	19.0	20.6	19.6	18.8
\$150,000 under \$175,000	28.0	23.0	21.6	21.1	19.3	21.2	20.6	20.0
\$175,000 under \$200,000	29.3	23.9	22.5	21.8	20.3	22.5	21.6	20.7
\$200,000 under \$300,000	31.1	25.8	23.7	22.8	22.6	23.8	22.3	21.5
\$300,000 under \$400,000	33.7	27.0	24.0	23.6	22.6	24.5	22.6	21.9
\$400,000 under \$500,000	36.2	28.2	24.1	23.9	23.4	26.5	23.2	22.7
\$500,000 under \$1,000,000	38.4	29.0	24.6	24.0	23.7	26.7	23.5	22.0
\$1,000,000 or more	40.2	28.6	25.0	24.2	21.4	26.8	24.5	23.2

through 1989, based on AGI and the 1979 Income Concept, are shown in Figure 4. Based on the 1979 Income Concept, average tax rates declined or remained the same from 1988 to 1989 in most income categories. At incomes over \$125,000 the decrease was larger, with incomes over \$500,000 showing the largest decline in average tax rates.

When average tax rates for 1989 (based on the 1979 Income Concept) are compared to those for 1986 (before tax reform), the rates declined or remained the same in almost all income categories except the \$1,000,000 and over income category, which showed the largest increase, and the \$150,000 to less than \$200,000 income group, which had a much smaller increase. Average tax rates on incomes of \$1,000,000 and over rose from 21.4 percent for 1986 to 23.2 percent for 1989. Although this higher average tax rate

for 1989 was calculated using a lower marginal tax rate—28 percent for 1989 compared to 50 percent for 1986—it was calculated on income which included all capital gains (long-term gains could be partially excluded from income for 1986). Also, certain deductions from income that were allowed for 1986, were limited or eliminated beginning in 1987.

Notes and References

- [1] Hostetter, Susan, "Measuring Income for Developing and Reviewing Individual Tax Law Changes: Exploration of Alternative Concepts," *Statistics of Income and Related Administrative Record Research: 1986-1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

Section 2

Description of the Sample*

This section describes the sample criteria and selection, the method of estimation, and the sampling variability of the estimates contained in this report. It also describes some of the limitations of the data. Statistical estimates included in this report are based on samples of tax returns.

Sample Selection

The statistics in this report were estimated from a stratified probability sample of unaudited Individual Income Tax Returns, Forms 1040, 1040A, and 1040EZ filed by U.S. citizens and residents. The sample was designated at the Martinsburg Computing Center and was processed at the ten Internal Revenue Service (IRS) Centers during Calendar Year 1990. The total sample of 110,840 returns was selected from a population of 112,952,035 returns.

All returns processed during 1990 were subjected to sampling except tentative and amended returns. Tentative returns were not subjected to sampling because the revised returns may have been sampled later on, while amended returns were excluded because the original returns had already been subjected to sampling. A small percentage of returns were not identified as tentative or amended until after sampling. These returns along with those that contained no income information were excluded from the tables in this report. Sample returns representing 816,322 returns were excluded from the tables as a result.

The estimates in this report are intended to represent all returns filed for Tax Year 1989. While about 97 percent of the returns processed during Calendar Year 1990 were for Tax Year 1989, a few were for noncalendar years ending during 1989 and 1990, and some were returns for prior years. Returns for prior years were used in place of 1989 returns received and processed after December 31, 1990. This was done in the belief that the characteristics of returns due but not yet processed could best be represented by the returns for previous income years that were processed in 1990. Therefore, data for Tax Year 1989 may include amounts for discontinued items, such as the deduction for a working married couple, reported on prior year returns processed in 1990.

Sample Design and Selection Criteria

Data from Forms 1040, 1040A, and 1040EZ processed to the IRS Individual Master File System at the Martinsburg Computing Center during Calendar Year 1990 were classified, by computer, into sample strata. These strata were based on the larger of total income or total loss amounts and the size of business plus farm receipts. In addition, the strata were based on the presence or absence of a Form 2555, Foreign Earned Income; a Form 1116, Computation of Foreign Tax Credit; a Schedule C, Profit or Loss from Business or Profession; a Schedule F, Farm Income and Expenses; and Form 4835, Farm Rental Income

*Bonnye Walker designed the sample and prepared the text and tables in this section under the direction of Yahia Ahmed, Chief, Mathematical Statistics Team, Coordination and Publications Staff.

and Expenses. Twenty variables were used to derive the total income and loss amounts.

Returns were then selected from the sample strata using two methodologies. One method used certain ending digits of the social security number (SSN), and the second method used ending digits of numbers generated from transformations of the SSN. The sampling rates for the various strata ranged from 0.02 percent to 100 percent.

Table C contains the number of returns in the population and sample by sample stratum for the United States. A comparison of the population counts in Table C with the total shown in the national tables of this report will disclose a small difference. This difference is the result of having excluded an estimated 816,322 returns (see above).

Method of Estimation

Weighting factors were obtained by dividing the population count of returns in a sample stratum by the number of sample returns for that stratum. These weighting factors were used to generate all of the estimated numbers of returns and amounts in this report.

Table Presentation

Whenever a weighted frequency is less than 3, the estimate and its corresponding amount are combined or deleted in order to avoid disclosure of information for specific taxpayers. (The combined or deleted data, if any, are included in the corresponding column totals.) These combinations and deletions are indicated by a double asterisk (**), and by a dagger (†), respectively. Estimates based on less than 10 sampled returns are considered to be unreliable. These estimates are noted by a single asterisk (*) to the left of the data unless all of the sampled returns are selected with certainty (at the 100 percent rate).

In the tables, a dash (—) in place of a frequency or an amount indicates that either no returns in the population had the characteristic or the characteristic was so rare that it did not appear on any of the sampled returns.

Processing and Management of the Sample

While the sample was being selected, the selection process was monitored by applying prescribed sampling rates for each stratum to the population for that stratum. A follow-up was required to reconcile differences between the actual number of returns designated for each sample strata and the expected number.

In transcribing and tabulating the information from the returns in the sample, checks were imposed to improve the quality of the resulting estimates. Incorrect or missing entries on the sampled record were altered during statistical editing to make them consistent with other entries on the return and accompanying schedules. Data were also adjusted during processing in an attempt to achieve consistent statistical definitions. For example, a taxpayer may have reported director's fees on the "other income" line of the Form 1040 return. If this situation had been detected during statistical processing, the amount of director's fees would have been transferred to salaries and wages in the sample record.

The quality of the sample data was controlled at the IRS service centers by means of a continuous verification system that used computer tests to check for mathematical errors and inconsistent or missing data [1], [2].

Some returns designated for the sample are not available for SOI processing because other areas of IRS, such as Audit and Collection, need the return at the same time as SOI. These returns are referred to as unavailable returns. During Tax Year 1989 there were 69 unavailable returns which constituted about 0.06 percent of the designated sample. The chart below contains the percentage of unavailable returns for Tax Years 1986—1989.

Year	1986	1987	1988	1989
Percent	0.31	0.14	0.11	0.06

Table C.—Number of Forms 1040, 1040A and 1040EZ in the Population and Sample, 1989

Description of the sample strata	Number of returns ¹	
	Population counts (1)	Sample counts (2)
Grand total	112,952,035	110,840
Form 1040 returns only with adjusted gross income of \$200,000 and over with no income tax after credits and no additional tax for tax preferences, total	1,113	1,113 ²
Form 1040 returns only with combined Schedule C (business or profession) net profit or loss of \$400,000 and over, total	11,219	11,219
Larger of total income amount or total loss amount and Size of business receipts plus farm receipts		
Forms 1040 only with Form 2555, total	192,486	838
Under \$60,000	116,504	106
\$60,000 under \$125,000		
Under \$60,000	47,145	55
\$125,000 under \$600,000		
Under \$125,000	27,716	405
\$600,000 under \$2,500,000		
Under \$600,000	1,050	201
\$2,500,000 and over		
Under \$2,500,000	71	71
Forms 1040 only with Form 1116, but without Form 2555, total	604,096	10,977
Under \$60,000	270,438	289
\$60,000 under \$125,000		
Under \$60,000	168,760	245
\$125,000 under \$600,000		
Under \$125,000	137,243	1,901
\$600,000 under \$2,500,000		
Under \$600,000	23,286	4,173
\$2,500,000 and over		
Under \$2,500,000	4,369	4,369
Forms 1040 only with Schedule C, but without Form 2555 or Form 1116, total	14,193,157	21,977
Under \$30,000	6,907,661	5,085
\$30,000 under \$60,000	4,543,815	4,975
Under \$30,000		
\$60,000 under \$125,000		
Under \$60,000	2,069,422	2,925
\$125,000 under \$250,000		
Under \$125,000	489,763	1,326
\$250,000 under \$600,000		
Under \$250,000	142,882	2,021
\$600,000 under \$1,200,000		
Under \$600,000	26,066	1,263
\$1,200,000 under \$2,500,000		
Under \$1,200,000	9,191	1,644
\$2,500,000 under \$6,000,000		
Under \$2,500,000	3,234	1,615
\$6,000,000 and over		
Under \$6,000,000	1,123	1,123
Forms 1040 only with Schedule F, but without Form 2555, Form 1116, or Schedule C, total	2,261,478	4,789
Under \$30,000	1,146,475	967
\$30,000 under \$60,000		
Under \$30,000	747,267	1,065
\$60,000 under \$125,000		
Under \$60,000	279,802	442
\$125,000 under \$250,000		
Under \$125,000	58,463	192
\$250,000 under \$600,000		
Under \$250,000	21,631	408
\$600,000 under \$1,200,000		
Under \$600,000	5,102	340
\$1,200,000 under \$2,500,000		
Under \$1,200,000	1,772	409
\$2,500,000 under \$6,000,000		
Under \$2,500,000	699	699
\$6,000,000 and over		
Under \$6,000,000	267	267
Forms 1040EZ, total	18,660,320	3,729
Under \$30,000	18,240,587	3,608
\$30,000 and over	419,733	121
Forms 1040A, total	19,788,575	6,211
Under \$30,000	17,070,817	5,139
\$30,000 and over	2,717,758	1,072
Forms 1040, 1040A, and 1040EZ without Form 2555, Form 1116, Schedule C, or Schedule F, total	57,239,591	49,987
Under \$30,000	30,982,022	20,558
\$30,000 under \$60,000	18,341,743	10,640
\$60,000 under \$125,000	6,686,219	5,921
\$125,000 under \$250,000	870,714	1,371
\$250,000 under \$600,000	274,996	2,020
\$600,000 under \$1,200,000	56,722	2,374
\$1,200,000 under \$2,500,000	18,778	2,477
\$2,500,000 under \$6,000,000	6,281	2,510
\$6,000,000 and over	2,116	2,116

¹ This population includes an estimated 816,322 returns that were excluded from other tables in this report because they contained no income information or represented amended or tentative returns identified after sampling.

² This population includes 35 Form 1040 returns that have alternative minimum tax or income tax after credits other than zero.

After the completion of service center review, data were further validated, tested, and balanced at the Detroit Computing Center. Computer adjustments and imputations for selected fields were used to make each record internally consistent, and the data were then tabulated.

A small subsample of returns was selected and independently reviewed, analyzed, and processed for a quality evaluation. Finally, prior to publication, all statistics and tables were reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing.

Sample Redesign

A complete revision of the sample design used to produce the statistics from individual income tax returns is being phased in over a 6-year period beginning with Tax Year 1987 and ending with Tax Year 1992. In addition to new strata definitions and methods of estimation, the revisions include the development of a longitudinal panel. For additional details on the redesign see [3], [4], [5], [6], [7] and [8].

Notes and References

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- [8] Schirm, A. L., and Czajka, J. L. (1991), "Alternative Designs for a Cross-Sectional Sample of Individual Tax Returns: the Old and the New," Presented at the 1991 Meeting of the American Statistical Association, Section on Survey Research Methods.

Section 3

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*Production and review of tables was coordinated by Edward Gross, Jr. Craig Ammon, William Bradley, Charles Hicks, Robert Kalish, Barbara Marshall, Kenneth Rice, and were responsible for specific tables.

Table 1.1—Selected Income and Tax Items, by Size and Accumulated Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size and accumulated size of adjusted gross income	All returns					Taxable returns			
	Number of returns	Percentage of total	Adjusted gross income less deficit			Number of returns	Percentage of total	Adjusted gross income less deficit	
			Amount	Percentage of total	Average (dollars)			Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Size of Adjusted Gross Income									
Total	112,135,673	100.0	3,256,358,156	100.0	29,039	89,178,355	100.0	3,158,293,754	100.0
No adjusted gross income	822,952	0.7	- 42,499,835	(3)	- 51,643	5,961	(2)	- 2,971,100	(2)
\$1 under \$1,000	3,042,994	2.7	1,842,104	0.1	605	768,330	0.9	584,981	(2)
\$1,000 under \$2,000	3,926,273	3.5	5,863,307	0.2	1,493	1,137,732	1.3	1,656,786	0.1
\$2,000 under \$3,000	3,404,373	3.0	8,501,571	0.3	2,497	880,974	1.0	2,201,502	0.1
\$3,000 under \$4,000	3,301,756	2.9	11,515,294	0.4	3,488	1,268,463	1.4	4,439,894	0.1
\$4,000 under \$5,000	3,094,100	2.8	13,866,134	0.4	4,481	935,383	1.0	4,138,774	0.1
\$5,000 under \$6,000	3,109,173	2.8	17,027,059	0.5	5,476	1,852,733	2.1	10,204,703	0.3
\$6,000 under \$7,000	2,971,196	2.6	19,249,842	0.6	6,479	1,890,025	2.1	12,213,738	0.4
\$7,000 under \$8,000	3,118,710	2.8	23,375,144	0.7	7,495	2,011,182	2.3	15,076,487	0.5
\$8,000 under \$9,000	2,918,864	2.6	24,814,435	0.8	8,501	1,744,101	2.0	14,819,294	0.5
\$9,000 under \$10,000	2,888,834	2.6	27,390,094	0.8	9,481	1,826,873	2.0	17,317,883	0.5
\$10,000 under \$11,000	3,066,152	2.7	32,182,062	1.0	10,496	2,072,195	2.3	21,750,738	0.7
\$11,000 under \$12,000	2,870,844	2.6	33,029,347	1.0	11,505	2,057,288	2.3	23,663,054	0.7
\$12,000 under \$13,000	2,975,242	2.7	37,194,002	1.1	12,501	2,201,358	2.5	27,535,240	0.9
\$13,000 under \$14,000	2,780,366	2.5	37,519,950	1.2	13,495	2,164,192	2.4	29,193,440	0.9
\$14,000 under \$15,000	2,610,322	2.3	37,808,460	1.2	14,484	2,147,997	2.4	31,128,312	1.0
\$15,000 under \$16,000	2,492,158	2.2	38,609,252	1.2	15,492	2,210,950	2.5	34,271,843	1.1
\$16,000 under \$17,000	2,421,585	2.2	39,973,936	1.2	16,507	2,274,072	2.6	37,533,526	1.2
\$17,000 under \$18,000	2,366,989	2.1	41,406,065	1.3	17,493	2,238,695	2.5	39,157,637	1.2
\$18,000 under \$19,000	2,312,593	2.1	42,762,287	1.3	18,491	2,225,557	2.5	41,153,673	1.3
\$19,000 under \$20,000	2,144,966	1.9	41,833,912	1.3	19,503	2,109,484	2.4	41,142,797	1.3
\$20,000 under \$25,000	9,332,301	8.3	208,961,701	6.4	22,391	9,173,782	10.3	205,473,198	6.5
\$25,000 under \$30,000	7,615,124	6.8	209,191,554	6.4	27,471	7,541,919	8.5	207,195,437	6.6
\$30,000 under \$40,000	12,100,369	10.8	420,231,928	12.9	34,729	12,046,515	13.5	418,392,529	13.2
\$40,000 under \$50,000	8,590,272	7.7	383,689,075	11.8	44,666	8,560,180	9.6	382,362,994	12.1
\$50,000 under \$75,000	9,921,341	8.8	594,483,386	18.3	59,920	9,905,916	11.1	593,569,941	18.8
\$75,000 under \$100,000	3,059,386	2.7	261,107,136	8.0	85,346	3,053,791	3.4	260,645,078	8.3
\$100,000 under \$200,000	2,090,358	1.9	276,331,693	8.5	132,193	2,087,727	2.3	275,945,659	8.7
\$200,000 under \$500,000	612,814	0.5	179,115,618	5.5	292,284	611,980	0.7	178,874,534	5.7
\$500,000 under \$1,000,000	115,646	0.1	78,516,288	2.4	678,936	115,492	0.1	78,412,040	2.5
\$1,000,000 or more	57,603	0.1	151,465,353	4.7	2,629,470	57,510	0.1	151,209,142	4.8

Size and accumulated size of adjusted gross income	Taxable returns—Continued										
	Taxable income			Income tax after credits			Total income tax				
	Number of returns	Amount	Percentage of total	Number of returns	Amount	Percentage of total	Amount	Percentage of			Average income tax (dollars)
								Total	Taxable income	Adjusted gross income less deficit	
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Size of Adjusted Gross Income											
Total	89,127,496	2,166,089,001	100.0	89,162,747	432,109,004	100.0	432,939,998	100.0	20.0	13.7	4,855
No adjusted gross income	—	—	—	1,171	35,529	(2)	102,251	(2)	(2)	(2)	17,153
\$1 under \$1,000	765,315	158,351	(2)	768,329	26,594	(2)	26,595	(2)	16.8	4.5	35
\$1,000 under \$2,000	1,134,867	499,375	(2)	1,137,732	83,638	(2)	84,079	(2)	16.8	5.1	74
\$2,000 under \$3,000	880,966	526,899	(2)	880,974	88,244	(2)	91,712	(2)	17.4	4.2	104
\$3,000 under \$4,000	1,265,449	870,872	(2)	1,268,463	140,684	(2)	140,829	(2)	16.2	3.2	111
\$4,000 under \$5,000	929,354	1,372,618	0.1	935,383	221,105	0.1	221,105	0.1	16.1	5.3	236
\$5,000 under \$6,000	1,846,853	2,096,222	0.1	1,852,733	344,699	0.1	344,908	0.1	16.5	3.4	186
\$6,000 under \$7,000	1,887,307	3,074,578	0.1	1,890,023	463,805	0.1	463,883	0.1	15.1	3.8	245
\$7,000 under \$8,000	2,009,654	5,163,646	0.2	2,011,161	789,220	0.2	789,320	0.2	15.3	5.2	392
\$8,000 under \$9,000	1,742,594	6,025,799	0.3	1,744,101	910,696	0.2	910,696	0.2	15.1	6.1	522
\$9,000 under \$10,000	1,822,786	7,143,890	0.3	1,825,802	1,074,401	0.2	1,076,040	0.2	15.1	6.2	589
\$10,000 under \$11,000	2,070,688	9,390,740	0.4	2,072,195	1,407,831	0.3	1,407,831	0.3	15.0	6.5	679
\$11,000 under \$12,000	2,054,866	10,572,743	0.5	2,057,287	1,589,078	0.4	1,589,089	0.4	15.0	6.7	772
\$12,000 under \$13,000	2,201,358	13,462,531	0.6	2,201,358	1,982,589	0.5	1,983,621	0.5	14.7	7.2	901
\$13,000 under \$14,000	2,162,632	14,415,592	0.7	2,164,139	2,063,155	0.5	2,063,337	0.5	14.3	7.1	953
\$14,000 under \$15,000	2,145,725	16,192,554	0.7	2,147,084	2,279,705	0.5	2,279,987	0.5	14.1	7.3	1,061
\$15,000 under \$16,000	2,210,942	18,188,494	0.8	2,210,942	2,559,704	0.6	2,559,907	0.6	14.1	7.5	1,158
\$16,000 under \$17,000	2,274,072	19,729,357	0.9	2,274,072	2,765,301	0.6	2,765,301	0.6	14.0	7.4	1,216
\$17,000 under \$18,000	2,238,695	21,731,550	1.0	2,238,695	3,112,456	0.7	3,121,130	0.7	14.4	8.0	1,394
\$18,000 under \$19,000	2,225,536	22,928,803	1.1	2,225,536	3,344,280	0.8	3,344,338	0.8	14.6	8.1	1,503
\$19,000 under \$20,000	2,109,348	23,404,463	1.1	2,109,348	3,502,902	0.8	3,504,766	0.8	15.0	8.5	1,661
\$20,000 under \$25,000	9,173,777	122,122,458	5.6	9,173,777	18,192,386	4.2	18,193,167	4.2	14.9	8.9	1,983
\$25,000 under \$30,000	7,541,203	131,703,925	6.1	7,541,135	20,714,933	4.8	20,726,836	4.8	15.7	10.0	2,748
\$30,000 under \$40,000	12,046,484	278,017,605	12.8	12,046,275	45,588,526	10.6	45,597,597	10.5	16.4	10.9	3,785
\$40,000 under \$50,000	8,558,577	262,963,947	12.1	8,558,417	44,013,965	10.2	44,034,240	10.2	16.7	11.5	5,144
\$50,000 under \$75,000	9,903,864	424,526,687	19.6	9,903,386	81,195,853	18.8	81,250,313	18.8	19.1	13.7	8,202
\$75,000 under \$100,000	3,053,693	193,038,040	8.9	3,052,872	42,632,646	9.9	42,671,702	9.9	22.1	16.4	13,973
\$100,000 under \$200,000	2,086,443	212,155,734	9.8	2,085,957	54,321,970	12.6	54,471,932	12.6	25.7	19.7	26,092
\$200,000 under \$500,000	611,612	146,369,170	6.8	611,615	41,468,925	9.6	41,631,082	9.6	28.4	23.3	68,027
\$500,000 under \$1,000,000	115,378	66,874,734	3.1	115,343	18,759,023	4.3	18,882,584	4.4	28.2	24.1	163,497
\$1,000,000 or more	57,458	131,367,623	6.1	57,441	36,435,162	8.4	36,609,819	8.5	27.9	24.2	636,582

Footnote(s) at end of table.

Table 1.1—Selected Income and Tax Items, by Size and Accumulated Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Table with columns: Size and accumulated size of adjusted gross income, All returns, and Taxable returns. Rows include income brackets from 'No adjusted gross income' to '\$1 or more'.

Taxable returns—Continued

Table with columns: Size and accumulated size of adjusted gross income, Taxable income, Income tax after credits, Total income tax, and Average income tax. Rows include income brackets from 'No adjusted gross income' to '\$1 or more'.

Footnote(s) at end of table.

Table 1.1—Selected Income and Tax Items, by Size and Accumulated Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Table with columns: Size and accumulated size of adjusted gross income, All returns (Number of returns, Percentage of total, Amount, Percentage of total 1, Average (dollars)), and Taxable returns (Number of returns, Percentage of total, Amount, Percentage of total 1). Rows include income brackets from \$1,000,000 or more down to \$1 or more, and an 'All returns' summary row.

Taxable returns—Continued

Table with columns: Size and accumulated size of adjusted gross income, Taxable income (Number of returns, Amount, Percentage of total), Income tax after credits (Number of returns, Amount, Percentage of total), Total income tax (Amount, Total, Taxable income, Adjusted gross income less deficit), and Average income tax (dollars). Rows include income brackets from \$1,000,000 or more down to \$1 or more, and an 'All returns' summary row.

1 Percent based on positive income only.

2 Less than 0.05 percent.

3 Percent not computed.

NOTE: Detail may not add to totals because of rounding.

Table 1.2—All Returns: Adjusted Gross Income, Exemptions, Deductions, and Tax Items, by Size of Adjusted Gross Income and by Marital Status

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	All returns												
	Number of returns	Adjusted gross income less deficit	Exemption amount	Total itemized deductions		Standard deduction		Taxable income		Income tax after credits		Total income tax	
				Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
All returns, total	112,135,673	3,256,358,156	447,129,806	31,972,317	430,977,999	79,338,895	309,431,034	92,313,789	2,173,345,881	89,162,747	432,109,004	89,178,355	432,939,998
No adjusted gross income	822,952	-42,499,835	3,236,341	—	—	—	—	—	—	1,171	35,529	5,961	102,251
\$1 under \$5,000	16,769,495	41,588,410	25,841,291	162,917	1,486,812	16,605,071	44,743,949	5,073,979	3,435,344	4,990,881	560,265	4,990,882	564,320
\$5,000 under \$10,000	15,006,777	111,856,574	44,304,137	629,378	5,544,711	14,377,399	54,644,476	9,855,065	24,079,405	9,323,820	3,582,821	9,324,913	3,584,847
\$10,000 under \$15,000	14,302,945	177,733,821	50,907,910	1,068,327	8,915,497	13,234,618	53,682,556	12,693,453	68,611,583	10,642,063	9,322,358	10,643,030	9,323,866
\$15,000 under \$20,000	11,738,291	204,585,452	44,573,921	1,507,281	12,176,552	10,231,010	42,108,901	11,453,173	107,022,965	11,058,593	15,284,643	11,058,757	15,295,442
\$20,000 under \$25,000	9,332,301	208,961,701	39,450,084	1,968,007	16,118,559	7,364,294	31,552,232	9,215,631	122,363,183	9,173,777	18,192,386	9,173,782	18,193,167
\$25,000 under \$30,000	7,615,124	209,191,554	34,563,796	2,321,050	19,669,661	5,294,074	23,435,320	7,560,711	131,904,440	7,541,135	20,714,933	7,541,919	20,726,836
\$30,000 under \$40,000	12,100,369	420,231,928	61,732,973	5,364,124	49,201,323	6,736,245	31,389,259	12,062,779	278,320,160	12,046,275	45,588,526	12,046,515	45,597,597
\$40,000 under \$50,000	8,590,272	383,689,075	48,483,166	5,424,444	56,658,247	3,165,828	15,828,653	8,566,122	263,107,712	8,558,417	44,013,965	8,560,180	44,034,240
\$50,000 under \$75,000	9,921,341	594,483,386	59,066,080	7,978,928	101,063,378	1,942,413	10,011,319	9,906,175	424,581,970	9,903,386	81,195,853	9,905,916	81,250,313
\$75,000 under \$100,000	3,059,386	261,107,136	17,966,464	2,802,965	48,788,332	256,421	1,353,450	3,055,245	193,047,596	3,052,872	42,632,646	3,053,791	42,671,702
\$100,000 under \$200,000	2,090,358	276,331,693	12,373,173	1,975,980	51,329,803	114,377	593,960	2,086,857	212,184,703	2,085,957	54,321,970	2,087,727	54,471,932
\$200,000 under \$500,000	612,814	179,115,618	3,656,078	598,105	29,131,280	14,709	74,976	611,729	146,390,252	611,615	41,468,925	611,980	41,631,082
\$500,000 under \$1,000,000	115,646	78,516,288	660,377	113,790	11,031,212	1,856	9,271	115,395	66,881,786	115,343	18,759,023	115,492	18,882,584
\$1,000,000 or more	57,603	151,465,353	314,014	57,021	19,862,631	581	2,714	57,475	131,414,782	57,441	36,435,162	57,510	36,609,819
Taxable returns, total	89,178,355	3,158,293,754	358,432,996	30,427,264	406,692,432	58,743,623	230,525,280	89,127,496	2,166,089,001	89,162,747	432,109,004	89,178,355	432,939,998
No adjusted gross income	5,961	-2,971,100	24,303	—	—	—	—	—	—	1,171	35,529	5,961	102,251
\$1 under \$5,000	4,990,882	13,021,938	97,590	13,275	40,176	4,976,100	9,547,800	4,975,952	3,428,115	4,990,881	560,265	4,990,882	564,320
\$5,000 under \$10,000	9,324,913	69,632,105	16,130,083	210,662	932,534	9,114,252	29,110,743	9,309,194	23,504,135	9,323,820	3,582,821	9,324,913	3,584,847
\$10,000 under \$15,000	10,643,030	133,270,785	27,563,156	632,279	3,780,473	10,010,751	37,920,799	10,635,270	64,034,160	10,642,063	9,322,358	10,643,030	9,323,866
\$15,000 under \$20,000	11,058,757	193,259,475	38,920,424	1,254,433	8,409,615	9,804,324	39,961,936	11,058,593	105,982,666	11,058,593	15,284,643	11,058,757	15,295,442
\$20,000 under \$25,000	9,173,782	205,473,198	38,134,984	1,839,166	13,816,274	7,334,616	31,400,084	9,173,777	122,122,458	9,173,777	18,192,386	9,173,782	18,193,167
\$25,000 under \$30,000	7,541,919	207,195,437	33,996,545	2,256,594	18,110,351	5,285,324	23,390,888	7,541,203	131,703,925	7,541,135	20,714,933	7,541,919	20,726,836
\$30,000 under \$40,000	12,046,515	418,392,529	61,353,847	5,323,256	47,699,143	6,723,259	31,324,835	12,046,484	278,017,605	12,046,275	45,588,526	12,046,515	45,597,597
\$40,000 under \$50,000	8,560,180	382,362,994	48,304,127	5,395,357	55,295,640	3,164,824	15,823,431	8,558,577	262,963,947	8,558,417	44,013,965	8,560,180	44,034,240
\$50,000 under \$75,000	9,905,916	593,569,941	59,009,450	7,963,571	100,095,906	1,942,344	10,010,963	9,903,864	424,526,687	9,903,386	81,195,853	9,905,916	81,250,313
\$75,000 under \$100,000	3,053,791	260,645,078	17,928,638	2,797,370	48,340,915	256,421	1,353,450	3,053,693	193,038,040	3,052,872	42,632,646	3,053,791	42,671,702
\$100,000 under \$200,000	2,087,727	275,945,659	12,354,563	1,973,422	50,883,664	114,305	593,584	2,086,443	212,155,734	2,085,957	54,321,970	2,087,727	54,471,932
\$200,000 under \$500,000	611,980	178,874,534	3,651,266	597,303	28,812,336	14,677	74,837	611,612	146,369,170	611,615	41,468,925	611,980	41,631,082
\$500,000 under \$1,000,000	115,492	78,412,040	659,520	113,639	10,895,154	1,853	9,257	115,378	66,874,734	115,343	18,759,023	115,492	18,882,584
\$1,000,000 or more	57,510	151,209,142	313,500	56,937	19,580,250	572	2,674	57,458	131,367,623	57,441	36,435,162	57,510	36,609,819
Nontaxable returns, total	22,957,318	98,064,402	88,696,810	1,545,054	24,285,567	20,595,273	78,905,755	3,186,293	7,256,880	—	—	—	—

Footnote(s) at end of table.

Table 1.2—All Returns: Adjusted Gross Income, Exemptions, Deductions, and Tax Items, by Size of Adjusted Gross Income and by Marital Status—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Joint returns of husbands and wives												
	Number of returns	Adjusted gross income less deficit	Exemption amount	Total itemized deductions		Standard deduction		Taxable income		Income tax after credits		Total income tax	
				Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	
All returns, total	48,076,037	2,212,411,059	300,244,494	22,492,686	333,321,161	25,196,553	136,434,326	42,435,569	1,500,295,922	41,475,184	305,916,719	41,484,854	306,529,699
No adjusted gross income	386,797	-30,109,621	2,295,188	—	—	—	—	—	—	251	10,530	3,553	63,194
\$1 under \$5,000	1,150,517	3,360,849	6,729,055	62,268	629,344	1,088,249	5,918,303	*3,322	*106	*10,865	*9,141	*10,866	*12,499
\$5,000 under \$10,000	2,649,846	20,753,899	15,240,268	150,636	1,611,667	2,499,210	13,778,040	135,745	48,527	144,601	24,189	145,694	26,006
\$10,000 under \$15,000	3,915,064	49,072,613	22,229,115	380,128	3,510,948	3,534,936	19,674,662	2,738,721	6,610,811	2,119,299	857,627	2,119,353	858,852
\$15,000 under \$20,000	3,915,683	68,536,293	23,193,939	615,101	5,888,021	3,300,582	18,041,686	3,691,207	22,309,360	3,409,488	3,056,144	3,409,652	3,066,943
\$20,000 under \$25,000	3,914,346	88,085,184	24,301,813	833,385	7,809,593	3,080,961	16,640,936	3,831,159	39,687,510	3,797,605	5,860,615	3,797,609	5,861,251
\$25,000 under \$30,000	3,892,312	107,245,997	24,349,869	1,146,247	10,882,508	2,746,066	14,671,817	3,848,032	57,542,020	3,829,711	8,464,309	3,830,425	8,466,488
\$30,000 under \$40,000	7,634,374	266,902,423	49,471,678	3,278,636	31,532,033	4,355,738	23,044,713	7,604,083	163,193,630	7,589,286	24,059,584	7,589,457	24,062,833
\$40,000 under \$50,000	6,723,348	301,170,395	43,558,917	4,168,119	44,025,388	2,555,229	13,671,167	6,705,553	200,243,230	6,700,576	31,115,970	6,701,307	31,124,549
\$50,000 under \$75,000	8,692,299	522,056,819	55,821,026	6,991,428	88,380,385	1,700,871	9,150,467	8,682,764	368,844,282	8,681,540	68,434,471	8,682,721	68,471,820
\$75,000 under \$100,000	2,711,319	231,196,440	17,045,394	2,481,735	43,458,953	229,584	1,255,289	2,708,408	169,479,913	2,706,308	36,583,084	2,706,927	36,616,604
\$100,000 under \$200,000	1,817,091	239,943,971	11,678,441	1,725,266	45,155,741	91,826	513,959	1,814,667	182,732,569	1,813,905	46,126,223	1,815,100	46,219,158
\$200,000 under \$500,000	527,621	153,916,103	3,427,046	516,002	25,094,990	11,618	63,796	526,780	125,443,128	526,697	35,570,808	526,961	35,702,204
\$500,000 under \$1,000,000	97,345	66,172,369	612,943	96,013	9,310,710	1,332	7,557	97,148	56,294,305	97,099	15,783,281	97,222	15,882,114
\$1,000,000 or more	48,076	124,107,326	289,805	47,724	16,030,880	352	1,936	47,980	107,866,532	47,955	29,960,743	48,007	30,095,183
Taxable returns, total	41,484,854	2,178,430,655	256,232,942	21,636,238	319,444,359	19,845,063	107,440,337	41,448,122	1,497,978,608	41,475,184	305,916,719	41,484,854	306,529,699
No adjusted gross income	3,553	-2,350,987	18,884	—	—	—	—	—	—	251	10,530	3,553	63,194
\$1 under \$5,000	*10,866	*37,179	*33,224	*9	*1,842	*10,857	*56,528	*3,322	*106	*10,865	*9,141	*10,866	*12,499
\$5,000 under \$10,000	145,694	1,361,105	581,849	*4,616	*32,721	141,078	743,796	131,482	47,975	144,601	24,189	145,694	26,006
\$10,000 under \$15,000	2,119,353	26,884,973	8,759,343	130,012	928,984	1,989,341	11,500,843	2,112,506	5,711,158	2,119,299	857,627	2,119,353	858,852
\$15,000 under \$20,000	3,409,652	60,110,994	18,577,737	431,184	3,402,350	2,978,468	16,367,682	3,409,488	21,778,391	3,409,488	3,056,144	3,409,652	3,066,943
\$20,000 under \$25,000	3,797,609	85,511,627	23,138,629	744,818	6,390,841	3,052,790	16,495,644	3,797,605	39,487,083	3,797,605	5,860,615	3,797,609	5,861,251
\$25,000 under \$30,000	3,830,425	105,549,219	23,821,927	1,091,923	9,743,750	2,738,502	14,631,060	3,829,710	57,358,748	3,829,711	8,464,309	3,830,425	8,466,488
\$30,000 under \$40,000	7,589,457	265,375,511	49,119,791	3,245,067	30,334,061	4,344,390	22,986,722	7,589,426	162,937,838	7,589,286	24,059,584	7,589,457	24,062,833
\$40,000 under \$50,000	6,701,307	300,191,267	43,416,878	4,147,082	43,015,990	2,554,225	13,665,945	6,699,732	200,111,482	6,700,576	31,115,970	6,701,307	31,124,549
\$50,000 under \$75,000	8,682,721	521,491,284	55,769,372	6,981,919	87,755,188	1,700,803	9,150,111	8,681,951	368,823,601	8,681,540	68,434,471	8,682,721	68,471,820
\$75,000 under \$100,000	2,706,927	230,825,990	17,009,984	2,477,343	43,104,991	229,584	1,255,289	2,706,855	169,470,357	2,706,308	36,583,084	2,706,927	36,616,604
\$100,000 under \$200,000	1,815,100	239,669,199	11,661,111	1,723,347	44,823,613	91,753	513,584	1,814,254	182,703,600	1,813,905	46,126,223	1,815,100	46,219,158
\$200,000 under \$500,000	526,961	153,724,346	3,422,687	515,364	24,837,514	**12,926	**71,226	526,690	125,427,751	526,697	35,570,808	526,961	35,702,204
\$500,000 under \$1,000,000	97,222	66,089,658	612,166	95,892	9,201,041	**	**	97,134	56,289,203	97,099	15,783,281	97,222	15,882,114
\$1,000,000 or more	48,007	123,959,291	289,361	47,661	15,871,473	346	1,907	47,969	107,831,315	47,955	29,960,743	48,007	30,095,183
Nontaxable returns, total	6,591,183	33,980,403	44,011,552	856,448	13,876,801	5,351,491	28,993,989	987,447	2,317,314	—	—	—	—

Footnote(s) at end of table.

Table 1.2—All Returns: Adjusted Gross Income, Exemptions, Deductions, and Tax Items, by Size of Adjusted Gross Income and by Marital Status—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Returns of married people filing separately, heads of households, and surviving spouses												
	Number of returns	Adjusted gross income less deficit	Exemption amount	Total itemized deductions		Standard deduction		Taxable income		Income tax after credits		Total income tax	
				Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)
All returns, total	14,100,174	264,271,702	64,646,187	2,544,291	25,817,646	11,472,852	49,457,081	10,074,172	144,116,388	8,070,195	24,600,839	8,071,819	24,661,404
No adjusted gross income	81,523	-3,320,249	279,604	-	-	-	-	-	-	*6	*1	215	7,178
\$1 under \$5,000	1,739,691	4,902,258	7,831,901	18,791	135,235	1,719,393	7,275,319	34,988	22,813	33,630	3,790	33,630	3,790
\$5,000 under \$10,000	2,677,375	20,180,353	12,330,814	52,245	304,576	2,625,130	11,402,561	802,381	1,160,955	348,337	103,369	348,337	103,369
\$10,000 under \$15,000	2,823,462	35,022,120	13,523,939	164,375	1,115,914	2,659,087	11,499,460	2,498,851	9,462,543	1,074,290	605,726	1,074,290	605,726
\$15,000 under \$20,000	2,128,654	36,986,892	9,685,574	244,659	1,676,951	1,883,995	8,032,662	2,105,628	17,687,163	1,995,061	2,181,486	1,995,061	2,181,486
\$20,000 under \$25,000	1,548,110	34,511,947	7,145,805	371,246	2,769,996	1,176,863	5,095,691	1,537,560	19,537,698	1,529,260	2,782,290	1,529,260	2,782,290
\$25,000 under \$30,000	975,541	26,723,814	4,525,808	377,372	2,905,240	598,169	2,597,598	972,514	16,706,749	972,514	2,526,344	972,514	2,526,344
\$30,000 under \$40,000	1,210,981	41,701,289	5,417,684	593,458	5,164,126	617,523	2,697,953	1,208,273	28,435,708	1,207,269	4,553,551	1,207,337	4,553,552
\$40,000 under \$50,000	468,474	20,619,951	2,001,800	328,904	3,499,191	139,570	619,823	467,713	14,506,219	464,985	2,666,298	466,017	2,667,969
\$50,000 under \$75,000	286,375	16,873,164	1,215,427	240,963	3,210,688	45,412	204,573	286,349	12,245,112	285,151	2,594,823	285,234	2,602,508
\$75,000 under \$100,000	81,793	7,040,243	355,038	77,431	1,203,930	*4,362	*17,004	81,793	5,464,271	81,725	1,340,555	81,793	1,341,577
\$100,000 under \$200,000	50,946	6,709,849	221,258	48,286	1,285,589	2,659	11,816	50,942	5,191,617	50,805	1,399,926	50,946	1,415,878
\$200,000 under \$500,000	20,614	6,122,205	86,560	20,048	989,505	567	2,134	20,572	5,049,635	20,560	1,440,066	20,571	1,445,758
\$500,000 under \$1,000,000	4,334	2,825,150	16,220	4,265	414,038	69	276	4,322	2,397,362	4,320	697,963	4,323	706,444
\$1,000,000 or more	2,301	7,372,715	8,755	2,248	1,142,669	52	210	2,286	6,248,543	2,281	1,704,451	2,288	1,717,535
Taxable returns, total	8,071,819	221,056,808	34,487,696	2,349,701	23,629,820	5,720,395	23,854,040	8,071,537	139,414,885	8,070,195	24,600,639	8,071,819	24,661,404
No adjusted gross income	215	-314,300	989	-	-	-	-	-	-	*6	*1	215	7,178
\$1 under \$5,000	33,630	111,107	29,812	*4,521	*1,659	27,602	56,824	33,630	22,812	33,630	3,790	33,630	3,790
\$5,000 under \$10,000	348,337	2,684,557	899,773	17,936	58,734	330,401	1,028,541	348,337	697,509	348,337	103,369	348,337	103,369
\$10,000 under \$15,000	1,074,290	14,146,620	3,988,298	75,052	363,099	999,238	3,969,432	1,074,290	5,825,791	1,074,290	605,726	1,074,290	605,726
\$15,000 under \$20,000	1,995,061	34,784,426	8,740,405	214,702	1,280,029	1,780,359	7,563,304	1,995,061	17,200,688	1,995,061	2,181,486	1,995,061	2,181,486
\$20,000 under \$25,000	1,529,260	34,102,242	7,042,768	353,904	2,473,239	1,175,356	5,088,834	1,529,260	19,497,401	1,529,260	2,782,290	1,529,260	2,782,290
\$25,000 under \$30,000	972,514	26,644,278	4,510,193	374,345	2,829,737	598,169	2,597,598	972,514	16,706,749	972,514	2,526,344	972,514	2,526,344
\$30,000 under \$40,000	1,207,337	41,568,325	5,401,032	590,750	5,063,267	616,587	2,693,695	1,207,337	28,410,331	1,207,269	4,553,551	1,207,337	4,553,552
\$40,000 under \$50,000	466,017	20,517,865	1,975,989	326,448	3,432,974	139,570	619,823	465,989	14,494,202	464,985	2,666,298	466,017	2,667,969
\$50,000 under \$75,000	285,234	16,807,091	1,210,866	239,822	3,171,138	45,412	204,573	285,219	12,221,585	285,151	2,594,823	285,234	2,602,508
\$75,000 under \$100,000	81,793	7,040,243	355,038	77,431	1,203,930	*4,362	*17,004	81,793	5,464,271	81,725	1,340,555	81,793	1,341,577
\$100,000 under \$200,000	50,946	6,709,849	221,258	48,286	1,285,589	2,659	11,816	50,942	5,191,617	50,805	1,399,926	50,946	1,415,878
\$200,000 under \$500,000	20,571	6,109,565	86,385	20,011	975,760	561	2,120	**24,881	**7,442,465	20,560	1,440,066	20,571	1,445,758
\$500,000 under \$1,000,000	4,323	2,817,486	16,180	4,255	405,705	**118	**477	**	4,320	4,320	697,963	4,323	706,444
\$1,000,000 or more	2,288	7,327,456	8,710	2,237	1,084,961	**	**	2,282	6,239,463	2,281	1,704,451	2,288	1,717,535
Nontaxable returns, total	6,028,355	43,214,893	30,158,491	194,589	2,187,826	5,752,457	25,603,041	2,002,635	4,701,503	-	-	-	-

Footnote(s) at end of table.

Table 1.2—All Returns: Adjusted Gross Income, Exemptions, Deductions, and Tax Items, by Size of Adjusted Gross Income and by Marital Status—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Returns of single persons												
	Number of returns	Adjusted gross income less deficit	Exemption amount	Total itemized deductions		Standard deduction		Taxable income		Income tax after credits		Total income tax	
				Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
				(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)
All returns, total	49,959,463	779,675,396	82,239,126	6,935,341	71,839,193	42,669,491	123,539,627	39,804,048	528,933,571	39,617,368	101,591,646	39,621,683	101,748,895
No adjusted gross income	354,632	-9,069,964	661,550	-	-	-	-	-	-	*914	*24,998	2,193	31,879
\$1 under \$5,000	13,879,288	33,325,303	11,280,336	81,859	722,233	13,797,429	31,550,326	5,035,669	3,412,425	4,946,386	547,333	4,946,386	548,031
\$5,000 under \$10,000	9,679,556	70,922,323	16,733,056	426,497	3,628,469	9,253,059	29,463,875	8,916,940	22,869,924	8,830,882	3,455,262	8,830,882	3,455,471
\$10,000 under \$15,000	7,564,419	93,639,089	15,154,856	523,824	4,288,635	7,040,595	22,508,435	7,455,881	52,538,229	7,448,474	7,859,005	7,449,387	7,859,288
\$15,000 under \$20,000	5,693,954	99,062,267	11,694,408	647,521	4,611,580	5,046,433	16,034,552	5,656,338	67,026,442	5,654,044	10,047,013	5,654,044	10,047,013
\$20,000 under \$25,000	3,869,845	86,364,570	8,002,465	763,375	5,538,970	3,106,470	9,815,605	3,846,912	63,137,974	3,846,912	9,549,481	3,846,913	9,549,627
\$25,000 under \$30,000	2,747,271	75,221,743	5,688,119	797,431	5,881,913	1,949,839	6,165,905	2,740,164	57,655,672	2,738,910	9,724,280	2,738,910	9,734,004
\$30,000 under \$40,000	3,255,015	111,628,216	6,843,612	1,492,031	12,505,164	1,762,984	5,646,593	3,250,423	86,690,822	3,249,721	16,975,390	3,249,721	16,981,212
\$40,000 under \$50,000	1,398,451	61,898,729	2,922,449	927,422	9,133,668	471,029	1,537,664	1,392,856	48,358,263	1,392,856	10,231,696	1,392,856	10,241,722
\$50,000 under \$75,000	942,667	55,553,402	2,029,627	746,538	9,472,306	196,129	656,279	937,063	43,492,577	936,694	10,166,560	937,960	10,175,985
\$75,000 under \$100,000	266,274	22,870,453	566,033	243,799	4,125,449	22,475	81,156	265,045	18,103,412	264,839	4,709,007	265,070	4,713,521
\$100,000 under \$200,000	222,321	29,677,874	473,474	202,428	4,888,473	19,893	68,184	221,247	24,260,517	221,247	6,795,821	221,681	6,836,896
\$200,000 under \$500,000	64,579	19,077,310	142,472	62,055	3,046,786	2,524	9,046	64,378	15,897,489	64,359	4,458,052	64,448	4,483,120
\$500,000 under \$1,000,000	13,967	9,518,769	31,214	13,512	1,306,464	455	1,438	13,925	8,190,119	13,924	2,277,779	13,947	2,294,026
\$1,000,000 or more	7,226	19,985,313	15,454	7,049	2,689,083	178	568	7,208	17,299,707	7,205	4,769,968	7,215	4,797,102
Taxable returns, total	39,621,683	758,806,290	67,712,359	6,441,325	63,618,252	33,178,165	99,230,903	39,607,837	528,695,508	39,617,368	101,591,646	39,621,683	101,748,895
No adjusted gross income	2,193	-305,813	4,430	-	-	-	-	-	-	*914	*24,998	2,193	31,879
\$1 under \$5,000	4,946,386	12,873,652	34,555	*8,745	*36,675	4,937,641	9,434,448	4,939,000	3,405,197	4,946,386	547,333	4,946,386	548,031
\$5,000 under \$10,000	8,830,882	65,586,443	14,648,461	188,110	841,079	8,642,772	27,338,406	8,829,375	22,758,652	8,830,882	3,455,262	8,830,882	3,455,471
\$10,000 under \$15,000	7,449,387	92,239,191	14,815,515	427,215	2,488,390	7,022,172	22,450,524	7,448,474	52,497,211	7,448,474	7,859,005	7,449,387	7,859,288
\$15,000 under \$20,000	5,654,044	98,364,055	11,602,282	608,547	3,727,236	5,045,497	16,030,950	5,654,044	67,003,587	5,654,044	10,047,013	5,654,044	10,047,013
\$20,000 under \$25,000	3,846,913	85,859,329	7,953,587	740,443	4,952,193	3,106,470	9,815,605	3,846,912	63,137,974	3,846,912	9,549,481	3,846,913	9,549,627
\$25,000 under \$30,000	2,738,980	75,001,941	5,664,425	790,326	5,536,864	1,948,654	6,162,230	2,738,979	57,638,428	2,738,910	9,724,280	2,738,980	9,734,004
\$30,000 under \$40,000	3,249,721	111,448,693	6,833,024	1,487,439	12,301,815	1,762,282	5,644,418	3,249,721	86,669,436	3,249,721	16,975,390	3,249,721	16,981,212
\$40,000 under \$50,000	1,392,856	61,653,862	2,911,259	921,827	8,846,676	471,029	1,537,664	1,392,856	48,358,263	1,392,856	10,231,696	1,392,856	10,241,722
\$50,000 under \$75,000	937,960	55,271,566	2,020,212	741,830	9,169,580	196,129	656,279	936,693	43,481,501	936,694	10,166,560	937,960	10,175,985
\$75,000 under \$100,000	265,070	22,778,845	563,616	242,596	4,031,994	22,475	81,156	265,045	18,103,412	264,839	4,709,007	265,070	4,713,521
\$100,000 under \$200,000	221,681	29,566,611	472,194	201,788	4,774,462	19,893	68,184	221,247	24,260,517	221,247	6,795,821	221,681	6,836,896
\$200,000 under \$500,000	64,448	19,040,623	142,195	61,928	2,999,063	**3,152	**11,038	64,362	15,895,180	64,359	4,458,052	64,448	4,483,120
\$500,000 under \$1,000,000	13,947	9,504,896	31,174	13,492	1,288,408	**	**	*21,130	**25,486,150	13,924	2,277,779	13,947	2,294,026
\$1,000,000 or more	7,215	19,922,395	15,430	7,039	2,623,816	**	**	**	**	7,205	4,769,968	7,215	4,797,102
Nontaxable returns, total	10,337,780	20,869,105	14,526,767	494,016	8,220,940	9,491,325	24,308,724	196,211	238,063	-	-	-	-

* Estimate should be used with caution because of the small number of sample returns on which it is based.
 ** Data combined to avoid disclosure of information for specific taxpayers.
 NOTE: Detail may not add to totals because of rounding.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Number of returns	Adjusted gross income less deficit	Salaries and wages		Taxable interest		Tax-exempt interest		Dividends		State income tax refunds	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
All returns, total	112,135,673	3,256,358,156	95,487,922	2,449,530,553	69,881,648	220,015,823	3,730,291	37,589,693	23,079,592	81,309,036	16,589,028	9,233,859
No adjusted gross income	822,952	-42,499,835	300,919	5,879,160	534,861	4,486,760	30,563	695,850	208,863	756,186	80,495	129,297
\$1 under \$5,000	16,769,495	41,588,410	13,750,614	35,044,742	6,431,109	4,027,938	82,717	231,876	1,342,155	1,070,651	121,303	33,564
\$5,000 under \$10,000	15,006,777	111,856,574	11,871,201	81,811,449	6,516,303	11,488,625	124,942	518,217	1,607,542	2,183,254	264,332	105,909
\$10,000 under \$15,000	14,302,945	177,733,821	11,485,347	131,119,459	6,979,368	16,607,399	181,500	710,404	1,672,697	3,140,994	470,710	154,184
\$15,000 under \$20,000	11,738,291	204,585,452	9,950,317	159,397,390	6,513,196	15,172,781	189,203	537,085	1,675,584	3,217,291	700,786	232,511
\$20,000 under \$25,000	9,332,301	208,961,701	8,111,108	167,897,699	5,823,124	13,709,420	187,471	895,783	1,529,217	3,219,684	983,777	295,275
\$25,000 under \$30,000	7,615,124	209,191,554	6,845,208	172,746,654	5,359,187	11,450,518	185,083	1,157,502	1,572,346	2,856,879	1,289,369	428,450
\$30,000 under \$40,000	12,100,369	420,231,928	11,013,847	350,659,623	9,416,324	20,549,298	424,513	2,764,798	2,911,648	5,801,063	2,988,326	999,920
\$40,000 under \$50,000	8,590,272	383,689,075	7,854,553	316,833,353	7,373,970	18,630,571	436,769	2,567,367	2,662,035	5,306,668	3,007,923	1,126,606
\$50,000 under \$75,000	9,921,341	594,483,386	9,153,751	489,422,944	9,183,951	28,282,887	683,865	4,676,656	4,120,383	11,042,846	4,120,453	1,785,794
\$75,000 under \$100,000	3,059,386	261,107,136	2,738,138	196,112,637	2,936,763	16,104,602	431,306	3,811,559	1,724,579	7,403,970	1,293,833	830,837
\$100,000 under \$200,000	2,090,358	276,331,693	1,773,035	176,346,471	2,032,453	20,097,831	466,185	5,950,522	1,415,081	10,253,801	921,583	1,139,727
\$200,000 under \$500,000	612,814	179,115,618	498,535	94,765,714	608,225	14,919,365	216,762	5,601,107	485,946	9,456,197	258,679	809,306
\$500,000 under \$1,000,000	115,646	78,516,288	93,916	34,437,521	115,315	7,844,201	55,662	2,880,864	99,207	4,590,425	56,209	396,071
\$1,000,000 or more	57,603	151,465,353	47,434	37,055,737	57,500	16,643,627	33,751	4,590,103	52,310	11,009,128	31,252	766,406
Taxable returns, total	89,178,355	3,158,293,754	77,019,620	2,337,829,895	62,633,521	204,275,883	3,528,392	35,783,095	21,241,247	77,814,737	15,853,151	8,813,236
No adjusted gross income	5,961	-2,971,100	3,418	253,726	5,951	657,670	1,552	129,796	3,575	118,119	1,450	5,635
\$1 under \$5,000	4,990,882	13,021,938	3,820,445	10,145,273	3,793,817	1,824,441	31,956	33,690	831,907	513,094	16,429	2,872
\$5,000 under \$10,000	9,324,913	69,632,105	7,663,003	52,728,906	4,287,569	6,995,944	60,298	260,564	956,300	1,349,165	100,720	51,173
\$10,000 under \$15,000	10,643,030	133,270,785	8,248,376	94,336,816	5,752,973	14,654,744	151,424	549,141	1,414,079	2,708,143	290,448	85,287
\$15,000 under \$20,000	11,058,757	193,259,475	9,383,181	150,634,769	6,160,111	14,426,859	179,166	455,818	1,581,183	2,994,016	607,649	188,531
\$20,000 under \$25,000	9,173,782	205,473,198	8,002,527	165,387,763	5,704,777	13,187,949	180,976	810,245	1,491,478	3,032,784	931,263	264,941
\$25,000 under \$30,000	7,541,919	207,195,437	6,789,540	171,325,458	5,302,173	11,101,647	183,335	1,150,801	1,545,478	2,793,958	1,266,389	411,509
\$30,000 under \$40,000	12,046,515	418,392,529	10,982,524	349,694,343	9,369,534	20,118,070	420,900	2,589,973	2,888,993	5,662,084	2,968,554	977,413
\$40,000 under \$50,000	8,560,180	382,362,994	7,834,772	316,072,231	7,346,309	18,416,554	434,967	2,562,618	2,647,159	5,232,212	2,996,145	1,118,141
\$50,000 under \$75,000	9,905,916	593,569,941	9,145,503	488,933,952	9,168,615	28,013,211	680,875	4,462,481	4,110,038	10,934,858	4,118,200	1,781,881
\$75,000 under \$100,000	3,053,791	260,645,078	2,735,081	195,908,902	2,931,167	15,963,960	431,004	3,804,821	1,720,689	7,357,696	1,289,786	824,159
\$100,000 under \$200,000	2,087,727	275,945,659	1,772,061	176,258,366	2,030,529	19,927,907	466,053	5,945,890	1,413,749	10,155,178	920,388	1,136,501
\$200,000 under \$500,000	611,980	178,874,534	498,002	94,694,952	607,420	14,768,652	216,540	5,577,387	485,309	9,418,838	258,363	805,823
\$500,000 under \$1,000,000	115,492	78,412,040	93,821	34,419,873	115,164	7,775,049	55,621	2,867,168	99,075	4,573,547	56,151	395,244
\$1,000,000 or more	57,510	151,209,142	47,368	37,034,566	57,412	16,443,227	33,725	4,582,701	52,237	10,971,045	31,217	764,127
Nontaxable returns, total	22,957,318	98,064,402	18,468,303	111,700,657	7,248,127	15,739,939	201,900	1,806,598	1,838,345	3,494,299	735,877	420,623

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Alimony received		Business or profession				Capital gain distributions reported on Form 1040		Sales of capital assets reported on Schedule D			
	Number of returns	Amount	Net income		Net loss		Number of returns	Amount	Net gain in AGI		Net loss in AGI	
			Number of returns	Amount	Number of returns	Amount			Number of returns	Amount	Number of returns	Amount
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All returns, total	462,025	3,598,148	11,017,545	152,416,377	3,143,151	19,678,697	2,211,919	1,624,693	8,510,593	151,889,032	4,337,150	7,882,795
No adjusted gross income	1,854	12,608	102,418	1,241,800	346,461	6,576,556	11,073	5,018	130,354	6,905,458	126,306	293,296
\$1 under \$5,000	20,356	59,694	925,446	2,166,909	146,082	594,346	216,532	79,516	335,355	590,661	190,727	264,997
\$5,000 under \$10,000	60,600	243,960	1,203,896	6,268,701	202,478	856,180	145,803	94,571	476,239	1,100,006	297,228	546,390
\$10,000 under \$15,000	61,046	285,292	1,108,887	7,634,066	238,463	847,845	142,021	83,105	491,201	1,357,390	335,556	679,487
\$15,000 under \$20,000	71,299	385,006	1,039,431	8,374,878	251,327	881,419	175,130	135,905	577,621	2,037,424	268,292	470,997
\$20,000 under \$25,000	67,433	419,542	900,488	7,891,241	220,266	901,248	158,461	131,700	531,669	2,200,390	282,464	495,512
\$25,000 under \$30,000	44,159	400,043	797,621	7,329,814	221,810	938,209	191,626	150,618	485,159	1,950,686	260,197	455,522
\$30,000 under \$40,000	58,919	490,947	1,351,691	13,895,066	424,964	1,535,950	304,770	198,094	969,124	4,444,324	528,634	959,553
\$40,000 under \$50,000	34,785	582,123	1,056,138	12,944,244	327,521	1,061,218	261,344	201,351	954,265	5,311,567	436,291	752,210
\$50,000 under \$75,000	23,288	304,476	1,356,764	23,379,093	449,966	1,903,738	369,827	233,563	1,506,088	11,636,815	771,019	1,269,824
\$75,000 under \$100,000	11,559	218,470	515,639	14,875,816	145,372	869,999	133,028	128,056	791,289	9,598,686	372,259	703,035
\$100,000 under \$200,000	3,346	65,485	480,443	24,816,750	110,516	998,618	80,597	154,857	807,895	19,380,404	320,530	651,287
\$200,000 under \$500,000	2,950	118,801	142,564	13,395,994	43,196	657,205	19,171	24,630	334,958	22,879,678	116,071	260,876
\$500,000 under \$1,000,000	255	6,329	24,007	3,971,853	9,395	352,916	2,037	2,156	75,783	14,069,164	22,282	55,170
\$1,000,000 or more	175	5,373	12,110	4,230,154	5,334	703,249	498	1,555	43,593	48,426,377	9,293	24,640
Taxable returns, total	392,072	3,341,233	8,697,096	139,649,639	2,370,115	10,744,230	2,062,686	1,556,820	7,812,355	142,958,250	3,787,848	6,773,497
No adjusted gross income	3	361	1,579	78,496	2,158	133,127	*8	*3	4,008	1,605,688	1,625	4,805
\$1 under \$5,000	*1,358	*6,105	59,327	92,123	*9,509	*27,575	167,863	56,660	175,999	143,155	54,893	35,807
\$5,000 under \$10,000	36,933	180,308	511,454	2,616,882	80,584	309,654	91,490	70,323	281,793	523,897	154,241	272,331
\$10,000 under \$15,000	41,752	223,963	674,454	4,518,291	134,158	441,145	124,704	78,051	405,295	1,021,333	256,257	511,802
\$15,000 under \$20,000	67,371	365,298	885,775	6,966,165	216,770	587,450	165,151	131,555	515,912	1,602,369	248,826	427,192
\$20,000 under \$25,000	65,926	417,733	867,237	7,427,517	209,913	761,715	155,447	126,153	508,145	1,937,598	261,939	450,902
\$25,000 under \$30,000	44,159	400,043	780,877	7,120,203	214,822	678,323	188,357	150,090	469,034	1,763,608	250,569	438,979
\$30,000 under \$40,000	58,919	490,947	1,338,406	13,555,513	415,643	1,433,892	303,857	198,046	957,048	4,217,320	521,237	941,276
\$40,000 under \$50,000	**75,220	**1,244,773	1,053,027	12,813,433	325,702	999,570	260,655	201,259	947,380	5,027,346	433,435	745,336
\$50,000 under \$75,000	**	**	1,352,044	23,283,577	447,738	1,876,477	369,827	233,563	1,496,640	11,273,782	767,520	1,259,417
\$75,000 under \$100,000	**	**	514,984	14,820,501	145,348	863,260	133,028	128,056	790,283	9,499,951	369,999	696,254
\$100,000 under \$200,000	**	**	479,508	24,785,050	110,020	961,275	80,597	154,857	807,168	19,276,181	319,911	649,431
\$200,000 under \$500,000	**	**	142,358	13,376,559	43,073	644,283	19,167	24,495	334,443	22,733,996	115,871	260,303
\$500,000 under \$1,000,000	255	6,329	23,972	3,968,642	9,364	347,959	2,037	2,156	75,678	13,999,480	22,248	55,073
\$1,000,000 or more	175	5,373	12,094	4,226,685	5,313	678,526	498	1,555	43,529	48,332,547	9,275	24,589
Nontaxable returns, total	69,953	256,915	2,320,449	12,766,738	773,036	8,934,467	149,233	67,874	698,238	8,930,782	549,302	1,109,298

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Sales of capital assets reported on Schedule D—Continued											
	Short-term capital gains		Short-term capital losses		Short-term loss carryover		Long-term capital gains		Long-term capital losses		Long-term loss carryover	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
All returns, total	2,886,750	19,727,590	2,613,695	27,216,937	518,961	13,243,645	9,462,955	159,376,788	5,292,614	52,091,834	1,351,482	25,841,442
No adjusted gross income	44,262	672,692	66,255	2,364,738	26,877	1,472,992	169,929	9,671,744	131,649	6,674,799	62,119	4,486,152
\$1 under \$5,000	70,147	87,373	47,516	177,655	*7,036	*129,877	365,651	659,828	209,324	845,065	56,267	496,971
\$5,000 under \$10,000	115,306	181,292	125,028	787,889	27,092	383,148	521,444	1,183,173	312,644	1,694,685	70,398	837,968
\$10,000 under \$15,000	141,551	433,868	144,764	986,227	31,084	565,486	562,611	1,757,286	343,530	4,653,815	97,115	3,105,256
\$15,000 under \$20,000	120,219	331,233	106,025	512,621	22,866	266,207	624,181	2,154,059	294,653	2,073,951	64,248	1,070,233
\$20,000 under \$25,000	114,271	389,101	118,622	398,198	21,766	162,274	573,832	2,401,934	315,116	2,217,477	76,737	1,096,243
\$25,000 under \$30,000	146,853	309,782	129,812	1,731,841	**92,792	**2,346,463	543,529	2,309,635	281,003	1,288,232	73,244	599,659
\$30,000 under \$40,000	300,694	583,193	312,664	1,798,676	**	**	1,077,887	5,042,719	594,572	3,560,393	158,600	2,046,480
\$40,000 under \$50,000	308,816	943,518	251,286	1,749,600	43,635	746,204	1,045,650	5,611,470	536,290	3,439,591	125,357	1,729,448
\$50,000 under \$75,000	552,595	1,692,994	456,184	3,871,968	86,618	2,143,371	1,660,856	12,647,826	965,434	5,819,769	228,107	2,517,002
\$75,000 under \$100,000	343,647	1,423,167	294,864	2,167,767	55,059	1,132,246	884,545	10,219,616	505,444	4,296,640	131,261	1,888,694
\$100,000 under \$200,000	362,169	2,321,560	322,411	3,586,227	61,737	1,700,219	911,757	20,814,556	496,009	5,834,866	122,558	2,666,092
\$200,000 under \$500,000	185,663	3,083,260	167,967	2,921,420	29,688	1,047,149	385,184	23,753,783	220,242	4,119,693	63,041	1,530,523
\$500,000 under \$1,000,000	49,022	1,957,979	43,457	1,864,657	8,238	429,610	87,079	14,261,266	54,975	2,164,632	14,780	707,211
\$1,000,000 or more	31,533	5,316,577	26,839	2,297,454	4,469	718,401	48,819	46,887,891	31,729	3,408,227	7,650	1,063,509
Taxable returns, total	2,702,299	18,455,121	2,392,148	22,648,538	455,445	10,186,966	8,657,228	147,104,730	4,703,712	38,631,118	1,153,935	17,048,527
No adjusted gross income	1,963	105,499	2,237	244,364	1,385	52,288	5,551	1,769,243	2,398	216,349	370	84,563
\$1 under \$5,000	41,876	41,676	14,923	10,202	—	—	177,680	135,563	71,470	75,731	*6,964	*11,684
\$5,000 under \$10,000	77,072	116,045	66,903	405,616	14,773	166,551	303,405	526,695	154,518	731,755	33,496	382,283
\$10,000 under \$15,000	107,788	353,504	113,716	539,403	21,746	280,902	468,689	1,164,569	266,267	1,991,223	76,201	1,092,171
\$15,000 under \$20,000	110,388	267,317	92,391	425,010	20,595	188,004	557,059	1,678,911	268,054	1,626,624	60,546	764,836
\$20,000 under \$25,000	102,366	222,403	108,773	267,903	18,787	109,548	550,417	2,188,025	288,332	1,758,825	64,599	950,273
\$25,000 under \$30,000	140,530	282,758	127,081	1,725,965	*91,878	*2,343,297	525,551	2,140,190	269,736	1,252,552	69,622	579,017
\$30,000 under \$40,000	295,950	563,500	310,550	1,791,919	**	**	1,064,458	4,817,273	586,448	3,281,350	154,550	1,798,001
\$40,000 under \$50,000	306,718	868,702	250,792	1,699,441	43,474	740,931	1,040,600	5,345,626	533,059	3,286,892	123,496	1,584,307
\$50,000 under \$75,000	546,925	1,675,193	452,000	3,345,522	85,488	1,735,436	1,650,409	12,157,551	959,624	5,609,701	226,814	2,478,709
\$75,000 under \$100,000	343,203	1,404,147	293,258	2,038,123	53,905	1,026,318	882,408	10,063,904	502,247	3,687,456	129,900	1,545,995
\$100,000 under \$200,000	361,785	2,316,504	321,756	3,240,578	61,171	1,422,296	910,782	20,632,515	495,217	5,650,440	122,073	2,537,502
\$200,000 under \$500,000	185,308	3,047,353	167,607	2,855,801	29,576	1,022,384	384,530	23,552,690	219,787	4,019,118	62,904	1,501,828
\$500,000 under \$1,000,000	48,947	1,926,483	43,372	1,821,569	8,212	413,571	86,951	14,167,291	54,883	2,099,469	17,459	697,491
\$1,000,000 or more	31,478	5,264,037	26,789	2,237,123	4,455	685,439	48,738	46,764,686	31,674	3,343,633	7,640	1,039,867
Nontaxable returns, total	184,450	1,272,469	221,547	4,568,398	63,515	3,056,680	805,726	12,272,057	588,901	13,460,716	197,547	8,792,915

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Sales of property other than capital assets				Total taxable IRA distributions		Pensions and annuities				Rent			
	Net gain		Net loss		Number of returns	Amount	Total		In adjusted gross income		Net income		Net loss (includes nondeductible loss)	
	Number of returns	Amount	Number of returns	Amount			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)
All returns, total	900,208	6,480,649	870,909	5,421,819	2,985,214	13,875,464	17,651,137	196,308,325	16,816,830	147,358,442	3,766,547	23,912,182	5,245,122	33,301,182
No adjusted gross income	36,597	543,396	57,745	2,066,104	16,951	147,308	71,725	679,757	66,289	503,913	60,953	687,384	164,650	3,446,275
\$1 under \$5,000	18,959	107,191	33,712	127,175	65,143	158,561	586,448	1,836,669	558,111	1,341,516	150,592	265,351	137,847	618,733
\$5,000 under \$10,000	43,805	65,542	36,538	111,413	228,690	593,719	2,028,191	9,446,464	1,994,444	8,654,326	333,579	876,734	236,670	1,017,035
\$10,000 under \$15,000	52,952	102,448	53,242	244,690	356,665	1,055,378	2,516,551	16,499,825	2,465,042	15,087,145	349,475	1,085,395	304,618	1,233,002
\$15,000 under \$20,000	80,797	157,626	58,233	183,591	353,809	1,232,090	1,942,171	16,861,746	1,910,972	15,303,036	352,149	972,520	331,360	1,427,590
\$20,000 under \$25,000	59,853	212,392	46,704	218,518	270,862	958,247	1,560,076	15,403,283	1,501,761	13,231,536	262,498	995,771	332,717	1,589,863
\$25,000 under \$30,000	65,115	244,421	52,552	97,644	245,678	915,497	1,304,177	13,983,589	1,249,807	11,741,548	230,918	791,639	423,497	2,087,384
\$30,000 under \$40,000	97,173	298,719	92,697	235,895	379,185	1,555,752	2,188,198	23,293,962	2,090,219	20,042,420	484,544	1,673,600	674,911	2,971,946
\$40,000 under \$50,000	73,909	340,168	77,361	253,689	366,619	1,530,670	1,820,650	21,089,872	1,721,020	17,157,627	399,006	1,816,386	618,529	2,859,760
\$50,000 under \$75,000	145,312	1,037,521	136,901	541,062	438,151	2,624,088	2,167,041	32,320,553	1,977,459	21,457,985	486,304	2,901,030	1,006,655	6,195,339
\$75,000 under \$100,000	69,311	514,546	62,177	285,800	148,385	1,169,185	776,566	14,098,583	707,232	10,196,341	244,775	2,219,609	436,694	2,858,127
\$100,000 under \$200,000	91,913	951,360	85,198	311,962	88,963	1,155,015	501,881	15,595,537	432,167	7,836,035	254,995	3,630,525	396,841	3,660,700
\$200,000 under \$500,000	46,408	872,757	54,282	379,056	20,378	474,250	143,872	8,939,906	109,183	2,514,180	114,765	3,257,114	138,208	2,110,030
\$500,000 under \$1,000,000	10,962	373,545	14,102	154,652	3,703	138,805	29,302	3,447,151	22,090	1,139,259	26,588	1,330,740	28,740	686,388
\$1,000,000 or more	7,143	659,015	9,465	210,567	2,033	166,900	14,287	2,811,427	11,035	1,151,575	15,405	1,408,385	13,186	539,010
Taxable returns, total	770,477	5,533,170	730,488	2,732,822	2,684,407	12,926,583	15,559,747	185,986,215	14,795,350	138,668,024	3,247,417	21,885,651	4,610,608	27,024,071
No adjusted gross income	1,049	57,592	2,333	58,161	1,184	5,810	258	39,390	245	24,549	1,216	84,952	3,880	277,869
\$1 under \$5,000	*3,557	*415	*7,535	*319	*3,014	*4,068	24,113	61,812	24,113	35,401	*4,521	*10,225	*1,515	*3,380
\$5,000 under \$10,000	17,376	16,382	14,871	17,524	74,437	203,142	1,041,599	4,685,122	1,025,640	4,368,237	166,611	394,407	90,559	283,204
\$10,000 under \$15,000	36,645	71,258	35,661	88,392	311,569	917,416	2,167,300	14,475,310	2,132,047	13,377,848	265,496	799,430	213,794	697,112
\$15,000 under \$20,000	62,966	98,251	55,516	181,739	341,319	1,173,752	1,872,349	16,397,424	1,841,150	14,913,912	318,862	812,032	290,020	1,118,073
\$20,000 under \$25,000	55,138	163,345	40,815	106,918	268,648	955,380	1,543,532	15,287,862	1,485,353	13,122,382	254,274	941,816	313,309	1,455,124
\$25,000 under \$30,000	58,551	193,747	49,445	96,450	243,190	900,112	1,292,077	13,892,457	1,238,641	11,665,740	221,162	729,295	406,643	1,936,412
\$30,000 under \$40,000	92,206	267,325	89,731	156,847	375,860	1,517,564	2,182,570	23,226,564	2,085,596	20,018,561	478,601	1,630,742	666,414	2,807,500
\$40,000 under \$50,000	73,120	321,595	74,727	216,091	364,759	1,526,210	1,810,501	20,902,797	1,710,871	16,978,760	398,217	1,803,477	612,610	2,795,035
\$50,000 under \$75,000	144,522	992,988	134,987	511,580	437,020	2,620,561	2,159,865	32,202,297	1,970,284	21,341,838	483,740	2,888,711	1,001,190	5,915,374
\$75,000 under \$100,000	69,143	508,464	62,016	253,102	148,361	1,169,105	776,423	14,039,459	707,090	10,187,773	243,488	2,209,366	435,141	2,837,215
\$100,000 under \$200,000	91,832	950,356	85,158	311,285	88,963	1,155,015	501,853	15,592,803	432,141	7,833,513	254,675	3,600,668	395,796	3,613,040
\$200,000 under \$500,000	46,307	864,890	54,171	375,650	20,355	473,085	143,749	8,930,101	109,082	2,511,324	114,611	3,249,124	137,889	2,085,490
\$500,000 under \$1,000,000	10,938	371,553	14,076	153,290	3,696	138,464	29,279	3,442,178	22,072	1,137,144	26,558	1,327,448	28,687	679,511
\$1,000,000 or more	7,128	655,009	9,446	205,476	2,033	166,900	14,277	2,810,639	11,026	1,151,043	15,385	1,403,957	13,161	519,732
Nontaxable returns, total	129,731	947,479	140,421	2,688,997	300,806	948,881	2,091,390	10,322,110	2,021,480	8,690,418	519,130	2,026,531	634,514	6,277,111

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Royalty				Farm rental				Total rent and royalty			
	Net income		Net loss		Net income		Net loss		Net income		Net loss in AGI	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)
All returns, total	1,104,224	4,047,260	61,368	99,096	506,314	2,691,159	104,998	325,245	4,873,566	30,143,479	5,257,521	29,215,820
No adjusted gross income	26,522	119,411	316	3,563	8,841	48,075	1,660	11,304	81,009	805,624	163,822	2,722,646
\$1 under \$5,000	48,505	55,261	*2,865	*85	17,958	33,762	*3,557	*20,270	203,188	351,391	137,525	621,905
\$5,000 under \$10,000	76,278	78,273	*1,358	*3,831	64,601	174,778	14,549	56,815	442,553	1,094,485	237,832	1,004,861
\$10,000 under \$15,000	81,816	125,637	*8,894	*15,060	61,863	242,294	14,894	15,081	453,969	1,440,357	322,245	1,232,467
\$15,000 under \$20,000	79,891	134,291	*2,865	*7,430	62,217	279,397	*9,347	*38,346	466,557	1,371,044	336,285	1,445,350
\$20,000 under \$25,000	73,394	132,854	*913	*1	43,458	240,048	9,609	*35,259	338,088	1,304,021	332,613	1,534,083
\$25,000 under \$30,000	62,929	140,240	*913	*292	36,358	150,229	*4,135	*16,381	304,203	1,072,970	425,036	1,953,509
\$30,000 under \$40,000	121,012	206,798	*7,123	*1,912	53,889	271,667	10,736	17,232	610,374	2,114,346	681,744	2,962,893
\$40,000 under \$50,000	96,034	163,124	*4,680	*8,893	40,984	262,610	*5,831	*27,609	486,619	2,202,497	618,215	2,862,133
\$50,000 under \$75,000	187,681	406,816	9,245	14,953	63,872	440,228	16,603	25,599	655,396	3,697,258	1,010,263	5,773,224
\$75,000 under \$100,000	96,617	354,644	*6,355	*7,662	22,900	207,608	7,062	38,163	329,766	2,751,698	434,741	2,770,901
\$100,000 under \$200,000	83,782	666,944	8,926	14,070	20,935	208,085	4,056	8,956	307,343	4,444,477	387,951	2,441,923
\$200,000 under \$500,000	50,409	651,300	5,089	13,573	6,702	97,476	2,048	8,694	141,653	3,952,924	128,944	1,074,838
\$500,000 under \$1,000,000	11,403	284,068	1,224	3,082	1,119	20,015	585	1,709	33,109	1,609,696	27,768	436,609
\$1,000,000 or more	7,951	527,598	600	4,690	617	14,886	325	3,826	19,739	1,930,691	12,537	378,477
Taxable returns, total	968,944	3,760,493	54,583	92,508	431,854	2,448,084	91,963	253,481	4,212,057	27,745,564	4,625,055	23,907,641
No adjusted gross income	185	11,026	21	258	*720	*2,063	**	**	1,251	97,234	3,851	236,439
\$1 under \$5,000	*6,028	*2,041	—	—	—	—	—	—	*10,549	*12,266	*1,515	*666
\$5,000 under \$10,000	29,114	24,917	*1,358	*3,831	29,502	76,445	**7,437	**19,456	214,605	502,775	96,660	304,381
\$10,000 under \$15,000	72,971	115,041	*6,028	*12,050	56,035	228,097	14,894	15,081	363,666	1,137,804	228,190	711,013
\$15,000 under \$20,000	75,957	130,304	*2,865	*7,430	57,302	248,743	*9,347	*38,346	426,848	1,175,914	294,945	1,124,431
\$20,000 under \$25,000	69,819	97,349	*913	*1	42,751	229,213	*8,907	*32,448	329,156	1,238,254	312,503	1,430,968
\$25,000 under \$30,000	62,929	140,240	*913	*292	35,373	143,698	*4,135	*16,381	294,447	1,004,168	408,183	1,809,840
\$30,000 under \$40,000	119,874	202,646	*7,123	*1,912	53,075	269,349	10,736	17,232	603,396	2,065,570	673,262	2,797,272
\$40,000 under \$50,000	96,008	162,771	*4,680	*8,893	40,984	262,610	*5,831	*27,609	485,831	2,189,481	612,295	2,817,808
\$50,000 under \$75,000	186,204	394,502	8,875	14,953	63,872	440,228	16,603	25,599	652,462	3,675,017	1,004,798	5,632,043
\$75,000 under \$100,000	96,593	354,643	**14,910	**21,713	22,879	207,485	7,062	38,163	328,455	2,740,761	433,212	2,750,159
\$100,000 under \$200,000	83,624	666,460	**	**	20,935	208,085	4,056	8,956	307,159	4,433,164	386,769	2,429,396
\$200,000 under \$500,000	50,311	647,443	5,075	13,536	6,694	97,175	2,045	8,681	141,448	3,941,025	128,640	1,058,608
\$500,000 under \$1,000,000	11,384	283,781	1,219	2,949	1,116	20,009	584	1,702	33,071	1,606,160	27,717	433,350
\$1,000,000 or more	7,943	527,328	600	4,690	617	14,886	325	3,826	19,714	1,925,972	12,515	371,266
Nontaxable returns, total	135,280	286,766	6,785	6,589	74,460	243,075	13,034	71,764	661,509	2,397,915	632,466	5,308,179

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Partnership and S Corporation				Estate and trust				Farm			
	Net income		Net loss		Net income		Net loss		Net income		Net loss	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)	(71)	(72)	(73)	(74)
All returns, total	3,098,635	107,373,738	2,829,653	44,281,682	470,841	4,502,464	81,656	543,568	1,029,336	11,498,065	1,330,382	11,712,004
No adjusted gross income	43,964	635,140	168,086	17,667,584	10,217	84,256	2,687	147,812	32,849	497,131	96,786	2,702,280
\$1 under \$5,000	104,052	192,980	74,991	391,751	26,498	73,726	*6,370	*28,702	88,635	195,873	79,987	582,428
\$5,000 under \$10,000	143,540	476,505	98,285	717,353	43,136	144,661	*7,311	*12,215	113,945	404,502	97,318	603,101
\$10,000 under \$15,000	169,595	935,544	93,155	457,307	44,902	136,487	*6,942	*30,540	111,671	646,111	127,324	564,975
\$15,000 under \$20,000	168,493	1,052,576	152,499	829,390	24,493	98,227	*4,706	*5,621	105,022	624,764	121,536	808,669
\$20,000 under \$25,000	132,440	958,034	135,009	899,600	25,433	92,304	*5,113	*7,357	93,019	789,618	118,977	681,357
\$25,000 under \$30,000	163,458	1,178,874	139,238	658,200	30,831	146,384	*2,916	*4,573	89,453	775,084	115,282	646,444
\$30,000 under \$40,000	314,482	2,841,712	289,056	1,364,832	49,830	228,082	*4,361	*25,728	127,414	1,491,228	177,895	1,018,127
\$40,000 under \$50,000	319,736	2,884,840	256,963	1,365,312	25,342	48,882	*9,547	*10,362	105,341	1,549,347	135,070	799,011
\$50,000 under \$75,000	504,572	7,045,890	498,374	2,528,435	60,291	257,066	9,494	95,317	97,840	1,755,708	137,986	831,761
\$75,000 under \$100,000	314,939	6,417,329	302,498	1,898,033	**91,300	**977,136	*2,346	*9,461	26,912	882,180	49,584	474,743
\$100,000 under \$200,000	414,994	17,088,906	384,879	3,872,164	**	**	9,286	61,419	25,605	1,134,484	44,688	770,492
\$200,000 under \$500,000	221,423	21,160,519	179,032	4,451,747	26,859	609,130	7,137	38,426	8,804	400,423	20,439	596,972
\$500,000 under \$1,000,000	52,125	12,448,151	38,635	2,458,479	7,100	452,401	2,179	27,021	1,714	186,031	4,575	246,605
\$1,000,000 or more	30,821	32,056,739	18,953	4,721,494	4,609	1,153,723	1,262	39,016	1,110	165,580	2,936	385,040
Taxable returns, total	2,838,724	105,808,325	2,448,782	24,458,481	432,038	4,308,245	70,114	358,570	778,730	9,897,360	1,013,726	7,499,492
No adjusted gross income	325	109,372	2,834	1,454,279	101	7,239	78	8,062	74	24,470	918	74,246
\$1 under \$5,000	30,001	19,150	*11,485	*8,468	17,513	24,459	*2,443	*344	13,042	17,912	*3,557	*3,870
\$5,000 under \$10,000	77,484	274,059	44,764	119,051	30,756	104,140	*6,028	*1,683	46,273	157,925	23,979	136,371
\$10,000 under \$15,000	127,973	623,533	60,186	101,060	42,481	116,413	*6,942	*30,540	74,422	398,237	84,345	330,691
\$15,000 under \$20,000	148,298	954,639	136,242	505,626	23,791	97,942	*2,215	*460	90,203	507,130	102,731	721,827
\$20,000 under \$25,000	126,932	934,548	122,793	546,008	25,433	92,304	*3,927	*7,034	83,863	690,267	113,857	601,074
\$25,000 under \$30,000	157,423	1,158,959	127,758	537,352	29,324	143,515	*2,916	*4,573	81,806	656,849	113,800	615,361
\$30,000 under \$40,000	313,846	2,764,897	281,690	1,128,325	48,100	227,297	*4,361	*25,728	122,435	1,371,391	175,711	993,321
\$40,000 under \$50,000	319,730	2,883,479	247,842	1,090,513	25,342	48,882	*9,547	*10,362	104,639	1,549,140	135,010	785,719
\$50,000 under \$75,000	504,141	7,042,719	493,211	2,248,183	59,553	256,911	9,494	95,317	97,840	1,755,708	137,933	824,582
\$75,000 under \$100,000	313,808	6,330,772	300,384	1,695,003	**91,138	**975,358	*2,346	*9,461	26,912	882,180	49,510	455,085
\$100,000 under \$200,000	414,552	17,082,138	383,660	3,726,053	**	**	9,265	61,302	25,605	1,134,484	44,503	749,177
\$200,000 under \$500,000	221,301	21,150,169	178,520	4,276,455	26,808	608,283	7,120	38,133	8,794	400,058	20,382	589,300
\$500,000 under \$1,000,000	52,107	12,444,229	38,523	2,391,184	**11,698	**1,605,506	2,174	26,592	1,711	186,027	4,561	242,859
\$1,000,000 or more	30,804	32,035,663	18,889	4,630,921	**	**	1,259	38,980	1,110	165,580	2,929	376,010
Nontaxable returns, total	259,912	1,565,414	380,871	19,823,201	38,802	194,219	11,542	184,998	250,606	1,600,706	316,656	4,212,512

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Unemployment compensation		Social Security benefits				Foreign earned income exclusion		Other income			
	Number of returns	Amount	Total		Benefits in AGI		Number of returns	Amount	Net income		Net loss	
			Number of returns	Amount	Number of returns	Amount			Number of returns	Amount	Number of returns	Amount
	(75)	(76)	(77)	(78)	(79)	(80)	(81)	(82)	(83)	(84)	(85)	(86)
All returns, total	7,175,322	12,095,062	10,417,916	91,757,049	4,675,100	17,347,058	194,017	7,303,049	6,179,323	23,332,083	184,742	4,648,933
No adjusted gross income	20,702	50,554	88,750	706,701	2,922	13,095	27,201	832,110	54,209	507,455	32,258	3,333,467
\$1 under \$5,000	335,904	350,433	680,534	4,939,258	*4,200	*10,236	63,129	1,742,442	466,718	602,204	*6,156	*34,905
\$5,000 under \$10,000	1,036,853	1,468,230	1,603,504	12,977,037	20,395	65,282	12,903	507,398	505,382	1,036,318	13,365	92,726
\$10,000 under \$15,000	1,175,401	2,058,505	1,592,824	14,098,733	16,280	55,268	7,799	132,581	569,892	1,170,858	*6,855	*67,919
\$15,000 under \$20,000	879,310	1,467,036	1,091,237	9,511,849	33,611	34,791	16,850	498,535	459,323	926,548	15,850	101,441
\$20,000 under \$25,000	725,046	1,346,276	847,644	7,402,923	274,731	297,438	7,478	353,358	437,534	846,681	*10,714	*72,278
\$25,000 under \$30,000	599,660	1,138,174	733,886	6,584,384	556,404	889,300	5,112	212,686	404,302	701,563	14,167	109,095
\$30,000 under \$40,000	1,064,678	1,780,894	1,219,316	10,172,646	1,206,336	3,471,590	9,476	351,190	729,033	1,332,342	**26,768	**191,794
\$40,000 under \$50,000	649,521	1,164,081	939,033	8,454,327	939,033	4,062,674	5,486	275,620	720,221	1,660,853	**	**
\$50,000 under \$75,000	544,471	980,025	881,267	8,733,107	881,267	4,359,507	14,638	682,951	941,333	2,336,595	**43,686	**252,369
\$75,000 under \$100,000	99,765	179,171	354,920	3,555,252	354,920	1,777,550	8,561	547,705	372,933	1,536,381	**	**
\$100,000 under \$200,000	36,649	86,013	271,191	3,135,772	271,191	1,567,823	10,059	733,401	336,529	3,115,989	7,271	97,871
\$200,000 under \$500,000	6,805	23,923	85,316	1,075,590	85,316	537,775	4,328	335,728	132,415	2,734,643	5,649	140,608
\$500,000 under \$1,000,000	369	1,096	18,668	264,114	18,668	132,052	712	72,941	31,165	1,327,284	1,139	52,096
\$1,000,000 or more	188	649	9,826	145,357	9,826	72,676	284	24,403	18,334	3,496,370	865	102,365
Taxable returns, total	5,761,400	9,951,196	8,614,241	76,440,844	4,618,366	17,140,915	86,658	3,940,123	5,432,239	21,177,025	126,961	1,333,660
No adjusted gross income	*145	*713	2,135	22,273	*1,186	*4,825	**	**	2,640	58,890	325	317,218
\$1 under \$5,000	*6,028	*7,549	34,514	185,042	—	—	—	—	193,939	220,213	—	—
\$5,000 under \$10,000	514,056	750,650	807,606	5,666,197	*11,759	*32,897	**5,490	**126,590	283,768	579,990	*6,979	*40,462
\$10,000 under \$15,000	738,234	1,257,345	1,406,457	12,305,613	16,280	55,268	*4,602	*80,424	446,822	835,966	*2,927	*49,408
\$15,000 under \$20,000	803,603	1,329,471	1,056,579	9,246,530	30,597	31,646	12,151	272,895	422,774	873,084	14,419	89,401
\$20,000 under \$25,000	706,334	1,279,587	827,617	7,273,266	266,979	286,702	*6,621	*299,655	420,681	722,723	*8,077	*44,703
\$25,000 under \$30,000	591,474	1,110,344	725,165	6,523,818	550,375	879,771	*4,907	*188,088	394,205	635,893	11,313	35,542
\$30,000 under \$40,000	**2,394,440	**4,189,904	1,207,688	10,029,758	1,194,708	3,425,059	9,271	334,343	724,360	1,309,223	**25,989	**168,588
\$40,000 under \$50,000	**	**	933,171	8,383,771	933,171	4,029,673	5,349	263,108	716,432	1,649,307	**	**
\$50,000 under \$75,000	**	**	874,833	8,651,853	874,833	4,318,880	14,360	663,644	938,867	2,335,362	**42,184	**212,475
\$75,000 under \$100,000	**	**	353,719	3,534,948	353,719	1,767,398	8,561	547,705	370,389	1,439,703	**	**
\$100,000 under \$200,000	**	**	271,114	3,134,719	271,114	1,567,296	10,059	733,401	335,790	2,997,329	7,128	87,629
\$200,000 under \$500,000	**7,168	**24,988	85,185	1,074,026	85,185	536,993	4,298	333,537	132,170	2,718,651	5,622	137,216
\$500,000 under \$1,000,000	**	**	18,644	263,818	18,644	131,904	709	72,667	31,108	1,320,567	**1,997	**151,017
\$1,000,000 or more	188	649	9,815	145,212	9,815	72,604	280	24,065	18,295	3,480,123	**	**
Nontaxable returns, total	1,413,922	2,143,866	1,803,675	15,316,205	56,734	206,144	107,359	3,362,926	747,084	2,155,058	57,781	3,315,273

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Statutory adjustments											
	Total		Primary IRA payments		Secondary IRA payments		Payments to a Keogh plan		Forfeited interest penalty		Alimony paid	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(87)	(88)	(89)	(90)	(91)	(92)	(93)	(94)	(95)	(96)	(97)	(98)
All returns, total	9,926,729	24,572,969	5,280,531	7,806,631	2,372,984	3,022,063	822,353	6,326,156	1,056,067	312,689	600,571	4,514,401
No adjusted gross income	80,701	204,491	17,103	26,744	6,136	6,340	625	4,913	18,339	12,635	10,620	108,717
\$1 under \$5,000	207,852	245,306	67,402	99,762	*6,471	*10,868	*3,020	*1,047	57,687	13,561	*11,850	*83,349
\$5,000 under \$10,000	560,339	627,872	215,505	307,677	32,223	32,336	*12,202	*9,344	125,474	34,960	17,563	70,601
\$10,000 under \$15,000	759,301	969,130	377,716	538,729	80,026	108,619	14,796	23,856	139,556	34,847	**64,306	**284,163
\$15,000 under \$20,000	887,880	1,314,353	490,418	743,255	129,850	163,635	22,057	39,782	96,730	28,458	**	**
\$20,000 under \$25,000	951,675	1,581,440	610,161	916,609	148,378	205,809	23,470	63,833	80,029	17,336	40,192	188,163
\$25,000 under \$30,000	997,717	1,750,849	650,509	947,288	235,441	328,410	34,199	76,386	84,615	16,438	52,888	255,401
\$30,000 under \$40,000	1,740,188	3,297,739	1,110,126	1,603,367	535,195	655,697	67,781	214,477	141,198	62,209	84,143	422,542
\$40,000 under \$50,000	1,338,144	2,343,497	852,430	1,002,374	519,064	523,334	75,211	230,585	101,893	19,951	60,349	273,240
\$50,000 under \$75,000	1,083,741	3,155,075	430,296	746,686	298,564	413,097	176,449	816,168	122,172	29,730	97,700	664,068
\$75,000 under \$100,000	536,568	2,142,967	211,218	392,537	175,502	256,029	114,781	737,101	53,743	28,800	74,607	572,911
\$100,000 under \$200,000	532,374	3,755,627	177,944	347,570	148,700	227,868	183,828	2,199,763	24,850	5,462	52,295	688,760
\$200,000 under \$500,000	193,480	2,291,706	55,857	106,884	46,869	74,254	75,396	1,484,199	7,205	5,723	23,995	526,110
\$500,000 under \$1,000,000	37,874	576,480	9,178	17,894	7,035	10,357	13,179	298,365	1,702	1,376	6,469	215,874
\$1,000,000 or more	18,897	316,436	4,666	9,253	3,529	5,409	5,359	126,336	875	1,203	3,594	160,501
Taxable returns, total	9,131,199	23,576,332	5,062,649	7,503,886	2,291,266	2,932,812	804,789	6,300,318	894,840	271,391	565,776	4,249,792
No adjusted gross income	334	3,989	74	140	76	94	55	601	19	46	83	2,988
\$1 under \$5,000	41,313	25,681	*17,193	*22,057	—	—	*8	*54	24,113	3,570	—	—
\$5,000 under \$10,000	332,095	441,715	160,874	237,651	*3,630	*6,072	*5,434	*4,092	62,702	22,351	16,132	63,576
\$10,000 under \$15,000	567,530	755,792	321,270	470,432	53,236	79,748	*12,523	*20,995	108,549	30,935	**55,640	**236,959
\$15,000 under \$20,000	816,860	1,238,039	474,000	718,138	126,423	158,528	20,698	38,423	89,081	27,295	**	**
\$20,000 under \$25,000	923,520	1,534,949	597,329	900,670	143,082	197,468	21,050	57,020	75,188	16,815	38,685	179,443
\$25,000 under \$30,000	987,892	1,733,150	645,974	938,217	231,889	327,522	33,809	75,845	84,615	16,438	52,817	252,971
\$30,000 under \$40,000	1,724,355	3,276,688	1,105,041	1,594,556	534,276	654,202	67,075	212,805	139,317	62,165	84,020	419,906
\$40,000 under \$50,000	1,338,072	2,343,425	852,362	1,002,313	519,064	523,334	75,211	230,585	101,893	19,951	60,349	273,240
\$50,000 under \$75,000	1,081,788	3,150,647	429,851	745,918	298,118	412,206	176,442	816,166	121,042	29,678	97,331	661,630
\$75,000 under \$100,000	535,278	2,139,878	211,194	392,510	175,478	256,002	114,781	737,101	53,719	28,409	74,471	571,032
\$100,000 under \$200,000	532,144	3,751,632	177,841	347,362	148,600	227,669	183,804	2,198,496	24,847	5,462	52,267	688,349
\$200,000 under \$500,000	193,302	2,289,332	55,812	106,796	46,834	74,203	75,367	1,483,617	7,189	5,714	23,942	524,586
\$500,000 under \$1,000,000	37,838	575,899	**13,833	**27,125	7,031	10,354	**18,532	**424,518	1,695	1,371	6,456	215,428
\$1,000,000 or more	18,877	315,515	**	**	3,529	5,409	**	**	871	1,192	3,584	159,682
Nontaxable returns, total	795,531	996,636	217,882	302,745	81,718	89,251	17,564	25,838	161,227	41,298	34,795	264,609

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Statutory adjustments—Continued				Basic standard deduction		Additional standard deduction	
	Self-employed health insurance		Other adjustments		Number of returns	Amount	Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount				
	(99)	(100)	(101)	(102)	(103)	(104)	(105)	(106)
All returns, total	2,364,511	1,267,834	377,507	1,269,060	79,338,895	299,978,991	10,551,521	9,452,043
No adjusted gross income	36,634	20,386	2,263	24,757	—	—	—	—
\$1 under \$5,000	76,510	29,335	*1,507	*7,385	16,605,071	44,043,668	831,842	700,281
\$5,000 under \$10,000	181,514	75,685	24,702	79,733	14,377,399	52,544,977	2,466,136	2,099,499
\$10,000 under \$15,000	213,082	92,650	21,736	45,234	13,234,618	51,508,955	2,389,637	2,173,601
\$15,000 under \$20,000	240,613	104,704	28,847	71,069	10,231,010	40,701,266	1,551,545	1,407,635
\$20,000 under \$25,000	210,442	100,534	28,083	81,903	7,364,294	30,665,317	964,304	886,915
\$25,000 under \$30,000	193,735	91,126	14,498	35,799	5,294,074	22,885,831	592,832	549,489
\$30,000 under \$40,000	299,884	161,379	67,131	175,959	6,736,245	30,744,834	721,658	644,425
\$40,000 under \$50,000	212,685	123,626	56,966	163,712	3,165,828	15,338,001	521,675	490,652
\$50,000 under \$75,000	298,565	167,333	73,239	316,133	1,942,413	9,643,004	377,167	368,315
\$75,000 under \$100,000	137,614	88,940	19,644	66,264	256,421	1,273,667	83,048	79,782
\$100,000 under \$200,000	168,320	127,288	31,292	154,092	114,377	548,434	45,565	45,526
\$200,000 under \$500,000	71,966	60,137	6,283	29,376	14,709	69,967	5,245	5,009
\$500,000 under \$1,000,000	14,943	16,663	1,036	13,814	1,856	8,512	713	759
\$1,000,000 or more	8,004	8,047	279	3,830	581	2,560	154	154
Taxable returns, total	1,997,233	1,081,783	349,839	1,194,606	58,743,623	223,076,076	8,367,139	7,449,204
No adjusted gross income	131	119	**	**	—	—	—	—
\$1 under \$5,000	—	—	—	—	4,976,100	9,537,849	*12,364	*9,951
\$5,000 under \$10,000	90,870	31,523	**18,562	**66,783	9,114,252	28,150,078	1,270,034	960,665
\$10,000 under \$15,000	123,502	42,439	*11,313	*33,236	10,010,751	35,912,712	2,229,938	2,008,087
\$15,000 under \$20,000	196,503	79,760	23,048	56,944	9,804,324	38,560,275	1,544,264	1,401,660
\$20,000 under \$25,000	202,232	95,733	26,576	80,547	7,334,616	30,513,929	963,671	886,155
\$25,000 under \$30,000	186,095	86,358	14,498	35,799	5,285,324	22,842,822	591,647	548,066
\$30,000 under \$40,000	287,440	154,987	67,131	175,959	6,723,259	30,680,410	721,658	644,425
\$40,000 under \$50,000	212,681	123,615	56,966	163,712	3,164,824	15,332,779	521,675	490,652
\$50,000 under \$75,000	298,194	167,056	73,239	316,133	1,942,344	9,642,648	377,167	368,315
\$75,000 under \$100,000	136,484	88,175	19,644	66,264	256,421	1,273,667	83,048	79,782
\$100,000 under \$200,000	168,247	127,226	31,268	152,243	114,305	548,058	45,565	45,526
\$200,000 under \$500,000	71,917	60,094	6,277	29,342	14,677	69,828	**6,108	**5,918
\$500,000 under \$1,000,000	14,936	16,655	1,036	13,814	1,853	8,499	**	**
\$1,000,000 or more	8,000	8,044	279	3,830	572	2,521	**	**
Nontaxable returns, total	367,279	186,051	27,669	74,454	20,595,273	76,902,916	2,184,382	2,002,839

Footnote(s) at end of table.

Table 1.4—All Returns: Sources of Income, Adjustments, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Total itemized deductions		Exemptions		Taxable income		Income tax before credits	
	Number of returns	Amount	Number of exemptions	Amount	Number of returns	Amount	Number of returns	Amount
	(107)	(108)	(109)	(110)	(111)	(112)	(113)	(114)
All returns, total	31,972,317	430,977,999	223,756,252	447,129,806	92,313,789	2,173,345,881	92,246,065	438,240,138
No adjusted gross income	—	—	1,626,408	3,236,341	—	—	1,252	35,825
\$1 under \$5,000	162,917	1,486,812	12,942,904	25,841,291	5,073,979	3,435,344	4,994,831	561,444
\$5,000 under \$10,000	629,378	5,544,711	22,184,737	44,304,137	9,855,065	24,079,405	9,860,661	3,680,667
\$10,000 under \$15,000	1,068,327	8,915,497	25,475,201	50,907,910	12,693,453	68,611,583	12,698,591	10,332,167
\$15,000 under \$20,000	1,507,281	12,176,552	22,310,767	44,573,921	11,453,173	107,022,965	11,451,665	16,118,793
\$20,000 under \$25,000	1,968,007	16,118,559	19,741,306	39,450,084	9,215,631	122,363,183	9,215,632	18,532,722
\$25,000 under \$30,000	2,321,050	19,669,661	17,294,925	34,563,796	7,560,711	131,904,440	7,560,711	20,974,801
\$30,000 under \$40,000	5,364,124	49,201,323	30,885,354	61,732,973	12,062,779	278,320,160	2,062,779	46,134,902
\$40,000 under \$50,000	5,424,444	56,658,247	24,256,573	48,483,166	8,566,122	263,107,712	8,567,035	44,425,118
\$50,000 under \$75,000	7,978,928	101,063,378	29,544,223	59,066,080	9,906,175	424,581,970	9,906,176	81,825,268
\$75,000 under \$100,000	2,802,965	48,788,332	8,987,099	17,966,464	3,055,245	193,047,596	3,055,245	42,981,596
\$100,000 under \$200,000	1,975,980	51,329,803	6,190,397	12,373,173	2,086,857	212,184,703	2,086,857	54,763,302
\$200,000 under \$500,000	598,105	29,131,280	1,828,941	3,656,078	611,729	146,390,252	611,757	41,921,913
\$500,000 under \$1,000,000	113,790	11,031,212	330,337	660,377	115,395	66,881,786	115,396	19,001,524
\$1,000,000 or more	57,021	19,862,631	157,082	314,014	57,475	131,414,782	57,476	36,950,094
Taxable returns, total	30,427,264	406,692,432	179,337,335	358,432,996	89,127,496	2,166,089,001	89,165,958	437,136,845
No adjusted gross income	—	—	12,177	24,303	—	—	1,173	35,696
\$1 under \$5,000	13,275	40,176	49,353	97,590	4,975,952	3,428,115	4,990,881	560,324
\$5,000 under \$10,000	210,662	932,534	8,074,221	16,130,083	9,309,194	23,504,135	9,323,820	3,595,253
\$10,000 under \$15,000	632,279	3,780,473	13,794,309	27,563,156	10,635,270	64,034,160	10,642,063	9,646,231
\$15,000 under \$20,000	1,254,433	8,409,615	19,479,516	38,920,424	11,058,593	105,982,666	11,058,593	15,963,275
\$20,000 under \$25,000	1,839,166	13,816,274	19,081,093	38,134,984	9,173,777	122,122,458	9,173,777	18,496,588
\$25,000 under \$30,000	2,256,594	18,110,351	17,010,780	33,996,545	7,541,203	131,703,925	7,541,205	20,944,712
\$30,000 under \$40,000	5,323,256	47,699,143	30,695,603	61,353,847	12,046,484	278,017,605	12,046,484	46,088,122
\$40,000 under \$50,000	5,395,357	55,295,640	24,166,381	48,304,127	8,558,577	262,963,947	8,559,490	44,402,723
\$50,000 under \$75,000	7,963,571	100,095,906	29,511,404	59,000,450	9,903,864	424,526,687	9,903,865	81,816,077
\$75,000 under \$100,000	2,797,370	48,340,915	8,968,186	17,928,638	3,053,693	193,038,040	3,053,693	42,980,161
\$100,000 under \$200,000	1,973,422	50,883,664	6,181,056	12,354,563	2,086,443	212,155,734	2,086,443	54,755,867
\$200,000 under \$500,000	597,303	28,812,336	1,826,528	3,651,266	611,612	146,369,170	611,637	41,915,898
\$500,000 under \$1,000,000	113,639	10,895,154	329,907	659,520	115,378	66,874,734	115,378	18,999,533
\$1,000,000 or more	56,937	19,580,250	156,824	313,500	57,458	131,367,623	57,459	36,936,384
Nontaxable returns, total	1,545,054	24,285,567	44,418,917	88,696,810	3,186,293	7,256,880	3,080,107	1,103,293

* Estimate should be used with caution because of the small number of sample returns on which it is based.

** Data combined to avoid disclosure of information for specific taxpayers.

NOTE: Detail may not add to totals because of rounding.

Table 1.5—Form 1040EZ Returns: Sources of Income and Tax Items, by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Number of returns	Adjusted gross income	Salaries and wages		Taxable interest		Standard deduction		Exemptions	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of exemptions	Amount
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns, total	20,094,154	195,421,902	20,023,376	194,881,261	6,490,502	540,641	20,094,154	56,495,975	14,109,892	28,208,062
Under \$5,000	7,810,278	18,655,995	7,739,500	18,488,139	2,160,898	167,856	7,810,278	18,437,620	2,829,263	5,652,458
\$5,000 under \$10,000	4,214,977	30,456,752	4,214,977	30,366,307	1,188,749	90,444	4,214,977	13,055,409	3,354,131	6,705,481
\$10,000 under \$15,000	3,268,393	40,327,509	3,268,393	40,245,080	1,039,414	82,429	3,268,393	10,127,669	3,149,537	6,297,810
\$15,000 under \$20,000	2,237,061	38,913,234	2,237,061	38,844,297	817,259	68,937	2,237,061	6,931,553	2,223,628	4,446,498
\$20,000 under \$25,000	1,297,884	28,833,206	1,297,884	28,767,131	621,079	66,075	1,297,884	4,022,934	1,287,773	2,575,292
\$25,000 under \$30,000	762,960	20,753,492	762,960	20,725,444	362,805	28,048	762,960	2,364,671	762,960	1,525,668
\$30,000 under \$40,000	431,786	14,414,730	431,786	14,385,331	252,811	29,399	431,786	1,336,595	431,786	863,226
\$40,000 or more	70,814	3,066,984	70,814	3,059,532	47,487	7,453	70,814	219,524	70,814	141,629
Taxable returns, total	14,469,468	183,136,058	14,469,468	182,642,448	5,895,982	493,810	14,469,468	43,506,877	11,174,024	22,342,392
Under \$5,000	2,292,198	6,909,034	2,292,198	6,786,733	1,591,657	122,301	2,292,198	5,778,999	—	—
\$5,000 under \$10,000	4,108,372	29,917,868	4,108,372	29,828,900	1,163,471	88,968	4,108,372	12,724,931	3,247,525	6,492,269
\$10,000 under \$15,000	3,268,393	40,327,509	3,268,393	40,245,080	1,039,414	82,429	3,268,393	10,127,669	3,149,537	6,297,810
\$15,000 under \$20,000	2,237,061	38,913,234	2,237,061	38,844,297	817,259	68,937	2,237,061	6,931,553	2,223,628	4,446,498
\$20,000 under \$25,000	1,297,884	28,833,206	1,297,884	28,767,131	621,079	66,075	1,297,884	4,022,934	1,287,773	2,575,292
\$25,000 under \$30,000	762,960	20,753,492	762,960	20,725,444	362,805	28,048	762,960	2,364,671	762,960	1,525,668
\$30,000 under \$40,000	431,786	14,414,730	431,786	14,385,331	252,811	29,399	431,786	1,336,595	431,786	863,226
\$40,000 or more	70,814	3,066,984	70,814	3,059,532	47,487	7,453	70,814	219,524	70,814	141,629
Nontaxable returns, total	5,624,686	12,285,845	5,553,908	12,238,813	594,519	47,031	5,624,686	12,989,098	2,935,868	5,865,670

Size of adjusted gross income	Taxable income		Total tax liability		Income tax withheld		Overpayment refunded		Tax due at time of filing	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All returns, total	14,546,809	117,286,998	14,469,468	18,695,870	19,588,876	24,787,797	18,319,177	6,399,819	1,428,662	327,892
Under \$5,000	2,368,032	1,130,243	2,292,198	170,191	7,391,830	1,545,435	7,303,146	1,385,269	198,741	10,025
\$5,000 under \$10,000	4,109,879	10,700,669	4,108,372	1,604,403	4,141,314	3,108,261	3,883,640	1,559,979	316,171	56,121
\$10,000 under \$15,000	3,268,393	23,902,029	3,268,393	3,584,996	3,258,281	4,745,127	2,980,676	1,222,781	282,661	62,650
\$15,000 under \$20,000	2,237,061	27,535,183	2,237,061	4,130,070	2,232,006	4,946,365	2,002,493	865,224	229,512	48,928
\$20,000 under \$25,000	1,297,884	22,234,979	1,297,884	3,355,658	1,297,884	4,048,375	1,172,514	724,325	115,259	31,608
\$25,000 under \$30,000	762,960	16,863,154	762,960	2,882,931	762,960	3,235,357	612,604	395,762	150,356	43,336
\$30,000 under \$40,000	431,786	12,214,910	431,786	2,380,425	431,786	2,544,950	324,244	222,836	105,007	58,311
\$40,000 or more	70,814	2,705,831	70,814	587,197	70,814	593,928	39,860	23,643	30,954	16,912
Taxable returns, total	14,469,468	117,286,789	14,469,468	18,695,870	14,260,470	23,749,393	12,992,771	5,381,415	1,428,662	327,892
Under \$5,000	2,292,198	1,130,036	2,292,198	170,191	2,172,029	574,592	2,083,345	414,426	198,741	10,025
\$5,000 under \$10,000	4,108,372	10,700,667	4,108,372	1,604,403	4,034,709	3,060,699	3,777,034	1,512,418	316,171	56,121
\$10,000 under \$15,000	3,268,393	23,902,029	3,268,393	3,584,996	3,258,281	4,745,127	2,980,676	1,222,781	282,661	62,650
\$15,000 under \$20,000	2,237,061	27,535,183	2,237,061	4,130,070	2,232,006	4,946,365	2,002,493	865,224	229,512	48,928
\$20,000 under \$25,000	1,297,884	22,234,979	1,297,884	3,355,658	1,297,884	4,048,375	1,172,514	724,325	115,259	31,608
\$25,000 under \$30,000	762,960	16,863,154	762,960	2,882,931	762,960	3,235,357	612,604	395,762	150,356	43,336
\$30,000 under \$40,000	431,786	12,214,910	431,786	2,380,425	431,786	2,544,950	324,244	222,836	105,007	58,311
\$40,000 or more	70,814	2,705,831	70,814	587,197	70,814	593,928	39,860	23,643	30,954	16,912
Nontaxable returns, total	77,341	209	—	—	5,326,406	1,018,404	5,326,406	1,018,404	—	—

NOTE: Detail may not add to totals because of rounding.

Table 1.6—Form 1040A Returns: Sources of Income, Deductions, and Tax Items, by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Number of returns	Adjusted gross income	Salaries and wages		Taxable interest		Tax-exempt interest		Dividends	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns, total	20,478,063	335,817,358	19,923,320	327,511,857	7,409,137	4,887,389	64,237	50,654	1,211,446	636,484
Under \$5,000	3,308,703	8,226,730	2,830,361	7,047,140	1,061,313	825,310	*9,965	*20,014	242,493	138,630
\$5,000 under \$10,000	3,810,688	28,824,996	3,740,930	27,003,516	820,150	966,130	—	—	134,380	73,304
\$10,000 under \$15,000	3,865,463	48,068,970	3,858,819	46,573,881	987,993	580,368	*13,287	*9,088	105,991	51,359
\$15,000 under \$20,000	3,005,227	52,165,152	3,005,227	51,233,935	1,048,985	524,753	*11,699	*9,899	138,901	54,702
\$20,000 under \$25,000	2,162,679	48,380,298	2,162,679	47,535,960	893,199	471,087	*13,287	*4,425	149,174	48,376
\$25,000 under \$30,000	1,460,514	40,003,601	1,460,514	39,432,786	782,625	406,092	*3,322	*3,362	151,885	94,544
\$30,000 under \$40,000	1,895,688	65,104,145	1,895,688	64,243,096	1,161,798	665,484	*7,606	*2,325	171,685	84,762
\$40,000 or more	969,102	45,043,467	969,102	44,441,543	653,073	448,166	*5,070	*1,541	116,938	90,808
Taxable returns, total	13,432,166	283,565,347	12,980,364	277,021,310	6,557,954	4,349,159	57,594	32,952	1,108,777	586,309
Under \$5,000	910,324	1,870,934	518,350	1,110,709	797,383	654,352	*3,322	*2,312	202,631	113,374
\$5,000 under \$10,000	1,334,693	10,221,913	1,291,509	9,151,668	572,552	666,837	—	—	89,689	56,856
\$10,000 under \$15,000	1,915,822	24,436,951	1,909,179	23,448,111	707,824	528,560	*13,287	*9,088	87,874	42,887
\$15,000 under \$20,000	2,794,817	48,747,082	2,794,817	47,895,548	992,822	509,442	*11,699	*9,899	138,901	54,702
\$20,000 under \$25,000	2,151,206	48,137,253	2,151,206	47,297,849	889,877	470,227	*13,287	*4,425	149,174	48,376
\$25,000 under \$30,000	1,460,514	40,003,601	1,460,514	39,432,786	782,625	406,092	*3,322	*3,362	151,885	94,544
\$30,000 under \$40,000	1,895,688	65,104,145	1,895,688	64,243,096	1,161,798	665,484	*7,606	*2,325	171,685	84,762
\$40,000 or more	969,102	45,043,467	969,102	44,441,543	653,073	448,166	*5,070	*1,541	116,938	90,808
Nontaxable returns, total	7,045,898	52,252,011	6,932,956	50,490,548	851,183	538,230	*6,644	*17,702	102,669	50,176

Size of adjusted gross income	Unemployment compensation		Total income		Statutory adjustments					
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Primary IRA payments		Secondary IRA payments	
							Number of returns	Amount	Number of returns	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
All returns, total	2,637,434	3,697,082	20,478,063	336,732,812	692,016	915,454	677,767	839,479	92,375	75,975
Under \$5,000	229,174	226,858	3,308,703	8,237,937	*13,287	*11,208	*13,287	*11,208	—	—
\$5,000 under \$10,000	663,591	844,921	3,810,688	28,887,871	59,793	62,875	56,471	61,816	*6,644	*1,060
\$10,000 under \$15,000	636,401	969,622	3,865,463	48,175,230	94,210	106,259	94,210	106,259	—	—
\$15,000 under \$20,000	387,051	542,931	3,005,227	52,356,321	135,579	191,170	135,579	186,280	*9,965	*4,890
\$20,000 under \$25,000	274,141	494,566	2,162,679	48,549,989	124,107	169,692	120,785	161,904	*8,151	*7,788
\$25,000 under \$30,000	141,607	208,725	1,460,514	40,142,147	84,026	138,546	84,026	118,765	*15,998	*19,781
\$30,000 under \$40,000	200,687	265,344	1,895,688	65,258,685	113,375	154,540	108,304	131,287	*22,006	*23,252
\$40,000 or more	104,782	144,115	969,102	45,124,632	67,640	81,165	65,104	61,961	29,611	19,204
Taxable returns, total	1,743,872	2,497,261	13,432,166	284,454,038	657,291	888,691	646,364	813,776	85,731	74,915
Under \$5,000	—	—	910,324	1,878,434	*6,644	*7,501	*6,644	*7,501	—	—
\$5,000 under \$10,000	305,576	400,156	1,334,693	10,275,517	46,505	53,604	46,505	53,604	—	—
\$10,000 under \$15,000	369,274	509,868	1,915,822	24,529,426	79,416	92,474	79,416	92,474	—	—
\$15,000 under \$20,000	351,127	478,559	2,794,817	48,938,252	135,579	191,170	135,579	186,280	*9,965	*4,890
\$20,000 under \$25,000	270,819	490,494	2,151,206	48,306,945	124,107	169,692	120,785	161,904	*8,151	*7,788
\$25,000 under \$30,000	141,607	208,725	1,460,514	40,142,147	84,026	138,546	84,026	118,765	*15,998	*19,781
\$30,000 under \$40,000	200,687	265,344	1,895,688	65,258,685	113,375	154,540	108,304	131,287	*22,006	*23,252
\$40,000 or more	104,782	144,115	969,102	45,124,632	67,640	81,165	65,104	61,961	29,611	19,204
Nontaxable returns, total	893,562	1,199,821	7,045,898	52,278,774	34,725	26,763	31,403	25,704	*6,644	*1,060

Footnote(s) at end of table.

Table 1.6—Form 1040A Returns: Sources of Income, Deductions, and Tax Items, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Basic standard deduction		Additional standard deduction		Exemptions		Taxable income		Child care credit	
	Number of returns	Amount	Number of returns	Amount	Number of exemptions	Amount	Number of returns	Amount	Number of returns	Amount
	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
All returns, total	20,478,063	85,547,579	334,725	264,744	48,128,606	96,193,846	15,250,780	175,131,042	1,488,728	652,854
Under \$5,000	3,308,703	10,490,865	43,184	35,876	4,862,696	9,713,932	913,646	656,690	—	—
\$5,000 under \$10,000	3,810,688	15,646,685	144,038	113,509	8,346,038	16,672,478	1,644,695	3,694,986	42,261	7,394
\$10,000 under \$15,000	3,865,463	16,423,134	64,622	55,216	9,358,744	18,708,519	3,227,310	14,193,576	312,401	117,648
\$15,000 under \$20,000	3,005,227	12,791,420	31,096	22,279	7,154,426	14,296,561	2,980,468	25,085,225	348,357	166,396
\$20,000 under \$25,000	2,162,679	9,719,349	*8,151	*5,389	5,882,478	11,762,133	2,159,357	26,898,178	316,062	151,381
\$25,000 under \$30,000	1,460,514	6,682,070	*24,760	*17,347	3,979,251	7,955,179	1,460,514	25,349,004	145,114	71,813
\$30,000 under \$40,000	1,895,688	9,008,189	*15,211	*12,930	5,561,490	11,119,684	1,895,688	44,963,343	222,286	100,207
\$40,000 or more	969,102	4,785,868	*3,664	*2,199	2,983,484	5,965,361	969,102	34,290,040	102,247	38,015
Taxable returns, total	13,432,166	54,381,505	218,769	168,130	28,872,636	57,713,961	13,432,166	171,301,751	1,079,749	483,704
Under \$5,000	910,324	1,192,157	*3,322	*2,491	*9,965	*19,599	910,324	656,687	—	—
\$5,000 under \$10,000	1,334,693	4,171,404	79,416	59,064	1,305,073	2,607,654	1,334,693	3,383,791	—	—
\$10,000 under \$15,000	1,915,822	7,139,256	54,656	48,240	3,018,383	6,030,288	1,915,822	11,219,167	*29,896	*10,208
\$15,000 under \$20,000	2,794,817	11,741,891	29,589	20,471	6,207,991	12,405,020	2,794,817	24,579,701	272,295	117,816
\$20,000 under \$25,000	2,151,206	9,660,671	*8,151	*5,389	5,806,999	11,611,175	2,151,206	26,860,018	307,911	145,645
\$25,000 under \$30,000	1,460,514	6,682,070	*24,760	*17,347	3,979,251	7,955,179	1,460,514	25,349,004	145,114	71,813
\$30,000 under \$40,000	1,895,688	9,008,189	*15,211	*12,930	5,561,490	11,119,684	1,895,688	44,963,343	222,286	100,207
\$40,000 or more	969,102	4,785,868	*3,664	*2,199	2,983,484	5,965,361	969,102	34,290,040	102,247	38,015
Nontaxable returns, total	7,045,898	31,166,074	115,956	96,614	19,255,970	38,479,885	1,818,614	3,829,291	408,978	169,150

Size of adjusted gross income	Earned income credit used to offset income tax before credits		Income tax after credits		Income tax withheld		Overpayment refunded		Tax due at time of filing	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All returns, total	3,116,144	819,921	13,432,166	26,283,459	19,097,036	36,850,692	17,701,191	14,614,078	2,515,235	741,177
Under \$5,000	—	—	910,324	102,057	2,436,603	430,581	2,528,076	888,828	611,215	64,892
\$5,000 under \$10,000	277,400	38,796	1,334,693	506,906	3,433,231	1,872,849	3,501,759	3,162,823	235,849	35,979
\$10,000 under \$15,000	1,479,946	501,576	1,915,822	1,508,312	3,757,965	4,054,775	3,616,326	3,629,317	239,171	71,522
\$15,000 under \$20,000	1,358,798	279,549	2,794,817	3,313,858	2,990,433	5,270,016	2,686,333	2,085,980	315,573	91,805
\$20,000 under \$25,000	—	—	2,151,206	3,900,607	2,156,035	5,299,488	1,926,829	1,462,145	232,527	63,264
\$25,000 under \$30,000	—	—	1,460,514	3,891,577	1,460,514	4,807,725	1,172,302	1,019,106	288,212	102,958
\$30,000 under \$40,000	—	—	1,895,688	7,101,393	1,893,153	8,584,287	1,609,208	1,610,066	286,480	127,172
\$40,000 or more	—	—	969,102	5,958,749	969,102	6,530,972	660,358	755,814	306,208	183,586
Taxable returns, total	1,523,011	416,250	13,432,166	26,283,459	12,831,703	33,642,598	10,907,752	8,100,321	2,515,235	741,177
Under \$5,000	—	—	910,324	102,057	448,591	89,725	299,110	52,559	611,215	64,892
\$5,000 under \$10,000	—	—	1,334,693	506,906	1,245,004	864,025	1,095,522	393,097	235,849	35,979
\$10,000 under \$15,000	312,125	163,584	1,915,822	1,508,312	1,879,282	2,398,334	1,676,651	961,544	239,171	71,522
\$15,000 under \$20,000	1,210,886	252,666	2,794,817	3,313,858	2,788,173	5,077,936	2,475,922	1,855,882	315,573	91,805
\$20,000 under \$25,000	—	—	2,151,206	3,900,607	2,147,884	5,289,595	1,918,679	1,452,253	232,527	63,264
\$25,000 under \$30,000	—	—	1,460,514	3,891,577	1,460,514	4,807,725	1,172,302	1,019,106	288,212	102,958
\$30,000 under \$40,000	—	—	1,895,688	7,101,393	1,893,153	8,584,287	1,609,208	1,610,066	286,480	127,172
\$40,000 or more	—	—	969,102	5,958,749	969,102	6,530,972	660,358	755,814	306,208	183,586
Nontaxable returns, total	1,593,133	403,671	—	—	6,265,333	3,208,094	6,793,439	6,513,758	—	—

* Estimate should be used with caution because of the small number of sample returns on which it is based.
NOTE: Detail may not add to totals because of rounding.

Individual Returns/1989

Table 2.1—Returns with Itemized Deductions: Sources of Income, Adjustments, Itemized Deductions by Type, Exemptions, and Tax Items by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Partnership and S Corporation net income less loss		Estate and trust net income less loss		Farm net income less loss		Unemployment compensation	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)
All returns, total	4,049,520	74,096,325	303,603	3,335,844	681,211	- 1,748,804	1,978,158	3,902,777
Under \$5,000	25,953	- 128,033	*2,420	*1,299	8,713	- 127,652	*6,942	*9,867
\$5,000 under \$10,000	68,585	- 365,295	8,080	24,816	13,489	- 139,258	23,394	44,242
\$10,000 under \$15,000	75,017	- 118,277	*7,729	*15,478	36,115	- 58,556	73,891	182,686
\$15,000 under \$20,000	117,764	- 266,346	*8,421	*30,073	33,298	- 296,933	106,255	223,814
\$20,000 under \$25,000	128,296	- 279,124	*10,344	*16,200	39,323	- 137,580	132,126	292,543
\$25,000 under \$30,000	161,765	166,917	11,577	16,032	41,255	- 64,229	180,962	418,234
\$30,000 under \$35,000	186,845	479,216	14,829	51,205	51,436	- 37,868	210,550	407,470
\$35,000 under \$40,000	188,825	306,482	22,850	99,504	45,606	- 51,160	269,501	487,019
\$40,000 under \$45,000	201,024	394,458	*11,872	*31,156	55,278	- 62,467	204,720	407,340
\$45,000 under \$50,000	210,680	443,221	12,577	4,540	55,319	- 64,277	186,377	368,968
\$50,000 under \$55,000	209,167	833,504	12,097	- 19,697	40,007	- 161,348	153,633	269,294
\$55,000 under \$60,000	148,707	819,527	10,884	40,391	36,324	50,982	97,415	169,850
\$60,000 under \$75,000	466,652	2,016,371	27,284	74,932	70,880	116,224	197,036	345,009
\$75,000 under \$100,000	557,270	3,659,850	44,268	325,513	59,622	67,527	94,116	171,550
\$100,000 under \$200,000	768,863	12,625,152	49,844	520,490	57,730	- 245,107	34,021	79,512
\$200,000 under \$500,000	394,550	16,428,240	33,443	568,278	26,855	- 226,202	6,667	23,643
\$500,000 under \$1,000,000	90,049	9,889,006	9,221	422,320	6,002	- 97,264	369	1,096
\$1,000,000 or more	49,507	27,191,455	5,862	1,113,313	3,961	- 213,638	184	639
Taxable returns, total	3,846,947	76,779,467	289,274	3,305,224	617,583	- 1,331,577	1,881,390	3,654,335
Nontaxable returns, total	202,572	- 2,683,142	14,329	30,620	63,628	- 417,226	96,768	248,442

Size of adjusted gross income	Social Security benefits in AGI		Foreign earned income exclusion		Other income less loss		Total statutory adjustments	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
All returns, total	2,170,660	8,903,082	43,494	2,235,853	3,178,414	15,461,653	5,058,274	16,405,359
Under \$5,000	—	—	*857	*60,003	9,885	17,392	23,817	40,967
\$5,000 under \$10,000	*4,522	*18,943	*857	*59,260	45,965	75,965	94,337	114,146
\$10,000 under \$15,000	*4,521	*18,915	*999	*40,132	83,795	171,396	176,623	273,940
\$15,000 under \$20,000	*13,242	*18,907	*4,770	*217,524	100,173	174,887	237,323	343,362
\$20,000 under \$25,000	93,975	136,505	*2,640	*160,486	146,993	270,013	296,533	491,264
\$25,000 under \$30,000	155,181	274,705	*1,236	*38,944	177,949	238,789	391,911	692,370
\$30,000 under \$35,000	215,097	558,717	*2,786	*74,620	201,902	166,433	452,303	794,579
\$35,000 under \$40,000	224,816	727,650	*274	*25,038	208,543	358,374	413,164	840,521
\$40,000 under \$45,000	219,018	834,788	*2,057	*93,932	265,651	567,592	460,213	846,692
\$45,000 under \$50,000	166,953	751,390	*1,168	*21,746	246,593	589,229	414,088	618,706
\$50,000 under \$55,000	143,949	637,055	3,498	102,102	218,758	383,789	216,918	540,873
\$55,000 under \$60,000	105,836	541,230	*346	*24,540	220,141	440,182	200,713	538,544
\$60,000 under \$75,000	229,855	1,108,949	4,866	205,877	390,371	1,102,456	436,538	1,492,989
\$75,000 under \$100,000	263,347	1,288,051	5,788	312,681	349,567	1,265,793	489,997	1,995,305
\$100,000 under \$200,000	222,081	1,280,397	7,178	476,414	326,077	2,875,500	507,430	3,630,308
\$200,000 under \$500,000	80,638	506,722	3,384	251,398	135,102	2,424,185	190,147	2,264,310
\$500,000 under \$1,000,000	17,976	128,475	548	49,939	31,938	1,228,597	37,458	572,512
\$1,000,000 or more	9,652	71,683	244	21,218	19,013	3,111,082	18,762	313,971
Taxable returns, total	2,125,485	8,733,881	38,633	1,927,738	3,039,174	15,042,420	4,778,073	16,014,965
Nontaxable returns, total	45,175	169,201	4,861	308,115	139,240	419,233	280,202	390,394

Size of adjusted gross income	Itemized deductions								
	Total	Medical and dental expense deduction				Taxes paid deduction			
		Number of returns	Amount	Prescriptions and medical care		Miscellaneous medical expenses	Total		
				Number of returns	Amount		Number of returns	Amount	
(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	
All returns, total	430,977,999	5,128,338	20,920,881	5,067,618	26,733,953	3,009,674	6,113,315	31,392,533	131,299,652
Under \$5,000	1,486,812	94,424	552,804	88,693	331,128	36,573	239,247	136,024	182,026
\$5,000 under \$10,000	5,544,711	400,031	2,372,448	389,779	2,125,897	195,102	485,738	527,558	670,706
\$10,000 under \$15,000	8,915,497	603,631	2,834,859	599,110	2,600,314	308,643	802,939	964,109	1,313,263
\$15,000 under \$20,000	12,176,552	669,876	2,603,215	665,355	2,842,599	369,627	643,124	1,433,396	2,130,203
\$20,000 under \$25,000	16,118,559	659,832	2,200,298	650,322	2,760,284	401,833	550,600	1,907,311	3,226,483
\$25,000 under \$30,000	19,669,661	556,578	1,751,821	553,496	2,651,612	315,816	245,223	2,264,389	4,486,355
\$30,000 under \$35,000	23,305,359	469,092	1,283,930	466,352	2,123,191	306,404	303,559	2,590,681	5,737,134
\$35,000 under \$40,000	25,895,964	390,297	1,204,617	385,833	1,970,938	244,604	328,182	2,721,378	6,734,293
\$40,000 under \$45,000	27,916,499	320,473	925,545	315,743	1,630,146	208,119	317,884	2,777,300	7,804,211
\$45,000 under \$50,000	28,741,748	272,679	1,162,608	270,042	1,781,881	173,389	348,423	2,607,544	8,111,255
\$50,000 under \$55,000	25,948,239	195,693	786,308	193,970	1,147,645	130,562	407,984	2,264,593	7,725,471
\$55,000 under \$60,000	23,019,000	109,973	429,430	108,136	696,804	68,482	206,808	1,895,234	7,047,901
\$60,000 under \$75,000	52,096,139	216,437	1,264,577	214,601	1,832,072	146,034	510,468	3,778,271	16,522,018
\$75,000 under \$100,000	48,788,332	110,744	723,209	108,907	1,195,256	67,907	230,201	2,791,171	15,947,225
\$100,000 under \$200,000	51,329,803	49,045	556,286	47,844	698,247	30,582	323,443	1,969,109	17,793,465
\$200,000 under \$500,000	29,131,280	8,442	209,624	8,367	255,016	5,339	135,053	594,545	11,659,307
\$500,000 under \$1,000,000	11,031,212	912	47,936	892	64,562	602	29,432	113,253	5,029,644
\$1,000,000 or more	19,862,631	178	11,366	178	26,364	55	5,006	56,666	9,178,691
Taxable returns, total	406,692,432	4,180,760	13,116,169	4,136,024	20,398,984	2,528,415	3,689,380	30,057,619	128,509,624
Nontaxable returns, total	24,285,567	947,579	7,804,712	931,594	6,334,969	481,259	2,423,935	1,334,914	2,790,028

Footnote(s) at end of table.

Table 2.2—Returns with Itemized Deductions: Sources of Income, Adjustments, Deductions, Credits, and Tax Items, by Marital Status

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Item	All returns		Joint returns of husbands and wives		Separate returns of husbands and wives		Returns of heads of households		Returns of surviving spouses		Returns of single persons	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Adjusted gross income less deficit	31,972,317	1,971,221,592	22,492,686	1,574,265,628	660,056	29,886,133	1,846,989	72,297,311	37,245	1,694,086	6,935,341	293,078,434
Salaries and wages	28,118,969	1,411,156,238	20,648,236	1,153,588,513	580,124	19,129,767	1,716,418	56,770,641	29,028	906,039	5,145,163	180,761,278
Taxable interest	28,143,380	119,353,426	20,225,209	81,224,779	467,768	2,181,610	1,421,616	2,855,222	37,245	223,376	5,991,542	32,868,438
Tax-exempt interest	2,367,255	30,331,769	1,596,290	20,027,061	35,353	678,212	64,321	504,932	4,820	18,942	666,471	9,102,621
Dividends	12,054,362	58,011,209	8,711,884	37,994,761	172,394	1,354,795	478,737	1,738,457	9,311	50,467	2,682,395	16,872,729
State income tax refunds	14,462,588	8,431,776	10,626,067	6,517,944	230,598	124,231	865,560	392,641	10,008	9,820	2,730,356	1,387,141
Alimony received	218,421	2,294,327	26,730	129,900	*2,871	*28,199	96,048	1,055,709	—	—	92,772	1,080,519
Business or profession:												
Net income	5,140,243	108,017,254	4,240,426	89,850,495	71,481	1,785,069	160,836	3,017,707	*1,445	*5,650	666,055	13,358,332
Net loss	1,608,060	9,484,827	1,314,509	7,706,452	11,268	107,929	55,572	253,720	*854	*2,643	225,856	1,414,083
Sales of capital assets:												
Net gain	5,862,365	123,957,886	4,279,748	94,499,296	87,279	3,155,596	187,494	3,216,101	4,141	59,283	1,303,703	23,027,611
Net loss in AGI	2,608,388	4,839,312	1,870,868	3,529,080	36,731	42,142	104,922	173,886	*9	*26	595,858	1,094,178
Sales of property other than capital assets	1,007,973	1,219,963	802,117	1,038,348	16,001	-2,387	32,980	71,459	2,211	115	154,664	112,430
Taxable IRA distribution	1,282,191	7,805,809	944,336	6,182,957	21,578	127,120	58,083	387,354	*1,860	*10,780	256,333	1,097,597
Pensions and annuities in AGI	6,039,117	63,173,066	4,308,606	47,260,535	85,577	927,305	227,911	1,420,148	12,238	147,398	1,404,786	13,417,680
Rent and royalty:												
Net income	2,631,006	22,971,332	1,999,162	17,913,008	42,197	306,036	90,604	598,862	2,137	65,408	496,906	4,088,018
Net loss	3,851,586	24,850,627	2,961,601	19,836,785	41,888	188,203	171,784	944,827	6,609	35,325	669,705	3,845,488
Farm rental income less loss	201,638	915,876	139,609	563,002	4,467	11,667	3,871	3,882	*702	*119	52,990	337,207
Partnership and S Corporation net income less loss	4,049,520	74,096,325	3,180,318	62,369,096	70,569	988,379	121,988	1,893,452	2,453	119,219	674,192	8,726,180
Estate and trust net income less loss	303,603	3,335,844	193,198	1,598,654	3,164	135,870	7,218	194,207	3,162	114,694	96,862	1,292,420
Farm net income less loss	681,211	-1,748,804	594,015	-1,270,386	8,905	-98,160	9,148	-56,874	*1,187	*14,097	67,958	-337,482
Unemployment compensation	1,978,158	3,902,777	1,588,248	3,180,482	26,961	70,000	85,280	153,370	*1,724	*2,956	275,946	495,968
Social Security benefits in AGI	2,170,660	8,903,082	1,350,343	6,165,133	37,315	114,004	34,701	98,505	8,675	21,234	739,627	2,504,206
Other income less loss	3,178,414	15,461,653	2,490,984	12,263,239	39,793	237,453	127,098	686,400	*1,839	*6,727	518,701	2,262,834
Total statutory adjustments	5,058,274	16,405,359	3,727,468	12,174,452	70,363	261,443	243,203	746,510	7,994	14,214	1,009,246	3,208,740
IRA payments, primary taxpayer	2,452,963	3,743,170	1,699,402	2,580,757	41,231	65,871	131,013	199,087	*6,656	*10,449	574,661	887,006
IRA payments, secondary taxpayer	1,330,019	1,723,082	1,330,019	1,723,082	—	—	—	—	—	—	—	—
Payments to a Keogh plan	663,929	5,786,172	539,732	4,852,717	6,144	74,485	28,252	154,522	*145	*2,207	89,656	702,241
Alimony paid	371,381	3,347,686	192,512	1,575,580	14,196	101,367	38,874	349,203	—	—	125,798	1,321,536
Total itemized deductions	31,972,317	430,977,999	22,492,686	333,321,161	660,056	6,330,790	1,846,989	19,008,311	37,245	478,545	6,935,341	71,839,193
Medical and dental expense deduction	5,128,338	20,920,881	3,302,230	10,312,373	95,520	232,567	323,344	723,529	11,993	33,230	1,395,250	9,619,182
Taxes paid deduction	31,392,533	131,299,652	22,318,890	103,680,377	621,782	1,885,111	1,809,279	5,308,994	37,109	139,608	6,605,472	20,285,562
Interest paid deduction	29,437,522	193,186,034	21,516,835	155,157,338	564,337	2,665,827	1,765,545	9,476,482	33,843	224,302	5,556,962	25,662,085
Contributions deduction	29,132,486	55,459,205	21,012,844	43,422,477	546,299	925,059	1,681,587	1,994,497	34,227	49,676	5,857,528	9,067,496
Casualty or theft loss deduction	189,694	1,744,217	118,794	1,321,575	*4,762	*24,782	13,840	29,709	*4,522	*14,355	47,776	353,796
Moving expense deduction	907,719	3,943,073	659,616	3,086,365	18,628	74,445	37,775	141,410	—	—	191,701	640,853
Total miscellaneous deductions	8,031,155	24,424,938	5,308,076	16,340,657	177,171	522,998	545,040	1,333,690	7,282	17,374	1,993,588	6,210,219
Taxable income	30,568,403	1,377,746,404	21,708,058	1,099,019,770	629,882	21,672,461	1,759,829	45,346,194	30,178	1,017,787	6,440,456	210,690,191
Total tax credits	3,945,976	3,027,538	3,002,001	2,460,756	31,332	81,732	446,378	207,394	4,213	603	162,052	277,052
Child care credit	3,025,989	1,218,095	2,704,337	1,078,183	18,127	9,828	292,336	127,270	*1,749	*174	9,440	2,639
Credit for the elderly or disabled	26,508	4,436	*9,042	*2,083	—	—	*1,358	*512	—	—	16,107	1,841
Foreign tax credit	423,373	1,002,236	311,668	745,352	7,926	61,932	14,490	25,401	*950	*153	88,339	169,398
Earned income credit used to offset income tax before credits	283,862	54,027	120,316	16,727	—	—	162,039	37,129	*1,507	*172	—	—
Minimum tax credit	39,513	251,478	32,162	206,068	†	†	2,270	6,415	†	†	4,830	34,249
General business credit	190,553	417,329	144,218	344,857	3,476	5,050	8,864	9,598	*8	*86	33,987	57,738
Income tax after credits	30,418,595	300,362,036	21,631,608	239,189,994	627,537	5,075,056	1,692,355	8,689,174	28,670	246,092	6,438,425	47,161,720
Alternative minimum tax	98,625	742,180	67,455	541,539	2,038	23,061	3,282	27,589	*8	*1,402	25,842	148,050
Total income tax	30,427,264	301,104,216	21,708,058	239,731,533	627,555	5,098,657	1,693,376	8,716,762	28,670	247,494	6,441,325	47,309,770
Total tax liability	30,856,111	313,127,859	21,928,706	249,589,191	641,784	5,267,340	1,721,429	9,088,506	31,214	258,848	6,532,978	48,923,974
Total tax payments	30,947,282	315,213,002	22,083,329	249,568,642	628,788	5,056,157	1,785,768	10,761,920	35,737	266,175	6,413,659	49,560,109
Income tax withheld	28,405,177	228,688,022	20,750,375	183,798,326	577,608	3,180,683	1,699,958	8,759,513	31,801	153,662	5,345,434	32,795,839
Estimated tax payments	5,623,392	69,355,273	3,790,622	52,059,737	79,792	1,330,471	157,205	1,605,805	5,984	101,007	1,589,789	14,258,254
Overpayment refunded	20,352,973	34,605,162	14,231,088	25,341,585	368,507	441,100	1,468,538	2,536,689	26,692	38,906	4,258,148	6,246,883
Tax due at time of filing	9,849,927	41,039,028	7,240,796	31,901,764	259,214	856,768	320,138	1,016,448	8,751	37,760	2,021,028	7,226,288

* Estimate should be used with caution because of the small number of sample returns on which it is based.

† Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.

NOTE: Detail may not add to totals because of rounding.

Table 2.4.—All Returns: Exemptions by Type, and Number of Exemptions, by Marital Status

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Marital status	Number of returns	Number of exemptions	Number of exemptions for taxpayers	Exemptions for dependents					
				Total			Total income tax		
				Number of returns	Number of exemptions	Adjusted gross income less deficit	Number of returns	Amount	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Number of returns	112,135,673	223,756,252	149,873,361	39,956,594	73,882,891	1,553,291,536	30,195,720	191,679,680	
Joint returns of husbands and wives	48,076,037	150,234,686	96,145,429	27,449,412	54,089,257	1,320,369,744	23,381,668	171,505,247	
Separate returns of husbands and wives:									
Total	2,118,193	3,252,163	2,148,561	626,448	1,103,601	15,473,473	519,732	2,166,393	
Spouse filing	2,059,622	3,085,616	2,031,420	604,642	1,054,196	14,871,274	502,843	2,092,566	
Spouse not filing	58,571	166,546	117,141	21,806	49,405	602,200	16,889	73,827	
Returns of heads of households	11,881,607	28,835,482	11,881,607	10,704,357	16,953,875	188,492,638	5,403,673	14,237,868	
Returns of surviving spouses	100,374	273,480	100,374	100,374	173,105	2,863,954	62,881	346,297	
Returns of single persons	49,959,463	41,160,442	39,597,389	1,076,003	1,563,052	26,091,726	827,766	3,423,875	

Marital status	Exemptions for dependents—Continued									
	Exemptions for children at home			Exemptions for children away from home			Total income tax			
	Number of returns	Number of exemptions	Adjusted gross income less deficit	Number of returns	Amount	Number of returns	Number of exemptions	Adjusted gross income less deficit	Number of returns	Amount
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
Number of returns	37,650,746	68,230,238	1,480,610,632	28,308,493	182,268,191	931,281	1,380,790	43,872,955	876,638	6,343,355
Joint returns of husbands and wives	26,797,179	51,708,276	1,286,294,172	22,814,756	166,478,097	406,140	583,947	26,732,117	399,985	3,894,104
Separate returns of husbands and wives:										
Total	567,694	964,491	13,948,069	471,215	1,949,462	33,602	61,910	994,410	30,701	136,975
Spouse filing	547,464	924,196	13,380,492	455,902	1,876,307	33,534	61,841	992,111	30,633	136,945
Spouse not filing	20,230	40,294	567,577	15,313	73,155	*68	*68	*2,300	*68	*30
Returns of heads of households	9,788,055	14,878,306	169,453,326	4,680,879	12,490,717	91,553	128,896	3,147,564	75,556	409,866
Returns of surviving spouses	100,374	166,859	2,863,954	62,881	346,297	*1,507	*1,507	*5,825	—	—
Returns of single persons	397,444	512,306	8,051,111	278,763	1,003,618	398,479	604,531	12,993,039	370,396	1,902,410

Marital status	Exemptions for dependents—Continued									
	Exemptions for parents			Exemptions for other dependents			Total income tax			
	Number of returns	Number of exemptions	Adjusted gross income less deficit	Number of returns	Amount	Number of returns	Number of exemptions	Adjusted gross income less deficit	Number of returns	Amount
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
Number of returns	1,448,024	1,659,262	50,827,189	1,127,489	6,044,869	1,676,696	2,612,601	45,994,916	1,138,135	4,550,797
Joint returns of husbands and wives	623,963	726,739	33,660,582	540,559	4,493,024	648,342	1,070,295	27,020,824	492,359	3,123,215
Separate returns of husbands and wives:										
Total	9,703	12,853	384,374	9,700	70,554	25,853	64,348	543,398	17,151	71,495
Spouse filing	9,703	12,853	384,374	9,700	70,554	24,346	55,305	511,075	15,644	70,853
Spouse not filing	—	—	—	—	—	*1,507	*9,042	*32,323	*1,507	*642
Returns of heads of households	694,456	777,516	14,702,022	504,730	1,277,407	799,538	1,169,156	14,665,127	497,851	978,671
Returns of surviving spouses	*1,725	*1,725	*76,226	*1,725	*8,995	*1,507	*3,014	*23,206	*1,507	*494
Returns of single persons	118,177	140,429	2,003,985	70,775	194,889	201,456	305,787	3,742,361	129,268	376,922

* Estimate should be used with caution because of the small number of sample returns on which it is based.
NOTE: Detail may not add to totals because of rounding.

Table 3.1—Returns with Modified Taxable Income: Adjusted Gross Income, and Tax Items, by Type of Tax Computation by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Type of tax computation by size of adjusted gross income	Number of returns	Adjusted gross income	Taxable income	Modified taxable income	Income tax before credits, regular computation		Tax generated		Income tax before credits	
					Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
Returns with regular tax computation only										
Total	91,731,925	3,186,397,926	2,163,554,278	2,167,448,151	91,726,869	434,018,270	91,731,925	434,049,352	91,731,925	435,712,570
Under \$5,000	4,690,281	12,420,797	3,011,339	3,011,682	4,685,226	449,801	4,690,281	452,531	4,690,281	452,817
\$5,000 under \$10,000	9,799,640	73,864,739	23,776,914	23,728,686	9,799,640	3,555,241	9,799,640	3,559,943	9,799,640	3,563,124
\$10,000 under \$15,000	12,683,475	158,526,918	68,533,624	68,482,863	12,683,475	10,266,294	12,683,475	10,272,481	12,683,475	10,295,617
\$15,000 under \$20,000	11,447,144	199,632,294	106,978,187	106,910,951	11,447,144	16,031,840	11,447,144	16,037,360	11,447,144	16,108,211
\$20,000 under \$25,000	9,205,653	206,159,064	122,223,256	122,204,647	9,205,653	18,407,340	9,205,653	18,411,518	9,205,653	18,502,376
\$25,000 under \$30,000	7,556,338	207,585,990	131,835,000	131,840,817	7,556,338	20,892,614	7,556,338	20,895,004	7,556,338	20,952,201
\$30,000 under \$40,000	12,047,242	418,400,909	277,998,375	278,020,083	12,047,242	45,595,766	12,047,242	45,599,882	12,047,242	46,075,904
\$40,000 under \$50,000	8,547,062	381,803,663	262,611,499	262,660,674	8,547,062	44,234,169	8,547,062	44,235,913	8,547,062	44,336,976
\$50,000 under \$75,000	9,874,507	591,623,161	423,323,821	423,423,821	9,874,507	81,348,724	9,874,507	81,348,821	9,874,507	81,594,452
\$75,000 under \$100,000	3,040,151	259,486,756	192,082,302	192,165,726	3,040,151	42,578,776	3,040,151	42,578,512	3,040,151	42,759,914
\$100,000 under \$200,000	2,065,645	273,132,102	210,235,513	210,557,386	2,065,645	54,141,462	2,065,645	54,141,360	2,065,645	54,275,508
\$200,000 under \$500,000	603,761	176,529,441	144,571,966	147,063,662	603,761	41,251,255	603,761	41,251,084	603,761	41,392,770
\$500,000 under \$1,000,000	114,168	77,507,212	66,169,214	66,839,725	114,168	18,714,712	114,168	18,714,681	114,168	18,797,978
\$1,000,000 or more	56,857	149,724,880	130,203,218	130,537,429	56,857	36,550,276	56,857	36,550,262	56,857	36,604,721
Returns with Form 8615 tax computation only										
Total	351,582	1,404,509	1,188,425	1,203,466	351,582	207,274	351,582	311,155	351,582	332,562
Under \$5,000	288,113	568,632	423,757	427,221	288,113	63,242	288,113	95,058	288,113	95,058
\$5,000 under \$10,000	46,397	337,641	302,478	302,478	46,397	45,362	46,397	80,946	46,397	102,353
\$10,000 under \$15,000	6,964	81,932	77,953	77,953	6,964	11,684	6,964	18,925	6,964	18,925
\$15,000 under \$20,000	1,507	29,125	28,372	28,372	1,507	4,310	1,507	7,849	1,507	7,849
\$20,000 under \$25,000	3,014	65,551	64,044	64,044	3,014	10,667	3,014	18,479	3,014	18,479
\$25,000 under \$30,000	1,507	40,731	37,827	39,224	1,507	6,969	1,507	17,681	1,507	17,681
\$30,000 under \$40,000	1,724	53,398	52,536	52,536	1,724	10,553	1,724	14,623	1,724	14,623
\$40,000 under \$50,000	—	—	—	—	—	—	—	—	—	—
\$50,000 under \$75,000	—	—	—	—	—	—	—	—	—	—
\$75,000 under \$100,000	2,258	194,826	171,910	179,763	2,258	46,213	2,258	49,313	2,258	49,313
\$100,000 under \$200,000	72	13,654	12,231	13,453	72	3,425	72	3,426	72	3,426
\$200,000 under \$500,000	—	—	—	—	—	—	—	—	—	—
\$500,000 under \$1,000,000	25	19,019	17,319	18,424	25	4,850	25	4,855	25	4,855
\$1,000,000 or more	—	—	—	—	—	—	—	—	—	—

Type of tax computation by size of adjusted gross income	Total tax credits		Income tax after credits		Alternative minimum tax		Total income tax		As a percentage of		
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Modified taxable income	Adjusted gross income	Average income tax (dollars)
Returns with regular tax computation only											
Total	11,991,193	6,059,838	88,652,569	429,652,732	98,724	680,406	88,655,777	430,333,138	19.9	13.5	4,691
Under \$5,000	8,993	1,052	4,687,839	451,765	3,014	196	4,687,839	451,961	15.0	3.6	96
\$5,000 under \$10,000	622,264	97,847	9,262,797	3,465,277	—	—	9,262,797	3,465,277	14.6	4.7	353
\$10,000 under \$15,000	2,746,589	1,008,678	10,628,306	9,286,939	68	1,032	10,628,306	9,287,970	13.6	5.9	732
\$15,000 under \$20,000	2,870,152	833,701	11,054,072	15,274,510	1,186	8,674	11,054,072	15,283,184	14.3	7.7	1,335
\$20,000 under \$25,000	744,315	339,870	9,163,799	18,162,506	376	438	9,163,799	18,162,944	14.9	8.8	1,973
\$25,000 under \$30,000	612,864	259,160	7,536,762	20,693,041	1,591	10,960	7,536,830	20,704,001	15.7	10.0	2,739
\$30,000 under \$40,000	1,220,132	542,172	12,031,674	45,533,732	4,255	7,909	12,031,883	45,541,641	16.4	10.9	3,780
\$40,000 under \$50,000	950,381	409,126	8,538,445	43,927,850	3,526	14,024	8,539,517	43,941,874	16.7	11.5	5,141
\$50,000 under \$75,000	1,331,980	627,757	9,871,716	80,966,695	17,087	46,577	9,872,196	81,013,272	19.1	13.7	8,204
\$75,000 under \$100,000	434,346	332,722	3,037,777	42,427,191	15,363	35,328	3,038,599	42,462,519	22.1	16.4	13,967
\$100,000 under \$200,000	286,732	431,788	2,064,816	53,843,720	28,960	129,557	2,065,302	53,973,277	25.6	19.8	26,129
\$200,000 under \$500,000	113,611	431,707	603,625	40,961,071	15,861	148,047	603,645	41,109,118	28.0	23.3	68,088
\$500,000 under \$1,000,000	29,480	237,410	114,116	18,560,560	4,772	112,582	114,151	18,673,142	27.9	24.1	163,559
\$1,000,000 or more	19,354	506,846	56,825	36,097,875	2,666	165,082	56,843	36,262,958	27.8	24.2	637,797
Returns with Form 8615 tax computation only											
Total	3,074	2,756	351,582	329,807	6,028	711	351,582	330,518	27.5	23.5	940
Under \$5,000	936	13	288,113	95,044	4,521	502	288,113	95,546	22.4	16.8	331
\$5,000 under \$10,000	—	—	46,397	102,353	1,507	209	46,397	102,563	33.9	30.4	2,210
\$10,000 under \$15,000	936	10	6,964	18,915	—	—	6,964	18,915	24.3	23.1	2,716
\$15,000 under \$20,000	—	—	1,507	7,849	—	—	1,507	7,849	27.7	26.9	5,208
\$20,000 under \$25,000	—	—	3,014	18,479	—	—	3,014	18,479	28.9	28.2	6,131
\$25,000 under \$30,000	—	—	1,507	17,681	—	—	1,507	17,681	45.1	43.4	11,732
\$30,000 under \$40,000	—	—	1,724	14,623	—	—	1,724	14,623	27.8	27.4	8,483
\$40,000 under \$50,000	—	—	—	—	—	—	—	—	—	—	—
\$50,000 under \$75,000	—	—	—	—	—	—	—	—	—	—	—
\$75,000 under \$100,000	1,129	1,043	2,258	48,269	—	—	2,258	48,269	26.9	24.8	21,372
\$100,000 under \$200,000	73	1,689	72	1,915	—	—	72	1,915	14.2	14.0	26,524
\$200,000 under \$500,000	—	—	—	—	—	—	—	—	—	—	—
\$500,000 under \$1,000,000	—	—	25	4,677	—	—	25	4,677	25.4	45.7	993,267
\$1,000,000 or more	—	—	—	—	—	—	—	—	—	—	—

Estimate should be used with caution because of the small number of sample returns on which it is based.
 * Data combined to avoid disclosure of information for specific taxpayers.
 NOTE: Detail may not add to totals because of rounding.

Table 3.2—Returns with Total Income Tax: Total Income Tax as a Percentage of Adjusted Gross Income, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Total income tax as a percentage of adjusted gross income—Continued								
	15 under 17 percent			17 under 25 percent			25 under 30 percent		
	Number of returns	Adjusted gross income less deficit	Total income tax	Number of returns	Adjusted gross income less deficit	Total income tax	Number of returns	Adjusted gross income less deficit	Total income tax
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	
Total All returns	4,978,050	288,471,976	46,086,643	6,074,948	652,539,429	134,950,207	545,708	205,606,018	54,019,696
Under \$5,000	38,292	74,339	11,846	82,304	233,519	50,230	9,042	34,861	9,101
\$5,000 under \$10,000	10,079	71,093	11,363	10,549	69,843	15,303	22,606	170,200	46,194
\$10,000 under \$15,000	1,358	19,509	3,016	4,200	55,378	11,806	4,003	43,963	11,903
\$15,000 under \$20,000	1,528	30,142	4,558	3,014	54,172	12,200	1,507	29,125	7,849
\$20,000 under \$25,000	9,042	204,724	31,968	7,535	166,934	31,041	3,014	65,551	18,479
\$25,000 under \$30,000	160,372	4,667,798	715,007	10,320	291,710	54,576			
\$30,000 under \$40,000	1,466,744	48,882,740	7,829,679	683,512	25,295,581	4,484,432	1,795	55,988	15,311
\$40,000 under \$50,000	334,625	14,835,218	2,377,792	830,957	36,905,651	6,920,036	2,637	121,607	32,909
\$50,000 under \$75,000	1,943,183	120,055,898	19,107,737	1,365,750	86,626,083	16,465,888	10,802	687,890	182,455
\$75,000 under \$100,000	760,706	64,536,644	10,335,486	1,228,636	106,458,900	20,498,617	46,185	4,184,717	1,075,131
\$100,000 under \$200,000	237,101	28,727,431	4,632,829	1,392,995	186,723,970	38,917,200	162,299	24,302,904	6,337,291
\$200,000 or more	15,019	6,366,440	1,025,364	455,176	209,657,687	47,488,879	281,817	175,909,213	46,283,072
Total Joint returns	2,761,014	205,568,314	32,835,144	3,270,862	476,886,467	99,378,269	308,201	157,017,691	41,202,745
Under \$5,000	1,507	5,817	934						
\$5,000 under \$10,000	2,865	23,897	3,700	3,014	16,660	3,109			
\$10,000 under \$15,000	1,358	19,509	3,016	1,186	14,113	2,830	53	718	183
\$15,000 under \$20,000	21	372	58						
\$20,000 under \$25,000				4,521	100,534	19,149			
\$25,000 under \$30,000	1,358	39,085	6,434	1,507	38,737	9,297			
\$30,000 under \$40,000				1,724	65,574	13,529			
\$40,000 under \$50,000	2,637	126,496	20,672	3,597	162,392	31,015	2,637	121,607	32,909
\$50,000 under \$75,000	1,775,760	110,329,874	17,546,161	610,897	41,645,634	7,407,730	5,292	311,210	83,968
\$75,000 under \$100,000	737,270	62,534,489	10,012,053	993,778	86,333,202	16,228,884	1,156	103,663	28,704
\$100,000 under \$200,000	225,262	27,356,917	4,412,910	1,251,326	167,884,931	34,741,767	65,835	11,284,369	2,911,227
\$200,000 or more	12,974	5,131,858	829,207	399,311	180,624,689	40,920,959	233,227	145,196,124	38,145,755
Total Single returns	1,974,075	71,273,938	11,395,308	2,487,441	148,554,056	29,992,787	211,315	39,755,696	10,466,290
Under \$5,000	36,785	68,522	10,911	82,304	233,519	50,230	9,042	34,861	9,101
\$5,000 under \$10,000	7,214	47,196	7,662	7,535	53,182	12,194	22,606	170,200	46,194
\$10,000 under \$15,000				3,014	41,265	8,976	3,950	43,245	11,721
\$15,000 under \$20,000	1,507	29,770	4,500	3,014	54,172	12,200	1,507	29,125	7,849
\$20,000 under \$25,000	6,028	133,910	20,870	1,507	35,765	6,167	3,014	65,551	18,479
\$25,000 under \$30,000	125,826	3,729,400	565,643						
\$30,000 under \$40,000	1,425,061	47,403,217	7,590,450	623,941	23,217,373	4,102,218	1,795	55,988	15,311
\$40,000 under \$50,000	241,932	10,659,093	1,715,639	775,246	34,422,225	6,457,383			
\$50,000 under \$75,000	107,445	6,237,298	1,005,075	657,294	38,949,392	7,895,927	2,544	183,399	48,981
\$75,000 under \$100,000	13,409	1,147,108	182,949	182,949	15,551,990	3,347,210	40,598	3,704,079	946,226
\$100,000 under \$200,000	7,139	855,609	138,699	109,207	14,535,043	3,239,952	88,722	11,898,695	3,123,465
\$200,000 or more	1,730	963,174	152,911	41,963	21,460,130	4,860,331	37,537	23,570,554	6,238,962

Size of adjusted gross income	Total income tax as a percentage of adjusted gross income—Continued								
	30 under 50 percent			50 under 100 percent			100 percent or more		
	Number of returns	Adjusted gross income less deficit	Total income tax	Number of returns	Adjusted gross income less deficit	Total income tax	Number of returns	Adjusted gross income less deficit	Total income tax
(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	
Total All returns	30,777	3,286,094	1,166,990	23,250	1,030,432	727,903	15,202	-2,738,507	799,984
Under \$5,000	1,507	1,861	659	3,014	9,635	6,345	8,984	-2,969,120	108,369
\$5,000 under \$10,000	3,383	31,085	9,556	1,528	11,477	5,800	1,509	8,774	23,996
\$10,000 under \$15,000				3,015	39,505	25,561	68	839	1,042
\$15,000 under \$20,000	3,884	75,772	31,280	1,643	32,007	20,656	1,517	30,027	31,166
\$20,000 under \$25,000				4,200	90,575	69,710			
\$25,000 under \$30,000	4,174	111,812	42,320	1,508	42,083	38,119			
\$30,000 under \$40,000	1,804	68,976	33,163	26	905	566	1,727	66,960	447,051
\$40,000 under \$50,000	245	1,025	385	2,426	106,046	80,259	139	6,016	6,393
\$50,000 under \$75,000	7,245	456,007	159,260	3,490	184,802	119,891	7	381	1,151
\$75,000 under \$100,000	1,099	101,051	32,857	801	63,087	39,706	1,160	104,556	159,877
\$100,000 under \$200,000	4,147	583,901	203,045	1,600	450,309	321,291	92	13,061	20,938
\$200,000 or more	3,509	1,854,604	654,462						
Total Joint returns	15,449	2,250,738	802,631	14,916	683,720	472,186	7,914	-2,230,475	252,842
Under \$5,000				3,035	18,797	10,939	6,578	-2,348,995	69,390
\$5,000 under \$10,000	369	3,518	1,247						
\$10,000 under \$15,000				3,015	39,505	25,561	68	839	1,042
\$15,000 under \$20,000	2,371	38,373	16,585	1,643	32,007	20,656	9	144	422
\$20,000 under \$25,000	1,507	37,284	14,662	2,693	57,959	46,036			
\$25,000 under \$30,000	30	804	357						
\$30,000 under \$40,000	80	2,942	992	26	905	566	4	119	591
\$40,000 under \$50,000	4	170	62	702	33,762	31,403	3	101	365
\$50,000 under \$75,000	6,101	390,851	133,294	1,765	97,663	51,917	5	261	1,008
\$75,000 under \$100,000	392	38,088	13,722	801	63,087	39,706	1,160	104,556	159,877
\$100,000 under \$200,000	2,144	275,842	104,145	1,237	340,034	245,401	88	12,500	20,145
\$200,000 or more	2,450	1,462,866	517,563						
Total Single returns	13,925	760,065	272,705	8,195	265,991	199,034	5,565	-223,659	509,248
Under \$5,000	1,507	1,861	659	1,507	2,315	1,206	2,193	-305,813	31,879
\$5,000 under \$10,000	3,020	27,681	8,344				1,508	8,784	24,033
\$10,000 under \$15,000									
\$15,000 under \$20,000				1,507	32,616	23,674			
\$20,000 under \$25,000				1,508	42,083	38,119			
\$25,000 under \$30,000	4,143	111,008	41,963				1,724	66,841	446,460
\$30,000 under \$40,000	1,724	66,034	32,170				137	5,968	6,083
\$40,000 under \$50,000				3,449	159,423	116,830			
\$50,000 under \$75,000	1,129	64,106	25,515						
\$75,000 under \$100,000									
\$100,000 under \$200,000	1,929	294,434	94,719	221	27,838	18,181	4	560	793
\$200,000 or more	473	194,942	69,334	3	1,716	1,025			

* Estimate should be used with caution because of the small number of sample returns on which it is based.
 ** Data combined to avoid disclosure of information for specific taxpayers.
 NOTE: Detail may not add to totals because of rounding.

Table 3.3—All Returns: Tax Liability, Tax Credits and Taxpayments, by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	All returns	Total tax liability		Tax credits							
		Number of returns	Amount	Total		Child care credit		Credit for the elderly or disabled		Earned income credit used to offset income tax before credits	
				Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All returns, total	112,135,673	91,065,351	451,872,888	12,034,697	6,131,134	6,028,094	2,439,471	319,758	64,490	5,339,062	1,379,528
No adjusted gross income	822,952	125,388	260,072	156	296	—	—	—	—	*27	*3
\$1 under \$5,000	16,769,495	5,665,859	840,639	11,436	1,179	—	—	—	—	*1,507	*113
\$5,000 under \$10,000	15,006,777	9,791,496	4,256,282	622,264	97,847	61,852	10,157	142,945	26,007	417,273	60,432
\$10,000 under \$15,000	14,302,945	11,011,112	10,348,091	2,750,390	1,009,809	446,100	158,858	**169,277	**36,485	2,348,424	809,874
\$15,000 under \$20,000	11,738,291	11,206,373	16,606,040	2,873,166	834,150	615,282	273,422	—	—	2,571,831	509,107
\$20,000 under \$25,000	9,332,301	9,217,916	19,508,059	746,757	340,336	668,269	292,335	*7,535	*1,998	—	—
\$25,000 under \$30,000	7,615,124	7,568,608	21,980,466	614,372	259,867	551,822	213,781	—	—	—	—
\$30,000 under \$40,000	12,100,369	12,069,474	48,001,003	1,221,068	546,377	1,115,132	427,717	—	—	—	—
\$40,000 under \$50,000	8,590,272	8,566,649	46,329,536	954,845	411,154	864,529	324,823	—	—	—	—
\$50,000 under \$75,000	9,921,341	9,912,844	84,801,135	1,338,613	629,415	1,200,394	506,436	—	—	—	—
\$75,000 under \$100,000	3,059,386	3,055,599	44,380,602	440,173	348,950	328,309	146,730	—	—	—	—
\$100,000 under \$200,000	2,090,358	2,088,707	56,482,929	295,202	441,332	†	†	—	—	—	—
\$200,000 under \$500,000	612,814	612,257	42,338,111	116,763	452,987	†	†	—	—	—	—
\$500,000 under \$1,000,000	115,646	115,540	19,008,719	29,889	242,501	3,125	1,702	—	—	—	—
\$1,000,000 or more	57,603	57,529	36,731,205	19,603	514,932	916	539	—	—	—	—
Taxable returns, total	89,178,355	89,178,355	450,453,062	8,954,590	5,027,841	5,389,173	2,181,317	207,817	41,807	2,847,637	748,289
No adjusted gross income	5,961	5,961	105,812	*77	*168	—	—	—	—	**	**
\$1 under \$5,000	4,990,882	4,990,882	583,790	*7,486	*59	—	—	—	—	—	—
\$5,000 under \$10,000	9,324,913	9,324,913	3,983,798	85,421	12,432	—	—	69,397	11,169	**1,359	**259
\$10,000 under \$15,000	10,643,030	10,643,030	10,052,845	693,862	323,872	44,818	13,004	**130,884	**28,639	557,798	287,669
\$15,000 under \$20,000	11,058,757	11,058,757	16,420,662	2,480,094	678,633	472,843	194,094	**	**	2,288,479	460,361
\$20,000 under \$25,000	9,173,782	9,173,782	19,421,519	704,903	304,202	643,519	275,007	*7,535	*1,998	—	—
\$25,000 under \$30,000	7,541,919	7,541,919	21,920,063	594,863	229,779	547,425	211,501	—	—	—	—
\$30,000 under \$40,000	12,046,515	12,046,515	47,934,013	1,204,773	499,597	1,112,656	426,143	—	—	—	—
\$40,000 under \$50,000	8,560,180	8,560,180	46,313,570	947,300	388,759	862,805	323,192	—	—	—	—
\$50,000 under \$75,000	9,905,916	9,905,916	84,785,035	1,336,302	620,224	1,200,394	506,436	—	—	—	—
\$75,000 under \$100,000	3,053,791	3,053,791	44,375,413	438,620	347,515	328,309	146,730	—	—	—	—
\$100,000 under \$200,000	2,087,727	2,087,727	56,479,867	294,789	433,898	†	†	—	—	—	—
\$200,000 under \$500,000	611,980	611,980	42,337,065	116,643	446,973	†	†	—	—	—	—
\$500,000 under \$1,000,000	115,492	115,492	19,008,496	29,871	240,510	3,125	1,702	—	—	—	—
\$1,000,000 or more	57,510	57,510	36,731,113	19,586	501,222	916	539	—	—	—	—
Nontaxable returns, total	22,957,318	1,886,996	1,419,826	3,080,107	1,103,293	638,921	258,154	111,941	22,683	2,491,426	631,239

Footnote(s) at end of table.

Table 3.3—All Returns: Tax Liability, Tax Credits and Taxpayments, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Tax Credits—Continued								Income tax after credits		Total income tax	
	Minimum tax credit		Foreign tax credit		General business credit		Other tax credits		Number of returns	Amount	Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount				
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
All returns, total	39,869	252,593	641,557	1,311,742	332,419	593,192	26,111	44,914	89,162,747	432,109,004	89,178,355	432,939,998
No adjusted gross income	†	†	†	†	126	267	—	—	1,171	35,529	5,961	102,251
\$1 under \$5,000	—	—	†	†	*1,507	*910	—	—	4,990,881	560,265	4,990,882	564,320
\$5,000 under \$10,000	—	—	10,293	358	*8,908	*726	—	—	9,323,820	3,582,821	9,324,913	3,584,847
\$10,000 under \$15,000	—	—	24,699	5,756	24,435	9,154	*3,014	*151	10,642,063	9,322,358	10,643,030	9,323,866
\$15,000 under \$20,000	—	—	29,860	8,147	40,502	31,231	—	—	11,058,593	15,284,643	11,058,757	15,295,442
\$20,000 under \$25,000	—	—	31,717	12,862	26,118	24,504	—	—	9,173,777	18,192,386	9,173,782	18,193,167
\$25,000 under \$30,000	†	†	24,767	6,040	31,948	33,893	*2,272	*54	7,541,135	20,714,933	7,541,919	20,726,836
\$30,000 under \$40,000	—	—	61,534	42,210	38,686	63,186	*2,426	*110	12,046,275	45,588,526	12,046,515	45,597,597
\$40,000 under \$50,000	**5,176	**2,863	62,846	21,545	26,677	54,073	*5,297	*2,437	8,558,417	44,013,965	8,560,180	44,034,240
\$50,000 under \$75,000	**	**	98,872	66,372	34,044	44,901	*2,331	*1,568	9,903,386	81,195,853	9,905,916	81,250,313
\$75,000 under \$100,000	*1,356	*2,897	80,121	135,618	36,959	63,509	*1,129	*196	3,052,872	42,632,646	3,053,791	42,671,702
\$100,000 under \$200,000	11,737	29,706	110,093	261,429	33,197	77,613	3,148	3,274	2,085,957	54,321,970	2,087,727	54,471,932
\$200,000 under \$500,000	13,804	83,715	65,256	287,263	18,349	56,287	4,427	12,058	611,615	41,468,925	611,980	41,631,082
\$500,000 under \$1,000,000	**6,860	**133,187	19,651	158,713	**10,963	**132,939	†	†	115,343	18,759,023	115,492	18,882,584
\$1,000,000 or more	**	**	13,416	305,272	**	**	†	†	57,441	36,435,162	57,510	36,609,819
Taxable returns, total	39,587	249,366	620,137	1,247,068	238,400	473,979	26,105	44,363	89,162,747	432,109,004	89,178,355	432,939,998
No adjusted gross income	†	†	†	†	*75	*157	—	—	1,171	35,529	5,961	102,251
\$1 under \$5,000	—	—	†	†	—	—	—	—	4,990,881	560,265	4,990,882	564,320
\$5,000 under \$10,000	—	—	10,293	358	*2,865	*478	—	—	9,323,820	3,582,821	9,324,913	3,584,847
\$10,000 under \$15,000	—	—	19,720	2,706	*7,037	*2,171	*3,014	*151	10,642,063	9,322,358	10,643,030	9,323,866
\$15,000 under \$20,000	—	—	25,409	3,755	13,663	8,179	—	—	11,058,593	15,284,643	11,058,757	15,295,442
\$20,000 under \$25,000	—	—	29,846	9,514	13,751	10,534	—	—	9,173,777	18,192,386	9,173,782	18,193,167
\$25,000 under \$30,000	†	†	23,694	4,036	17,909	10,153	*2,272	*54	7,541,135	20,714,933	7,541,919	20,726,836
\$30,000 under \$40,000	—	—	55,782	25,048	30,619	35,142	*2,426	*110	12,046,275	45,588,526	12,046,515	45,597,597
\$40,000 under \$50,000	**4,965	**2,414	61,013	12,858	22,828	42,442	*5,297	*2,437	8,558,417	44,013,965	8,560,180	44,034,240
\$50,000 under \$75,000	**	**	98,594	64,744	32,011	37,341	*2,331	*1,568	9,903,386	81,195,853	9,905,916	81,250,313
\$75,000 under \$100,000	*1,356	*2,897	80,121	135,618	35,406	62,073	*1,129	*196	3,052,872	42,632,646	3,053,791	42,671,702
\$100,000 under \$200,000	11,716	29,184	109,948	255,899	32,949	76,231	3,148	3,274	2,085,957	54,321,970	2,087,727	54,471,932
\$200,000 under \$500,000	13,767	82,802	65,184	282,295	18,330	56,156	4,423	12,057	611,615	41,468,925	611,980	41,631,082
\$500,000 under \$1,000,000	**6,869	**131,860	19,644	157,656	**10,957	**132,922	†	†	115,343	18,759,023	115,492	18,882,584
\$1,000,000 or more	**	**	13,401	292,523	**	**	†	†	57,441	36,435,162	57,510	36,609,819
Nontaxable returns, total	282	3,227	21,420	64,673	94,019	119,214	6	552	—	—	—	—

Footnote(s) at end of table.

Table 3.3—All Returns: Tax Liability, Tax Credits and Taxpayments, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Alternative minimum tax		All other taxes									
	Number of returns	Amount	Total		Tax from recomputing prior-year investment credit		Penalty tax on qualified retirement plans		Self-employment tax		Social security taxes on tip income	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
All returns, total	117,483	830,994	13,603,948	19,512,148	121,380	91,608	2,080,968	975,572	11,587,550	18,403,176	158,652	20,876
No adjusted gross income	4,820	66,722	150,484	173,260	3,100	832	13,290	19,998	135,456	152,428	*3	()
\$1 under \$5,000	*7,544	*4,056	948,762	343,799	*3,326	*3,071	20,475	4,815	914,115	334,946	16,280	968
\$5,000 under \$10,000	*2,601	*2,026	1,384,636	946,225	*1,358	*45	60,030	14,371	1,308,666	928,342	29,992	3,467
\$10,000 under \$15,000	*1,036	*1,507	1,352,730	1,223,646	*1,560	*230	112,109	24,309	1,223,976	1,194,558	33,155	4,548
\$15,000 under \$20,000	*1,350	*10,799	1,263,295	1,332,727	**10,341	**1,067	156,303	32,722	1,105,730	1,294,662	23,964	4,681
\$20,000 under \$25,000	*381	*782	1,120,933	1,314,891	**	**	152,923	27,374	964,658	1,284,680	16,429	2,432
\$25,000 under \$30,000	*2,307	*11,903	1,043,610	1,253,630	*9,367	*1,251	175,983	49,505	868,007	1,200,432	*13,415	*2,442
\$30,000 under \$40,000	4,286	9,071	1,752,106	2,403,406	10,668	1,548	381,530	165,184	1,412,064	2,235,926	*7,912	*749
\$40,000 under \$50,000	4,216	20,275	1,412,159	2,295,296	*5,770	*360	320,004	120,332	1,129,645	2,173,912	*9,430	*690
\$50,000 under \$75,000	19,138	54,460	1,792,871	3,550,822	**31,923	**8,366	451,500	205,217	1,380,792	3,339,889	*4,803	*509
\$75,000 under \$100,000	15,461	39,056	627,800	1,708,900	**	**	146,936	139,365	492,959	1,566,147	*2,258	*229
\$100,000 under \$200,000	30,316	149,962	534,381	2,010,997	15,459	10,889	68,688	94,927	465,610	1,904,871	**1,011	**161
\$200,000 under \$500,000	16,374	162,157	173,746	707,029	17,350	9,677	18,305	56,519	149,386	640,735	**	**
\$500,000 under \$1,000,000	4,927	123,560	29,652	126,136	5,827	7,080	**2,893	**20,932	24,171	104,820	—	—
\$1,000,000 or more	2,728	174,658	16,784	121,386	5,329	47,192	**	**	12,314	46,829	—	—
Taxable returns, total	117,483	830,994	11,026,443	17,513,064	114,202	85,201	1,941,112	911,762	9,152,617	16,477,648	125,791	17,554
No adjusted gross income	4,820	66,722	889	3,561	54	76	38	398	814	3,086	—	—
\$1 under \$5,000	*7,544	*4,056	89,693	19,470	—	—	—	—	85,172	19,237	*4,521	*232
\$5,000 under \$10,000	*2,601	*2,026	613,476	398,951	*1,358	*45	23,818	2,909	575,798	394,422	17,936	1,575
\$10,000 under \$15,000	*1,036	*1,507	830,613	728,979	*1,560	*230	73,041	14,935	740,312	709,960	24,113	3,854
\$15,000 under \$20,000	*1,350	*10,799	1,098,043	1,125,220	**10,337	**1,065	140,241	25,691	948,780	1,094,186	23,964	4,681
\$20,000 under \$25,000	*381	*782	1,076,799	1,228,352	**	**	150,714	27,232	922,735	1,198,284	16,429	2,432
\$25,000 under \$30,000	*2,307	*11,903	1,016,921	1,193,227	*9,367	*1,251	173,059	47,461	844,242	1,142,073	*13,415	*2,442
\$30,000 under \$40,000	4,286	9,071	1,729,147	2,336,417	9,955	1,063	375,519	160,928	1,394,207	2,173,677	*7,912	*749
\$40,000 under \$50,000	4,216	20,275	1,405,691	2,279,330	*5,770	*360	318,280	118,091	1,124,900	2,160,188	*9,430	*690
\$50,000 under \$75,000	19,138	54,460	1,785,942	3,534,723	**31,900	**6,403	449,631	202,569	1,374,255	3,328,400	*4,803	*509
\$75,000 under \$100,000	15,461	39,056	625,991	1,703,712	**	**	146,912	139,357	491,175	1,560,968	*2,258	*229
\$100,000 under \$200,000	30,316	149,962	533,401	2,007,935	15,435	10,883	68,688	94,927	464,654	1,901,815	**1,011	**161
\$200,000 under \$500,000	16,374	162,157	173,469	705,983	17,324	9,600	18,284	56,375	149,142	639,915	**	**
\$500,000 under \$1,000,000	4,927	123,560	29,604	125,912	5,819	7,047	**2,887	**20,888	24,132	104,673	—	—
\$1,000,000 or more	2,728	174,658	16,765	121,294	5,323	47,177	**	**	12,300	46,764	—	—
Nontaxable returns, total	—	—	2,577,505	1,999,084	7,178	6,407	139,856	63,810	2,434,933	1,925,528	32,860	3,322

Footnote(s) at end of table.

Table 3.3—All Returns: Tax Liability, Tax Credits and Taxpayments, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Earned income credit used to offset other taxes		Number of returns without tax liability	Taxpayments							
	Number of returns	Amount		Total		Income tax withheld		Estimated taxpayments		Payment with request for extension of filing time	
				Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
All returns, total	1,262,730	580,343	21,070,323	102,992,534	468,984,636	95,828,144	362,405,397	12,660,900	88,108,845	1,286,619	17,416,394
No adjusted gross income	43,430	15,456	697,564	378,771	1,152,148	249,893	589,021	97,344	422,144	24,812	119,908
\$1 under \$5,000	194,343	67,480	11,103,637	12,994,735	2,859,871	12,623,584	2,614,345	330,760	214,095	61,150	24,753
\$5,000 under \$10,000	458,901	275,544	5,215,281	12,358,770	8,076,117	11,581,626	7,253,676	869,671	694,084	70,430	117,729
\$10,000 under \$15,000	441,434	199,733	3,291,833	13,050,870	15,424,008	11,832,954	13,700,743	1,490,063	1,616,837	79,151	92,190
\$15,000 under \$20,000	124,623	22,129	531,918	11,343,161	20,813,855	10,363,180	18,471,448	1,430,886	2,203,171	69,160	113,312
\$20,000 under \$25,000	—	—	114,385	9,129,162	23,347,858	8,415,331	20,835,960	1,152,975	2,415,906	58,097	84,980
\$25,000 under \$30,000	—	—	46,516	7,504,662	25,257,533	7,046,913	22,836,367	910,422	2,278,750	52,089	134,551
\$30,000 under \$40,000	—	—	30,895	11,973,175	53,952,807	11,268,865	48,484,549	1,487,466	5,151,268	124,347	297,207
\$40,000 under \$50,000	—	—	23,623	8,515,207	50,485,475	8,032,563	44,821,937	1,196,600	5,374,921	90,310	272,910
\$50,000 under \$75,000	—	—	8,497	9,860,609	86,692,430	9,261,628	74,873,112	1,661,759	10,900,285	192,813	748,372
\$75,000 under \$100,000	—	—	3,787	3,029,579	42,687,214	2,755,480	33,693,399	784,950	8,109,647	125,155	673,989
\$100,000 under \$200,000	—	—	1,651	2,073,497	51,446,332	1,765,729	34,554,080	815,247	14,672,356	181,762	1,931,085
\$200,000 under \$500,000	—	—	557	608,039	37,997,061	491,913	21,726,194	318,133	13,224,974	107,264	2,897,428
\$500,000 under \$1,000,000	—	—	106	114,979	16,975,072	92,591	8,563,350	71,789	6,447,741	29,521	1,919,337
\$1,000,000 or more	—	—	74	31,796,854	45,895	9,387,216	42,833	14,382,667	20,559	7,988,645	
Taxable returns, total	*21	*18	—	84,955,606	459,282,897	78,658,299	354,427,706	11,829,849	86,683,236	1,162,070	17,190,865
No adjusted gross income	*21	*18	—	4,928	124,829	3,153	25,053	1,937	46,124	1,469	51,891
\$1 under \$5,000	—	—	—	3,610,733	905,536	3,486,938	843,850	128,175	53,735	28,634	7,832
\$5,000 under \$10,000	—	—	—	8,156,748	5,944,687	7,635,052	5,428,354	610,603	432,198	48,417	82,467
\$10,000 under \$15,000	—	—	—	9,839,430	12,487,134	8,746,263	11,009,736	1,347,049	1,402,913	53,340	66,659
\$15,000 under \$20,000	—	—	—	10,745,789	20,080,774	9,820,376	17,887,341	1,362,265	2,067,807	64,823	104,705
\$20,000 under \$25,000	—	—	—	9,006,587	23,084,193	8,315,456	20,634,749	1,131,639	2,369,938	50,940	69,164
\$25,000 under \$30,000	—	—	—	7,443,133	25,112,304	6,996,778	22,738,820	899,339	2,243,723	48,889	123,151
\$30,000 under \$40,000	—	—	—	11,935,128	53,817,485	11,242,138	48,408,305	1,477,250	5,099,591	122,655	292,970
\$40,000 under \$50,000	—	—	—	8,489,191	50,321,032	8,012,063	44,741,133	1,185,621	5,312,325	88,886	252,185
\$50,000 under \$75,000	—	—	—	9,846,608	86,613,810	9,253,326	74,838,689	1,654,188	10,866,891	190,479	738,025
\$75,000 under \$100,000	—	—	—	3,026,383	42,661,701	2,752,634	33,675,620	784,648	8,102,847	125,061	673,090
\$100,000 under \$200,000	—	—	—	2,071,442	51,403,647	1,764,262	34,532,833	814,849	14,655,448	181,266	1,926,730
\$200,000 under \$500,000	—	—	—	607,399	37,974,048	491,496	21,717,398	317,790	13,212,564	107,162	2,895,714
\$500,000 under \$1,000,000	—	—	—	114,856	16,966,003	92,516	8,560,416	71,705	6,442,926	29,506	1,918,196
\$1,000,000 or more	—	—	—	57,250	31,785,714	45,848	9,385,411	42,792	14,374,208	20,546	7,988,089
Nontaxable returns, total	1,262,709	580,326	21,070,323	18,036,928	9,681,739	17,169,845	7,977,690	831,051	1,425,610	124,548	225,529

Footnote(s) at end of table.

Table 3.3—All Returns: Tax Liability, Tax Credits and Taxpayments, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Taxpayments—Continued						Earned income credit, refundable portion	
	Excess social security taxes withheld		Credit for Federal tax on gasoline and special fuels		Credit from regulated investment companies		Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		
	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)
All returns, total	932,845	844,233	751,328	141,777	78,141	47,712	8,277,047	4,635,516
No adjusted gross income	2,982	3,407	55,852	17,405	2,139	125	57,661	19,177
\$1 under \$5,000	*2,219	*355	52,664	5,414	*3,014	*909	1,873,357	670,566
\$5,000 under \$10,000	—	—	69,691	10,612	*1,507	*17	3,068,634	2,394,869
\$10,000 under \$15,000	*125	*61	73,504	14,017	*982	*160	2,868,241	1,475,286
\$15,000 under \$20,000	**1,431	**226	94,201	25,601	*2,717	*118	409,154	75,617
\$20,000 under \$25,000	**	**	70,788	10,438	*3,950	*553	—	—
\$25,000 under \$30,000	*3,588	*410	56,615	6,965	*6,643	*490	—	—
\$30,000 under \$40,000	5,585	2,415	**165,142	**23,023	*4,286	*2,669	—	—
\$40,000 under \$50,000	36,972	6,206	**	**	*4,196	*1,178	—	—
\$50,000 under \$75,000	355,658	158,804	62,954	8,786	17,329	3,071	—	—
\$75,000 under \$100,000	235,763	189,420	24,175	6,571	**24,033	**17,344	—	—
\$100,000 under \$200,000	205,385	281,017	18,451	4,639	**	**	—	—
\$200,000 under \$500,000	60,942	135,717	**6,309	**6,458	5,233	7,026	—	—
\$500,000 under \$1,000,000	14,474	38,475	**	**	†	†	—	—
\$1,000,000 or more	7,722	27,721	981	1,847	†	†	—	—
Taxable returns, total	924,650	839,067	519,700	95,719	71,234	46,300	—	—
No adjusted gross income	88	257	147	1,505	**	**	—	—
\$1 under \$5,000	—	—	—	—	**1,508	**119	—	—
\$5,000 under \$10,000	—	—	15,759	1,652	*1,507	*17	—	—
\$10,000 under \$15,000	*53	*32	39,991	7,770	*68	*25	—	—
\$15,000 under \$20,000	**1,360	**108	75,180	20,727	*1,358	*109	—	—
\$20,000 under \$25,000	**	**	65,709	9,768	*3,950	*553	—	—
\$25,000 under \$30,000	*3,516	*313	50,085	5,808	*6,643	*490	—	—
\$30,000 under \$40,000	*4,730	*1,591	**160,176	**20,698	*3,373	*2,653	—	—
\$40,000 under \$50,000	35,248	5,888	**	**	*4,196	*1,178	—	—
\$50,000 under \$75,000	355,589	158,754	62,830	8,380	17,329	3,071	—	—
\$75,000 under \$100,000	235,763	189,420	24,175	6,571	**23,961	**17,310	—	—
\$100,000 under \$200,000	205,226	280,933	18,374	4,549	**	**	—	—
\$200,000 under \$500,000	60,901	135,631	**6,299	**6,448	5,229	7,024	—	—
\$500,000 under \$1,000,000	14,458	38,435	**	**	†	†	—	—
\$1,000,000 or more	7,717	27,706	976	1,842	†	†	—	—
Nontaxable returns, total	8,195	5,167	231,627	46,058	6,907	1,412	8,277,047	4,635,516

Footnote(s) at end of table.

Table 3.3—All Returns: Tax Liability, Tax Credits and Taxpayments, by Size of Adjusted Gross Income—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Overpayment						Tax due at time of filing		Predetermined estimated tax penalty	
	Total		Refunded		Credited to 1990 estimated tax		Number of returns	Amount	Number of returns	Amount
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount				
	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)
All returns, total	80,908,202	81,252,232	78,271,544	71,735,083	3,753,154	9,517,149	28,044,448	60,156,928	3,569,721	631,371
No adjusted gross income	367,036	1,029,144	330,195	849,814	50,593	179,331	78,546	119,563	17,463	1,672
\$1 under \$5,000	12,696,405	3,126,210	12,630,031	3,077,851	116,032	48,358	2,510,821	438,115	45,621	1,702
\$5,000 under \$10,000	11,473,704	7,156,422	11,278,854	7,007,707	290,219	148,715	2,666,459	949,534	168,895	7,817
\$10,000 under \$15,000	11,073,964	8,136,286	10,782,556	7,907,552	435,320	228,734	3,029,552	1,602,443	305,793	17,361
\$15,000 under \$20,000	8,916,765	6,170,536	8,658,551	5,926,435	374,607	244,101	2,771,598	1,911,711	324,393	24,018
\$20,000 under \$25,000	7,162,200	5,710,288	6,914,306	5,467,061	330,247	243,227	2,131,433	1,900,836	304,489	30,347
\$25,000 under \$30,000	5,543,927	5,275,279	5,357,955	5,072,859	263,833	202,420	2,058,406	2,025,983	258,060	27,772
\$30,000 under \$40,000	8,880,336	10,309,737	8,584,429	9,792,839	417,680	516,898	3,192,165	4,408,512	436,371	50,581
\$40,000 under \$50,000	6,017,499	8,290,482	5,782,379	7,812,795	328,593	477,687	2,556,412	4,184,620	**1,024,912	**151,851
\$50,000 under \$75,000	5,954,527	10,490,987	5,620,818	9,601,125	469,415	889,862	**5,434,505	**14,348,436	**	**
\$75,000 under \$100,000	1,571,169	3,890,902	1,405,083	3,186,861	249,645	704,040	**	**	277,453	62,682
\$100,000 under \$200,000	912,873	4,419,553	729,283	3,149,326	251,225	1,270,227	1,169,116	9,569,178	270,301	113,028
\$200,000 under \$500,000	256,008	2,969,652	160,231	1,562,865	121,447	1,406,787	354,696	7,391,434	107,571	80,733
\$500,000 under \$1,000,000	53,586	1,367,994	27,642	578,801	31,991	789,193	61,549	3,434,076	18,888	32,435
\$1,000,000 or more	28,204	2,908,760	9,233	741,191	22,307	2,167,569	29,190	7,872,485	9,511	29,373
Taxable returns, total	62,281,142	67,551,288	59,844,131	58,499,252	3,429,080	9,052,036	26,745,508	59,341,846	3,413,511	619,803
No adjusted gross income	3,178	52,515	2,871	38,059	1,660	14,456	1,867	33,751	359	254
\$1 under \$5,000	3,007,902	587,333	2,986,803	580,329	42,056	7,004	1,966,841	266,420	26,681	833
\$5,000 under \$10,000	6,981,289	2,743,314	6,845,694	2,676,309	192,869	67,005	2,323,629	788,008	122,719	5,584
\$10,000 under \$15,000	7,797,903	3,853,991	7,540,282	3,693,858	377,883	160,133	2,828,460	1,434,614	269,065	14,913
\$15,000 under \$20,000	8,345,136	5,450,800	8,096,364	5,230,323	352,528	220,476	2,693,806	1,813,330	303,285	22,053
\$20,000 under \$25,000	7,050,835	5,492,338	6,811,452	5,275,439	320,012	216,899	2,108,611	1,859,241	298,883	29,577
\$25,000 under \$30,000	5,491,195	5,153,764	5,307,170	4,959,485	260,058	194,279	2,044,377	1,988,872	254,823	27,349
\$30,000 under \$40,000	8,853,272	10,202,909	8,557,457	9,690,320	414,983	512,589	3,176,324	4,368,834	430,667	49,397
\$40,000 under \$50,000	5,992,899	8,138,367	5,758,979	7,684,026	325,301	454,340	2,554,290	4,180,829	**1,023,761	**151,697
\$50,000 under \$75,000	5,941,726	10,421,117	5,610,838	9,533,892	466,201	887,226	**5,432,841	**14,341,082	**	**
\$75,000 under \$100,000	1,567,973	3,870,571	1,402,094	3,170,288	249,366	700,283	**	**	277,453	62,682
\$100,000 under \$200,000	910,820	4,380,007	727,628	3,115,717	250,708	1,264,291	1,169,113	9,569,170	269,909	112,943
\$200,000 under \$500,000	255,406	2,947,501	159,764	1,545,187	121,222	1,402,314	354,629	7,391,237	107,518	80,719
\$500,000 under \$1,000,000	53,469	1,359,069	27,547	571,238	31,952	787,831	61,536	3,433,993	18,881	32,432
\$1,000,000 or more	28,140	2,897,693	9,187	734,783	22,280	2,162,910	29,183	7,872,464	9,506	29,371
Nontaxable returns, total	18,627,059	13,700,944	18,427,413	13,235,831	324,074	465,113	1,298,940	815,082	156,210	11,568

* Estimate should be used with caution because of the small number of sample returns on which it is based.
 † Data deleted to avoid disclosure of information for specific taxpayers. Deleted data are included in the appropriate totals.
 ** Data combined to avoid disclosure of information for specific taxpayers.
 () Less than \$500.
 NOTE: Detail may not add to totals because of rounding.

Table 3.4—Returns with Modified Taxable Income: Tax Classified by Both the Marginal Rate and Each Rate at Which Tax Was Computed

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Tax rate classes	All returns											
	Classified by the highest marginal rate at which tax was computed									Classified by each rate at which tax was computed		
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of				
Adjusted gross income								Modified taxable income				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
All tax rates	92,211,584	3,199,434,253	2,177,433,197	1,367,570,697	436,431,173	299,240,398	432,028,341	13.5	19.8	92,211,584	2,177,433,197	436,461,520
15 percent (Form 8814)	6,929	- 121,153	4,553	4,553	685	685	436	(1)	9.6	118,127	68,653	10,301
15 percent	64,823,867	1,263,193,018	676,341,280	676,319,020	101,420,116	101,447,853	98,407,588	7.8	14.5	91,472,466	1,365,027,058	204,754,059
28 percent	23,111,722	1,181,277,573	871,952,773	268,550,771	165,704,644	75,194,216	165,537,375	14.0	19.0	26,299,751	389,641,132	109,099,517
33 percent ¹	3,188,030	366,926,905	291,151,511	84,898,453	74,696,124	28,016,490	74,357,785	20.3	25.5	3,188,030	84,898,453	28,016,490
28 percent ¹	729,455	386,753,400	336,779,614	336,776,419	94,297,877	94,297,397	93,395,351	24.1	27.7	729,455	336,776,419	94,297,397
Form 8615	351,582	1,404,509	1,203,466	1,021,481	311,726	283,757	329,807	23.5	27.4	351,582	1,021,481	283,757
Tax rate classes	Joint returns and returns of surviving spouses											
	Classified by the highest marginal rate at which tax was computed									Classified by each rate at which tax was computed		
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of				
Adjusted gross income								Modified taxable income				
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
All tax rates	42,507,029	2,197,805,595	1,505,244,154	924,059,396	309,051,391	209,968,653	306,210,477	13.9	20.3	42,507,029	1,505,244,154	309,063,715
15 percent (Form 8814)	4,057	- 118,663	3,678	3,678	554	554	418	(1)	11.4	100,042	60,886	9,137
15 percent	26,174,985	757,311,370	400,378,045	400,360,719	60,044,151	60,054,108	58,686,174	7.7	14.7	41,989,384	889,816,364	133,472,455
28 percent	13,726,201	851,346,479	615,740,799	190,886,939	117,176,645	53,448,343	116,565,660	13.7	18.9	15,814,399	282,558,844	79,116,476
33 percent ¹	2,088,198	282,381,788	221,898,298	65,587,821	57,007,911	21,643,981	56,778,254	20.1	25.6	2,088,198	65,587,821	21,643,981
28 percent ¹	513,587	306,884,621	267,223,335	267,220,239	74,822,131	74,821,667	74,179,971	24.2	27.8	513,587	267,220,239	74,821,667
Form 8615	—	—	—	—	—	—	—	—	—	—	—	—
Tax rate classes	Separate returns of husbands and wives											
	Classified by the highest marginal rate at which tax was computed									Classified by each rate at which tax was computed		
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of				
Adjusted gross income								Modified taxable income				
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	
All tax rates	1,786,665	48,094,237	34,019,136	22,291,877	7,238,969	5,207,507	7,152,710	14.9	21.0	1,786,665	34,019,136	7,239,961
15 percent (Form 8814)	..	..	..	..	..	..	..	..	..	..	*1,732	*64
15 percent	**1,154,104	**16,035,832	**8,794,966	**8,794,965	**1,318,710	**1,319,244	**1,325,152	**8.3	**15.1	1,776,035	18,419,354	2,762,903
28 percent	526,132	16,640,675	12,264,614	4,122,667	2,375,251	1,154,347	2,363,406	14.2	19.3	621,932	6,225,472	1,743,132
33 percent ¹	95,800	7,139,867	5,767,851	2,182,544	1,531,331	720,240	1,518,474	21.3	26.3	95,800	2,182,544	720,240
28 percent ¹	10,629	8,277,863	7,191,705	7,191,701	2,013,677	2,013,676	1,945,678	23.5	27.1	10,629	7,191,701	2,013,676
Form 8615	—	—	—	—	—	—	—	—	—	—	—	—

Footnote(s) at end of table.

Table 3.4—Returns with Modified Taxable Income: Tax Classified by Both the Marginal Rate and Each Rate at Which Tax Was Computed—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Tax rate classes	Returns of heads of households											
	Classified by the highest marginal rate at which tax was computed								Classified by each rate at which tax was computed			
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of				
(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	
							Adjusted gross income	Modified taxable income				
All tax rates	8,214,230	193,863,734	108,717,603	80,551,103	18,855,144	14,295,404	17,103,047	8.8	15.7	8,214,230	108,717,603	18,858,560
15 percent (Form 8814)	*1,511	*717	*756	756	*113	113	*(?)	*(?)	*(?)	14,992	7,584	1,137
15 percent	7,166,637	135,218,649	64,112,105	64,107,171	9,613,367	9,616,076	7,952,404	5.9	12.4	8,195,139	89,665,443	13,449,816
28 percent	962,393	43,559,660	32,079,300	8,162,393	5,873,039	2,285,470	5,824,096	13.4	18.2	1,028,502	10,763,793	3,013,862
33 percent ¹	66,109	7,326,560	5,747,083	1,502,517	1,470,696	495,831	1,461,454	19.9	25.4	66,109	1,502,517	495,831
28 percent ¹	17,580	7,758,148	6,778,359	6,778,265	1,897,929	1,897,914	1,865,092	24.0	27.5	17,580	6,778,265	1,897,914
Form 8615	—	—	—	—	—	—	—	—	—	—	—	—
Tax rate classes	Returns of single persons											
	Classified by the highest marginal rate at which tax was computed								Classified by each rate at which tax was computed			
	Number of returns	Adjusted gross income	Modified taxable income		Tax generated		Income tax after credits			Number of returns	Income taxed at rate	Income tax generated at rate
			At all rates	At marginal rate	At all rates	At marginal rate	Total	As a percentage of				
(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	
							Adjusted gross income	Modified taxable income				
All tax rates	39,703,659	759,670,687	529,452,303	340,668,319	101,285,669	69,768,834	101,562,108	13.4	19.2	39,703,659	529,452,303	101,299,284
15 percent (Form 8814)	**	**	**	**	**	**	**	**	**	*1,360	*118	*18
15 percent	**30,329,500	**354,623,962	**203,056,283	**203,056,283	**30,458,443	**30,458,443	30,443,877	**8.6	**15.0	39,511,908	367,125,897	55,068,885
28 percent	7,896,997	269,730,759	211,868,060	65,378,772	40,279,709	18,306,056	40,784,213	15.1	19.2	8,834,919	90,093,023	25,226,046
33 percent ¹	937,922	70,078,690	57,738,279	15,625,571	14,686,187	5,156,438	14,599,603	20.8	25.3	937,922	15,625,571	5,156,438
28 percent ¹	187,658	63,832,768	55,586,215	55,586,214	15,564,140	15,564,140	15,404,609	24.1	27.7	187,658	55,586,214	15,564,140
Form 8615	351,582	1,404,509	1,203,466	1,021,481	311,726	283,757	329,807	23.5	27.4	351,582	1,021,481	283,757

* Estimate should be used with caution because of the small number of sample returns on which it is based.

(1) Percentage not computed.

(2) Less than \$500.

(3) Less than 0.05 percent.

** Data combined to avoid disclosure of information for specific taxpayers.

¹ For 1989, the tax rate schedules contained only two basic rates: 15 percent and 28 percent. However, taxable income over certain levels was subject to an additional 5 percent tax, creating a temporary 33 percent marginal rate. The purpose behind this was to phase out the benefit of the 15 percent rate and the benefit of the deduction for personal exemptions for taxpayers and dependents. After these benefits were phased out, the marginal tax rate returned to 28 percent; the average tax rate was also 28 percent.

NOTE: Detail may not add to totals because of rounding.

Table 3.5—Returns with Modified Taxable Income: Tax Generated by Rate and by Size of Adjusted Gross Income

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Number of returns with modified taxable income	Taxable income	Modified taxable income	Tax generated at all rates	Tax generated at specified rate					
					15 Percent (from Form 8814)			15 Percent		
					Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Total	92,211,584	2,173,345,607	2,177,433,197	436,431,173	118,127	68,653	10,301	91,472,466	1,365,027,058	204,754,059
Under \$2,000	1,901,787	657,726	658,799	106,413	1,605	254	38	1,900,181	590,036	88,505
\$2,000 under \$4,000	2,148,866	1,398,650	1,403,211	226,075	*1,515	*758	*114	2,147,351	1,242,386	186,358
\$4,000 under \$6,000	2,789,622	3,477,958	3,473,458	531,678	*1,507	*1,914	*288	2,788,115	3,376,808	506,521
\$6,000 under \$8,000	4,000,530	8,319,790	8,300,702	1,259,760	—	—	—	4,000,530	8,163,861	1,224,579
\$8,000 under \$10,000	3,988,253	13,660,363	13,636,822	2,057,196	—	—	—	3,988,253	13,542,126	2,031,319
\$10,000 under \$12,000	5,002,772	21,653,514	21,632,159	3,246,164	*913	*457	*68	5,001,859	21,587,189	3,238,078
\$12,000 under \$14,000	5,255,305	30,064,596	30,045,504	4,507,842	—	—	—	5,255,305	30,015,547	4,502,332
\$14,000 under \$16,000	4,833,886	35,498,553	35,478,845	5,319,472	*1,358	*1,152	*174	4,832,527	35,477,693	5,321,654
\$16,000 under \$18,000	4,673,038	41,875,045	41,842,930	6,274,210	—	—	—	4,673,038	41,842,930	6,276,440
\$18,000 under \$20,000	4,379,375	46,542,828	46,520,586	6,980,469	*3,014	*1,878	*282	4,379,375	46,484,570	6,972,685
\$20,000 under \$25,000	9,215,631	122,363,183	122,347,800	18,436,508	*6,964	*3,227	*485	9,215,631	121,669,950	18,250,493
\$25,000 under \$30,000	7,560,712	131,904,440	131,912,855	20,914,418	*2,866	*1,201	*180	7,559,204	123,271,452	18,490,718
\$30,000 under \$40,000	12,062,779	278,320,160	278,350,440	45,652,790	*13,106	*7,732	*1,159	12,062,779	248,309,841	37,246,476
\$40,000 under \$50,000	8,566,122	263,107,712	263,170,933	44,319,430	15,611	8,836	1,325	8,566,122	225,897,799	33,884,670
\$50,000 under \$75,000	9,906,175	424,581,970	424,699,354	81,575,413	31,668	17,433	2,616	9,906,175	289,014,823	43,352,223
\$75,000 under \$100,000	3,055,245	193,047,596	193,148,326	42,800,332	12,060	9,006	1,350	3,054,116	90,269,179	13,540,377
\$100,000 under \$200,000	2,086,857	212,184,703	212,528,061	54,629,213	16,972	8,177	1,227	1,975,757	59,181,617	8,877,243
\$200,000 under \$500,000	611,757	146,390,252	148,944,159	41,780,219	7,330	5,606	841	165,358	5,067,640	760,146
\$500,000 under \$1,000,000	115,396	66,881,786	67,568,223	18,918,235	1,102	686	103	670	18,132	2,720
\$1,000,000 or more	57,476	131,414,782	131,770,029	36,895,335	535	338	51	118	3,479	522

Size of adjusted gross income	Tax generated at specified rate—Continued											
	28 Percent			33 Percent ¹			28 Percent ¹			Form 8815		
	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate	Number of returns	Income taxed at rate	Tax generated at rate
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	
Total	26,299,751	389,641,132	109,099,517	3,188,030	84,898,453	28,016,490	729,455	336,776,419	94,297,397	351,582	1,021,481	283,757
Under \$2,000	—	—	—	—	—	—	—	—	—	177,016	68,510	18,349
\$2,000 under \$4,000	—	—	—	—	—	—	—	—	—	97,226	160,068	40,411
\$4,000 under \$6,000	—	—	—	—	—	—	—	—	—	24,421	94,736	26,109
\$6,000 under \$8,000	—	—	—	—	—	—	—	—	—	23,791	136,841	37,004
\$8,000 under \$10,000	—	—	—	—	—	—	—	—	—	*12,056	*94,695	*27,826
\$10,000 under \$12,000	—	—	—	—	—	—	—	—	—	*4,521	*44,514	*10,387
\$12,000 under \$14,000	—	—	—	—	—	—	—	—	—	*2,443	*29,957	*8,003
\$14,000 under \$16,000	—	—	—	—	—	—	—	—	—	—	—	—
\$16,000 under \$18,000	—	—	—	—	—	—	—	—	—	—	—	—
\$18,000 under \$20,000	*7,387	*6,521	*1,826	—	—	—	—	—	—	*1,507	*27,618	*7,734
\$20,000 under \$25,000	797,290	612,086	171,384	—	—	—	—	—	—	*3,014	*62,537	*18,247
\$25,000 under \$30,000	2,510,248	8,600,978	2,408,274	—	—	—	—	—	—	*1,507	*39,224	*17,681
\$30,000 under \$40,000	3,683,792	29,981,192	8,394,734	—	—	—	—	—	—	*1,724	*51,674	*14,491
\$40,000 under \$50,000	4,934,874	37,241,512	10,427,623	18,025	22,786	7,519	—	—	—	—	—	—
\$50,000 under \$75,000	9,208,855	130,986,955	36,676,347	616,015	4,680,144	1,544,447	—	—	—	—	—	—
\$75,000 under \$100,000	3,024,109	93,572,571	26,200,320	658,360	9,118,340	3,009,052	—	—	—	*2,258	*179,231	*49,235
\$100,000 under \$200,000	1,968,566	81,526,620	22,827,453	1,734,887	56,327,497	18,588,074	111,028	15,470,698	4,331,795	*72	*13,453	*3,426
\$200,000 under \$500,000	163,889	7,085,047	1,983,813	160,099	14,707,565	4,853,496	446,371	122,078,301	34,181,924	—	—	—
\$500,000 under \$1,000,000	636	23,329	6,532	**644	**42,121	**13,900	114,701	67,473,877	18,892,686	**25	**18,424	**4,855
\$1,000,000 or more	107	4,322	1,210	**	**	**	57,355	131,753,543	36,890,992	**	**	**

* Estimate should be used with caution because of the small number of sample returns on which it is based.
 ** Data combined to avoid disclosure of information for specific taxpayers.
¹ For 1989, the tax rate schedules contained only two basic rates: 15 percent and 28 percent. However, taxable income over certain levels was subject to an additional 5 percent tax, creating a temporary 33 percent marginal rate. The purpose behind this was to phase out the benefit of the 15 percent rate and the benefit of the deduction for personal exemptions for taxpayers and dependents. After these benefits were phased out, the marginal tax rate reverted to 28 percent; the average tax rate was also 28 percent.
 NOTE: Detail may not add to totals because of rounding.

Section 4

Explanation of Terms

The Explanation of Terms is designed to clarify the statistical content of this report and should not be construed as an interpretation of the Internal Revenue Code, related regulations, procedures, or policies.

The definitions and explanations in this section relate to column or stub titles used in one or more tables in this report. They provide background or limitations to such titles and are necessary to interpret the statistical tables to which they relate. For each of these titles, the line number of the tax form on which it is reported appears after the title. **Definitions marked with the symbol ▲ have been revised for 1989 to reflect changes in the law.**

Further information about many of the items in this report can be found in Section 5, *1989 Forms and Instructions*.

Adjusted Gross Income Less Deficit ▲ (line 31, Form 1040)

Income that had to be reported for the calculation of total income (line 23, Form 1040) and of adjusted gross income included the following:

- Compensation for services, including wages, salaries, fees, commissions, tips, fringe benefits, and similar items;
- Net income derived from a business, profession, or farm;
- Net gains from the sale of property;

- Taxable interest received;
- Rents and royalties;
- Dividends and capital gains distributions;
- Alimony and separate maintenance payments;
- Taxable amounts of annuities, pensions, and individual retirement arrangement (IRA) distributions;
- Distributive share of partnership income;
- Income from an estate or trust;
- Bartering income;
- Amounts received that were claimed as a deduction or credit in a prior year;
- Gambling winnings;
- Prizes and awards;
- Taxable amounts of social security payments;
- All unemployment compensation; and
- Recoveries (including state income tax refunds)

Some reported income was fully or partially excluded from total income for 1989. The following is a list of such items:

- Exclusion of the cost basis of pension, annuity, or IRA payments or distributions;
- Tax-exempt interest;
- Limited exclusion of social security benefits and railroad retirement benefits;
- Limited exclusion of qualified foreign earned income; and
- One-time exclusion of part or all of the gain from sale of principal residence by individuals who are 55 years of age or older.

From total income, the following Statutory Adjustments (lines 24 through 29 on Form 1040) were subtracted to arrive at adjusted gross income (line 31); a deficit occurred if the allowable exclusions and deductions exceeded gross income, i.e., the amount on line 30 was greater than the amount on line 23:

- Reimbursed employee business expenses that were included in reported income;
- Contributions to self-employed retirement plans (Keogh or simplified employee pension (SEP)) and to individual retirement arrangements (IRAs) by eligible persons;
- Forfeited interest penalties incurred by persons who made premature withdrawals of funds from time savings accounts;
- Alimony payments;
- Self-employed health insurance deduction;
- Forestation or reforestation expenses;
- Foreign housing exclusion;
- Repayments of supplemental unemployment compensation; and
- Certain expenses of qualified performing artists.

Adjustments

See "Statutory Adjustments."

Advance Earned Income Credit Payments (included in the total on line 53, Form 1040)

Taxpayers who believed they would be eligible for the earned income credit at the end of the year could receive the credit from their employers as an additional payment in their paychecks during the year. Those payments were then shown on the tax return (line 53 total on Form 1040) where they either increased the balance due amount or reduced the amount of the overpayment. (See also "All Other Taxes.")

Alimony (lines 11, 29, Form 1040)

Payments received as alimony or separate maintenance were income to the person receiving them and a deduction (an adjustment to total income) for the person paying them.

All Other Taxes (lines 48,50,51,52, Form 1040)

For the statistics in this report, this amount represents the sum of the self-employment tax, tax from the recapture of the investment credit and the low income housing credit, social security taxes on tip income, penalty tax on qualified retirement plans, and other unspecified taxes which included uncollected tax on tips, excess "golden parachute" payments, and section 72 penalty taxes. This differs slightly from the "other taxes" portion of the Form 1040 itself, which includes the taxes listed above plus the alternative minimum tax and the advance earned income credit payments received. Alternative minimum tax is tabulated in this report as part of "total income tax" and is one of the criteria for determining the taxable or nontaxable classification of a return. Advance earned income credit payments are shown as a separate item in computing total tax liability, balance due, or refund. (See also "Taxable and Nontaxable Returns" and "Total Income Tax".)

All Other Tax Payments (lines 57-60, Form 1040)

All other tax payments included the tax paid with requests for a filing extension, excess social security or railroad retirement taxes, credit for tax on gasoline and special fuels, and the credit for tax paid on undistributed capital gains by a regulated investment company.

Alternative Minimum Tax (line 49, Form 1040)

The alternative minimum tax (AMT) was levied on benefits received in the form of deductions and exclusions which reduced an individual's regular effective tax rate. These benefits, known as "alternative minimum tax preferences and adjustments," resulted from the preferential treatment that the tax law gave to particular income and expense items.

Alternative minimum taxable income (line 8, Form 6251) was defined as taxable income with certain adjustments plus the amount of tax preference items. Alternative minimum taxable income (AMTI) was then reduced by an exemption amount determined by filing status and income. If the return was filed jointly by a married couple or a surviving spouse, the maximum amount of the exemption was \$40,000. The maximum amount for a single or head of household taxpayer was \$30,000, and for a married couple filing separately, \$20,000. The AMT exclusion was phased out if AMTI exceeded certain levels. For single returns, the phase-out began at \$112,500 and ended at \$232,500. For joint returns the range was \$150,000 to \$310,000, and for married couples filing separately, the range was \$75,000 to \$155,000.

If there was an amount remaining after subtracting the exemption, it was multiplied by the alternative minimum tax rate of 21 percent and then reduced by the recalculated alternative minimum tax foreign tax credit. This amount was then reduced by the regular income tax before credits (line 38, Form 1040 minus the regular foreign tax credit, line 43, Form 1040) to arrive at the alternative minimum tax.

Business or Profession Net Income or Loss (line 12, Form 1040)

This source of income was reported by individuals who were sole proprietors of a non-farm business, including self-employed members of a profession.

If two or more sole proprietorships were operated by the same taxpayer, the single amount of net income or loss included in adjusted gross income represented the combined net income and loss from all sole proprietorships. The proprietor was required to exclude investment income from business profits and include it, instead, with the various types of investment income for which separate provisions were made on the individual income tax return.

Business costs and expenses were deductible from gross receipts or gross sales in arriving at net profit or loss. Compensation of the proprietor was taxable income and, therefore, not allowed as a business deduction in computing net income. The deduction of net operating losses from previous years was not considered a business expense, but was offset against "other income" on the proprietor's income tax return.

Information on sole proprietorships, business receipts, and expenditures can be found in the annual summer issue of the *Statistics of Income Bulletin*.

Capital Assets

See "Sales of Capital Assets Net Gain or Loss."

Capital Gain Distributions Reported on Form 1040 (line 14, Form 1040)

These distributions included long-term capital gains either credited or distributed to individual taxpayers by regulated investment companies, mutual funds, and real estate investment trusts. Usually, taxpayers reported capital gains distributions on Schedule D (Capital Gains and Losses), but they could enter the distributions directly on line 14 of Form 1040 if they had no other gains or losses to report on Schedule D.

Capital Gains and Losses

See "Sales of Capital Assets Net Gain or Loss."

Casualty and Theft Loss, Nonbusiness (line 18, Schedule A)

Nonbusiness casualty and theft losses were deductible, as an itemized deduction, from adjusted gross income to the extent that nonreimbursable net loss for each such casualty or theft exceeded \$100, and the combined amount for all net losses during the year exceeded 10 percent of adjusted gross income. Beginning with 1987, a deduction for a casualty or theft loss covered by insurance could be taken only if an insurance claim for reimbursement was filed promptly.

Child Care Credit ▲ (line 41, Form 1040)

This credit could be claimed by taxpayers who, while employed, incurred expenses for the care of dependent children under age 13 for 1989 (under age 15 for 1988), or disabled dependents of any age. Qualifying expenses included those for services performed within the home by non-dependent baby-sitters, maids, or cooks. Expenditures paid for the care of children under the age of 13 or any other qualified individuals for out-of-home non-institutional care qualified for the child care credit.

The maximum amount of employment-related expenses to which the credit could be applied was the lesser of earned income or \$2,400 if one qualifying child or dependent was involved, and the lesser of earned income or \$4,800 if more than one dependent was involved. For returns of married couples filing jointly, earned income refers to the earnings of the spouse with the lesser earned income. Exceptions were allowed if the spouse was disabled or a full-time student.

The credit was equal to 30 percent of expenses related to employment for taxpayers with adjusted gross income of \$10,000 or less. The credit was reduced by one percentage point for each \$2,000 increment of adjusted gross income in excess of \$10,000 up to \$28,000. The credit remained at 20 percent of expenses for individuals with adjusted gross income of \$28,000 or more.

The amount of the credit which could be claimed was limited to income tax before credits, and any excess was not refundable.

Contributions Deduction (line 17, Schedule A)

Taxpayers could deduct contributions to organizations that were religious, charitable, educational, scientific, or literary in purpose. Contributions could be in cash, property, or out-of-pocket expenses that a taxpayer paid to do volunteer work for a qualified organization. Contributions were allowed as an itemized deduction on Schedule A.

Credit for Federal Tax on Gasoline and Special Fuels (line 61, Form 1040)

This credit (claimed on Form 4136) was allowed for Federal excise taxes paid on gasoline and special fuels, such as gasohol and diesel fuel, if they were used for certain nontaxable or reduced-tax-rate purposes (such as farm or off-road use). The credit could reduce unpaid total tax liability or could be refunded. A one-time credit (or refund) was allowed to the original purchaser of a new, qualified diesel-powered highway vehicle after January 1, 1985.

Credit for the Elderly and Disabled (line 42, Form 1040)

A credit (claimed on Schedule R) for the elderly and permanently and totally disabled was available to taxpayers age 65 or older (within certain income limitations), and to those taxpayers under age 65, who had retired with a permanent and total disability, and who had received taxable income from a public or private employer because of that disability. An individual was considered permanently and totally disabled when he or she could not engage in any substantial gainful activity because of a physical or mental condition which had lasted, or was expected to last, at least 12 months, or was determined to be terminal.

The maximum credit available was \$1,125 and was limited to total income tax with any excess not refundable, and was reduced if the taxpayer's income exceeded certain levels. Generally, if a taxpayer's income was high enough to require the reporting of social security benefits as taxable income, the taxpayer could not take the credit.

Credit from Regulated Investment Companies
(line 62, Form 1040)

Taxpayers were required to include in total payments any amounts which were allocated to them as undistributed capital gains of regulated investment companies. If investment companies paid tax on the capital gain, taxpayers were entitled to claim a refundable credit for their proportionate share of the tax paid.

Credit to 1990 Estimated Tax
(line 66, Form 1040)

This credit was the part of the overpayment of 1989 tax which taxpayers specifically requested to be credited to their estimated tax for 1990. (See also "Overpayment" and "Estimated Tax Payments.")

Dividends
(line 9, Form 1040)

Dividend income consisted of distributions of money, stock, or other property received by taxpayers from domestic and foreign corporations, either directly or passed through estates, trusts, or partnerships. Dividends also included distributions from money market mutual funds.

Dividends did not include nontaxable distributions of stock or stock rights, returns of capital, capital gains, or liquidation distributions. Taxpayers were also instructed to exclude so-called dividends on deposits or withdrawable accounts in mutual savings banks, cooperative banks, savings

and loan associations, and credit unions, which were to be treated as interest income.

Earned Income Credit ▲
(line 58, Form 1040)

The maximum credit for 1989 was \$910, and the amount not used to offset income tax liability could be refunded. The credit was available to workers who had a child living with them for more than half the year and whose earned income and adjusted gross income were each less than \$19,340. The credit was based on earned income, consisting of wages, salaries, and other employee compensation, plus net earnings from self-employment. Taxpayers could not take the credit if their filing status was single or married filing separately, or they claimed the foreign income exclusion.

For this report, the earned income credit was divided into three parts: the amount used to offset income tax before credits (limited to the amount needed to reduce income tax after credits to zero); the amount used to offset all other taxes (limited to the amount needed to reduce total tax liability to zero); and the refundable portion. (See also "Advance Earned Income Credit Payments.")

Employee Business Expenses ▲
(line 20, Schedule A)

For 1989, an accounting change was made for employee business expenses. Since most taxpayers could only claim employee business expenses as an itemized deduction on Schedule A, the adjustment line on Form 1040 was dropped. The Schedule A amount was limited, along with other miscellaneous itemized deductions on Schedule A, to the amount that exceeded 2 percent of adjusted gross income. Employee business expenses included the cost of transportation, meals, lodging, and entertainment while away from home in the performance of services as an employee. Only 80 percent of business-related meal and entertainment expenses were eligible for deduction.

If employees accounted for deductible expenses to their employers, they were not required to report the reimbursement in income unless the amount of reimbursement exceeded expenses.

Estate or Trust Net Income or Loss

(line 37, Schedule E, Part III)

This was the beneficiary's share of fiduciary income (with the exception of the items described below, which were reported separately) from any estate or trust. Income from estates or trusts included amounts required to be distributed, amounts credited to beneficiaries' accounts from current-year fiduciary income (whether or not actually received), and any other amounts which were properly paid, credited, or required to be distributed for that year.

Taxpayers excluded from estate or trust income their share of dividends and gains or losses from sales of capital assets and other property. Such income (which made up the largest portion of income from estates or trusts) was included on the tax return on the separate lines provided for these income types and was not separately identified for the statistics. A loss from an estate or trust was allocated to the beneficiary only upon settlement or termination of an estate or trust and was limited by the "passive loss" rules.

For the tables, if a return showed net income from one estate or trust, and a net loss from another, that return was tabulated in both the "total income" and "total loss" columns. The columns labeled "net income" and "net loss" represent the sum of all income and losses reported from all estates or trusts, i.e., the net amount computed on a return-by-return basis.

Estimated Tax Payments

(line 57, Form 1040)

This figure represented the total of the tax payments made for 1989 using Form 1040ES and any overpayment from the taxpayer's 1988 return that was applied to 1989 estimated tax. Generally, individuals were required to make estimated tax

payments if they expected to owe, after subtracting withholding and credits, at least \$500 in tax for 1989, and they expected withholding and credits to be less than the smaller of: (a) 90% of the tax shown on Form 1040 for 1989, or (b) 100% of the tax shown on Form 1040 for 1988.

Excess Social Security Taxes Withheld ▲

(line 60, Form 1040)

If a taxpayer earned more than \$48,000 (\$45,000 for 1988) in total wages from two or more employers in 1989, too much social security (FICA) or Railroad Retirement Act (RRTA) tax may have been withheld from his or her wages. Filers claim credit for such overpayment on their tax returns. The excess social security tax withheld could be taken as a credit toward payment of the taxpayer's income tax. In the case of a joint return, the credit was computed separately for each taxpayer.

Exemptions ▲

(lines 6, 36, Form 1040)

In the computation of taxable income, a \$2,000 (\$1,950 for 1988) deduction was allowed for each exemption claimed. In general, an exemption was allowed for each taxpayer and dependent shown on a return. If an individual who could be claimed as a dependent by another taxpayer filed a return, that individual could not claim his or her own exemption.

In general an individual had to meet five requirements to qualify as a dependent for 1989:

- 1) The individual received more than half of his or her support for 1989 from the taxpayer;
- 2) The individual was related to the taxpayer (such as a son, daughter, or parent) or was a member of the same household for the entire year;
- 3) The individual did not file a joint return with his or her spouse;

4) The individual met certain citizenship requirements;

5) The individual's gross income was less than \$2,000. An exception to the income limitation was granted to children under age 19, or full-time students under age 24.

Farm Net Income or Loss
(line 19, Form 1040)

This source of income was reported by individuals who were sole proprietors of a farm. When there were two or more farms operated by the same taxpayer, the single amount of profit or loss included in adjusted gross income represented the combined profit and loss from all farming activities. Farm business costs and expenses were deductible from farm gross receipts in arriving at farm net profit or loss.

Gains from certain sales of livestock and crops that qualified for capital gains treatment were excluded from farm net profit or loss and included in capital gains. Farm rental income was included in rent net income or loss (See also "Farm Rental Income or Loss".)

Farm Rental Income or Loss
(line 28, Schedule E)

Taxpayers were required to report farm rental income and expenses separately from other farm profit or loss if they:

- received income that was based on crops or livestock produced by the tenant, and
- did not manage or operate the farm to any great extent.

Filing Status

See "Marital Filing Status."

Foreign Earned Income Exclusion
(line 22, Form 1040)

Qualified taxpayers could exclude from total income a certain amount of their foreign earned income and employer-provided foreign housing expenses if their home, for tax purposes, was in a foreign country.

Qualified individuals were limited to the lesser of a \$70,000 exclusion or their total foreign earned income. Also, they could elect to exclude a portion of employer-provided foreign housing expenses. If the taxpayer elected to take both the foreign earned income and foreign housing exclusions, the total amount of both exclusions was limited to the taxpayer's total foreign earned income.

In this report, the foreign earned income exclusion includes the foreign housing exclusion.

Foreign Tax Credit
(line 43, Form 1040)

Individuals who paid income or excess profit taxes to a foreign country or U.S. possession could claim either this credit against Federal income tax liability, or an itemized deduction for the amount of the foreign tax payment. Depending on the taxpayer's income and taxes, the foreign tax credit could be less than the amount of foreign tax paid. Qualifying foreign taxes paid in excess of the allowable amount for Tax Year 1989 could be carried back 2 years and then forward 5 years.

Forfeited Interest Penalty Adjustment
(line 28, Form 1040)

Taxpayers who paid penalties for the premature withdrawal of funds from time savings accounts or deposits could deduct those penalties as an adjustment to total income.

General Business Credit
(line 44, Form 1040)

The general business credit consisted of the investment credit, the jobs credit, the alcohol fuel

credit, the low-income housing credit, and the research credit. Taxpayers claiming more than one of the business credits were required to summarize them on Form 3800, General Business Credit. The general business credit was limited to 100 percent of the first \$25,000 (\$12,500 for a married couple filing separately) of tax liability and 75 percent of the excess over \$25,000. If the current year general business credit exceeded the tax liability limitation, the excess amount could be carried back to the 3 preceding tax years, then forward 15 years.

Home Mortgage Interest Deduction

See "Interest Paid Deduction."

Income Subject to Tax

See "Modified Taxable Income."

Income Tax After Credits

(line 47 less line 58 (earned income credit), Form 1040)

To arrive at income tax after credits, taxpayers deducted total credits (line 46, Form 1040) from income tax before credits (line 40, Form 1040). For the statistics, tax was further reduced by the portion of the earned income credit which did not result in a negative tax. This portion of the earned income credit was included in the total credits as "earned income credit used to offset income tax before credits." Any tax remaining was tabulated as "income tax after credits."

Income Tax Before Credits

(line 40, Form 1040)

This amount consisted of the tax liability on taxable income, computed by using the tax tables, tax rate schedules, Form 8615, or Form(s) 8814, plus any additional taxes (line 39). (See also "Tax Generated.")

Income Tax Withheld

(line 56, Form 1040)

Income tax withheld included amounts deducted from salaries, wages, and tips, as reported on Form W-2, and from pensions, annuities, and certain gambling winnings as reported on Forms W-2P and W-2G. Amounts withheld from total distributions of profit-sharing, retirement plans, and individual retirement arrangements were reported on Form 1099-R.

In some cases, a backup withholding rate of 20 percent was required for interest, dividend, and royalty payments, which, generally, were not subject to withholding.

Individual Retirement Arrangement Deductible Payments

(lines 24 and 25, Form 1040)

An individual retirement arrangement (IRA) is a savings program that allows a taxpayer to set aside money for retirement. Beginning in 1987, the deduction for IRA contributions was reduced or eliminated for taxpayers who were covered by an employer retirement plan and whose adjusted gross income exceeded certain levels. (Nondeductible contributions were still allowed for such taxpayers.) Deductible contributions could be deducted from the employee's total income in arriving at adjusted gross income.

Contributions to an IRA (whether or not they were deductible) were limited to the lesser of:

- (1) an individual's taxable compensation for the year; or
- (2) \$2,000 (\$2,250 if a nonworking spousal IRA was included).

Unless they were disabled, taxpayers could not start withdrawing funds from the account until they reached age 59-1/2. After age 70-1/2 taxpayers were required to begin withdrawals. Penalty taxes were assessed if the taxpayer failed to comply with these limitations.

Individuals could also set up an IRA to include a nonworking spouse who met certain qualifying conditions. The total IRA deduction, including both the taxpayer and nonworking spouse, could not exceed \$2,250. A spousal IRA deduction is tabulated in the statistics as "secondary IRA payments."

To be deductible, payments to an IRA for a particular taxable year must be made not later than the due date of the individual's return for that year.

Individual Retirement Arrangement Taxable Distributions (line 16b, Form 1040)

Any money or property received from a taxpayer's IRA account was considered a distribution and, generally, had to be included in the taxpayer's total income in the year received. An exception to this rule was tax-free rollover distributions from one retirement account to another, or to the extent to which the payout represented previous non-deductible IRA contributions.

Interest Paid Deduction ▲ (line 13, Schedule A)

Interest expenses, except for business or investment, were divided into two categories: personal interest and deductible home mortgage interest. Personal interest included items such as credit card interest, revolving charge account interest, and interest on bank loans. Only 20 percent of personal interest was deductible for 1989, whereas 40 percent was deductible for 1988.

The rules for deducting home mortgage interest for 1989 were: (1) if a taxpayer took out a mortgage *before* October 14, 1987, secured by the taxpayer's main or second home, all the interest was deductible, (2) if the taxpayer's mortgage was *after* October 13, 1987, and the funds were used to buy, build, or improve that home, all interest could be deducted if the total of all mortgages on the property was \$1 million or less, and (3) taxpayers could deduct all of the interest on an additional \$100,000 of mortgages on their main or second home other than to buy, build, or improve that home.

Generally, investment interest (interest paid on money borrowed that is allocable to property held for investment) was fully deductible up to the amount of net investment income. Interest relating to business, royalty, and rental income was deducted directly from these items and was not reflected in the interest paid statistics.

Interest Received

See "Taxable Interest Received."

Interest, Tax-Exempt

See "Tax-Exempt Interest."

Itemized Deductions

See "Total Itemized Deductions" and specific types.

Marginal Tax Rates

Different portions of taxable income are taxed at different rates. The tax rate applied to the last dollar of income is called the "marginal tax rate" for that return (See also "Tax Generated".)

Marital Filing Status (lines 1-5, Form 1040)

The five marital filing status classifications were:

- (1) returns of single persons (not heads of households or surviving spouses);
- (2) joint returns of husbands and wives;
- (3) separate returns of husbands and wives;
- (4) returns of heads of households; and
- (5) returns of surviving spouses.

Marital status was usually determined as of the last day of the taxable year. If one spouse died during the tax year, the other was considered married for the entire year. If a taxpayer was divorced during the tax year and did not remarry, the taxpayer was considered to be unmarried for the entire year.

Medical and Dental Expense Deduction (lines 1-4, Schedule A)

Qualified medical expenses included payments made for the diagnosis, treatment, or prevention of disease or for medical or dental insurance. However, taxpayers who took the self-employed health insurance adjustment had to reduce their total premiums by the amount of the adjustment (see "Self-Employed Health Insurance"). In general, medical and dental expenses could be claimed as an itemized deduction to the extent that they exceeded 7.5 percent of adjusted gross income. Amounts paid for medicine and drugs were deductible only if they were not available except by prescription or were for insulin. Taxpayers could also deduct a maximum of \$50 per day for certain lodging expenses incurred while travelling to obtain medical care.

Minimum Tax Credit (line 45, Form 1040)

A minimum tax credit could be taken for 1989 by certain taxpayers who paid alternative minimum tax for 1988. The credit was that part of the 1988 alternative minimum tax based on adjustments or preference items that deferred tax rather than caused permanent avoidance of tax. If all of the minimum tax credit could not be used for 1989, the excess could be carried forward to later years.

Miscellaneous Itemized Deductions ▲ (lines 20-25, Schedule A)

For 1989, the base rate for the first telephone line into a taxpayer's residence became a non-deductible expense, even if it was used for business- or investment-related purposes. Other

miscellaneous itemized deductions were divided into two tiers. The first tier included those items that were limited to the amount that exceeded 2 percent of adjusted gross income, while the expenses included in the second tier were fully deductible.

Limited Miscellaneous Deductions:

Unreimbursed employee business expenses, tax preparation fees, and those expenses of producing income (including qualifying educational expenses), were limited to the amount that exceeded 2 percent of adjusted gross income.

Other Miscellaneous Deductions:

Other, fully deductible expenses included such items as gambling losses (limited to gains), impairment-related work expenses for handicapped people, and amortizable bond premiums.

Modified Taxable Income ▲

"Modified taxable income" is the term used to describe "income subject to tax," the actual base on which tax is computed for the statistics in Tables 3.4 and 3.5. For taxpayers filing current year returns, modified taxable income is identical to "taxable income" except for those upper income taxpayers paying both average and marginal tax rates of 28 percent. For these taxpayers the deduction for personal exemptions was phased out and their "income subject to tax" became taxable income plus some or all of the exemption amount.

For prior year returns included in the 1988 statistics, a modified taxable income was computed. This was calculated by using the tax rate schedule to impute a hypothetical taxable income amount necessary to yield the given amount of tax reported.

Moving Expense Deduction (line 19, Schedule A)

An employee who had to move to a new residence as a result of changing jobs could claim certain expenses for moving and house hunting as an itemized deduction. For employees to qualify for this deduction, the new job location had to be

at least 35 miles farther from the former residence than the old job was. Deductible expenses included those incurred while moving household and personal goods, as well as in travel, meals, and lodging of the taxpayer and household members en route to the new residence. (Additional deductible expenses included pre-move house search trips, and the cost of selling a residence or breaking a lease.)

Nondeductible Passive Losses ▲
(calculated on Form 8582)

See "Changes in Law section," Section 1.

Nontaxable Returns

See "Taxable and Nontaxable Returns."

Other Adjustments ▲
(included in line 30, Form 1040)

See "Statutory Adjustments."

Other Income ▲
(line 22, Form 1040)

For 1989, jury duty pay had to be included in other income. If individuals were required to give the jury duty pay to their employer because they continued to receive their wages while on jury duty, they could deduct the amount turned over to the employer as an adjustment to income. Also included in other income were items such as prizes, awards, sweepstakes winnings, gambling winnings, recoveries of bad debts, insurance received as reimbursement for medical expenses taken as a deduction in a previous year, and any other income subject to tax for which no specific line was provided on the return form. Any "net operating loss" in an earlier year that was carried forward and deducted for 1989 was entered as a negative amount on this line by the taxpayer but edited into a separate field during service center processing.

Other Tax Credits
(included in line 46, Form 1040)

"Other tax credits" is a residual category in the statistics and does not relate to a line item on a tax form. It included the "credit for fuel from a nonconventional source" and other miscellaneous credits that did not belong in any other category and were used to offset income tax before credits.

Overpayment
(line 64, Form 1040)

An overpayment of tax occurred when the "total payments" exceeded "total tax". Total payments included the amount of any "refundable portion of the earned income credit." Overpayment could be refunded or credited toward the estimated tax for the following year. (See also "Credit to 1990 Estimated Tax" and "Refund.")

Overpayment of Windfall Profit Tax
(included in line 63)

A "windfall profit" excise tax was imposed on producers of crude oil, but the tax was withheld and reported by the first purchaser of such oil. If too much tax was withheld in the course of the year, the producer could claim a refund on his or her income tax return. The excess payment was entered in the margin of the tax payments section of the Form 1040.

Parent's Election to Report Child's Interest and Dividends

Beginning with 1989, a parent could report on his or her return, income received by his or her child. If the election was made, the child was not required to file a return. A parent could make this election only if his or her child:

- Was under age 14 on January 1, 1990;
- Had income only from interest and dividends;
- Had gross income for 1989 that was more than \$500 but less than \$5,000;

- Did not have any overpayment of tax shown on his or her 1988 return applied to the 1989 return; and
- Had no Federal income tax withheld from his or her income (backup withholding).

If the parents were not filing a joint return, special rules applied to determine which parent could make the election.

Partnership and S Corporation Net Income or Loss

(lines 31, 32, Schedule E)

Since partnerships and S corporations (formerly Subchapter S corporations) are not taxable entities, tax on their net profit or loss was levied, in general, directly on the members of the partnership or shareholders of the S corporation. The profit or loss shown in the statistics was the taxpayer's share of the ordinary gain or loss of the enterprise and certain payments made to the taxpayer for the use of capital or as a salary. Net long-term capital gain retained its character in the hands of the partners or stockholders and was included in the statistics for net gain or loss from sales of capital assets.

If a return showed net income from one partnership or S corporation and a net loss from another, the two were added together and the return was tabulated by the net amount of income or loss in the appropriate column. Beginning in 1987, net income and net loss were reported separately for passive and non-passive partnership and S corporation activities. Passive losses were limited under new rules to the amount that could offset passive income.

Payment with Request for Extension of Filing Time

(line 59, Form 1040)

This payment was made when the taxpayer filed Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return or Form 2688, Application for Additional Extension of Time to File. The extension granted the taxpayer an additional period of time to file a

tax return, but it did not extend the time for payment of expected tax. Full payment of any tax due had to be made with the application for extension.

Payments to a Keogh Plan

(line 27, Form 1040)

Self-employed individuals were allowed to contribute to a Keogh retirement plan or a "simplified employment pension" (SEP) plan for themselves and to deduct all or a part of such contributions in computing adjusted gross income. The amount which could be deducted was based on net earnings from self-employment.

Penalty Tax on Qualified Retirement Plans

(line 52, Form 1040)

If taxpayers withdrew any funds from an Individual Retirement Arrangement or qualified retirement plan before they were either age 59-1/2 or disabled, they were subject to a penalty tax equal to 10 percent of the premature distribution. Any taxpayer who failed to withdraw the minimum required distribution after reaching age 70-1/2 had to pay a 50 percent excise tax on the excess accumulation. Contributions to the retirement arrangement in excess of the legal limitation for the year (the lesser of \$2,000 or the taxpayer's compensation for the year) were subject to an excise tax equal to 6 percent of the excess contribution.

Pensions and Annuities

(lines 17a, 17b, Form 1040)

Generally, pensions are periodic income received after retirement for past services with an employer, while annuities are income payable at stated intervals after payment of a specific premium. A taxpayer could acquire a pension or annuity either by purchase from a commercial organization (usually life insurance, endowment, or annuity contracts) or under a plan or contract connected with the taxpayer's employment. Those pensions or annuities obtained in connection with employ-

ment could be purchased entirely by the taxpayer or could be financed in part (a contributory plan) or in whole (a non-contributory plan) by contributions of the employer.

Since a non-contributory pension was paid for entirely by an employer, the amount received by the employee was fully taxable. This fully taxable pension was reported on lines 17a and b. For the taxpayer who participated in a contributory retirement plan while employed, the amount received was only partially taxable. In general, the amount excludable from gross income, the nontaxable portion, represented the taxpayer's contributions under the plan, while the taxable portion represented the employer's contribution and earnings on the entire investment. The nontaxable portion had to be amortized over the expected lifetime of the taxpayer.

The entire amount of pensions and annuities received for the year was reported on line 17a of the Form 1040. The taxable portion was computed on a separate worksheet and entered on line 17b, "Taxable amount."

Predetermined Estimated Tax Penalty (included in line 67, Form 1040)

If a return showed taxes of \$500 or more owed on line 67 (tax due at time of filing) and this amount was more than 10 percent of the total tax, taxpayers could owe a penalty, unless tax payments in the current year equalled or exceeded prior year tax liability (provided prior year liability was greater than zero). Also, taxpayers could owe a penalty if they underpaid their 1989 estimated tax liability for any payment period. Form 2210 was used to determine the amount of a penalty, if any.

For this report, the predetermined estimated tax penalty includes only the amount calculated by the taxpayer when the return was initially filed.

Refund (line 65, Form 1040)

A refund of tax included all overpayment of income taxes not applied by the taxpayer as a

credit to the next year's estimated tax. (See also "Overpayment.")

Regular Tax Computation

Typically, the taxpayer, in determining the amount of "tax generated," first computed taxable income. Depending on marital status and size of taxable income, the taxpayer then used the tax tables or applied the rates from one of four tax rate schedules to determine tax. Returns of taxpayers who had taxes computed by the Internal Revenue Service were classified under the regular tax computation method.

Rent and Royalty Net Income or Loss ▲ (line 27, Schedule E)

This amount is the combination of rent net income, rent net loss, royalty net income, and royalty net loss.

Rent Net Income or Loss ▲ (line 23, columns A,B,C, Schedule E)

Rent net income or loss was determined by deducting from gross rent, the amounts for depreciation, repairs, improvements, interest, taxes, commissions, advertising, utilities, insurance, janitorial services, and any other allowable expenses related to the rented property. Beginning with 1987, new "passive loss" rules limited the losses that could be claimed for rental activities and for 1988 and 1989 losses were further limited. In the statistics, total rental net loss includes passive losses that were not deductible in figuring AGI. (Passive losses are discussed under Changes in Law, Section 1.)

Royalty Net Income or Loss (line 23, columns A,B,C, Schedule E)

Net royalties consisted of gross royalties less deductions for depletion, depreciation, office rent, legal fees, clerical help, interest, taxes, and similar items. Gross royalties included revenues from oil,

gas, and other mineral rights; revenue from patents; and revenue from literary, musical, or artistic works. Certain royalties received under a lease agreement on timber, coal, and domestic iron ore were eligible for capital gains or ordinary loss treatment under Code section 1231. As a result of the separate computation, those royalties are reflected in the statistics for "sales of capital assets" and "sales of property other than capital assets." (See also "Total Rent and Royalty Income or Loss in AGI.")

S Corporations

See "Partnership and S Corporation Net Income or Loss."

Salaries and Wages

(line 7, Form 1040)

Salaries and wages as reported on the tax return were amounts of compensation primarily for personal services. The following items were included:

- salaries;
- wages;
- commissions;
- bonuses;
- tips;
- fees;
- excess reimbursement over employee business expenses;
- moving expense allowances;
- the difference between the fair market value of certain property and the discount price for which it was purchased by a taxpayer from his or her employer;
- severance pay;
- sick pay;
- the value of exercising a stock appreciation right;
- vacation allowances;
- most disability payments;
- strike and lockout benefits; and
- the value of certain non-monetary payments for services (e.g., merchandise, accommodations, certain meals or lodging, certain stock purchase plans, or property).

Identifiable amounts for any of these categories which may have been reported by taxpayers as "other income" were treated as salaries and wages for the statistics.

Sales of Capital Assets Net Gain or Loss ▲ (line 13, Form 1040)

In general, capital assets for tax purposes included all property held for personal use or investment. Examples of such assets were personal residences, furniture, automobiles, and stocks and bonds. Most assets used for business activities were specifically excluded from treatment as capital assets. (See also "Sales of Property Other Than Capital Assets, Net Gain or Loss".)

The following concepts were used in the computation of net capital gain or loss for this report:

Net capital gain: If the combination of net short-term gain or loss and net long-term gain or loss resulted in a positive amount, the taxpayer had a net capital gain. The full amount of this gain, whether short-term or long-term was included in adjusted gross income. The holding period was one year or less for short-term assets, and longer than one year for long-term assets.

Net capital loss: If the combination of net short-term gain or loss and net long-term gain or loss resulted in a negative amount, the taxpayer showed a net capital loss. The amount of net capital loss to be included in adjusted gross income was limited to the smaller of the actual net capital loss or \$3,000 (\$1,500 for married persons filing separately). Any excess capital losses over the \$3,000 limit could be carried over to subsequent tax years ("capital loss carryover" in the statistics).

Net capital gain or loss also included capital gain distributions which were not reported on Schedule D (Capital Gains and Losses and Reconciliation of Forms 1099-B). These capital gain distributions were entered directly on line 14 of Form 1040 if the taxpayer did not have any other gains or losses to report on Schedule D. These distributions were, by definition, long-term capital gains. (See also "Capital Gain Distributions Reported on Form 1040.")

Sales of Property Other Than Capital Assets, Net Gain or Loss (line 15, Form 1040)

Property other than capital assets generally included property of a business nature, in contrast to personal and investment property which were capital assets. Some types of property specifically included in this group were:

- (1) certain depreciable, depletable, and real business property;
- (2) accounts and notes receivable in the ordinary course of business generated from the sale of goods and services ordinarily held for sale by the business or includable in the inventory of the business;
- (3) certain copyrights, literary, musical, or artistic compositions, or similar properties; and
- (4) amounts resulting from certain "involuntary conversions," including net losses from casualty and theft.

Taxpayers reported all gains and losses not receiving capital gains treatment on Form 4797, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions.

Self-Employed Health Insurance (line 26, Form 1040)

Self-employed individuals could deduct, as an adjustment, up to 25 percent of the amount paid for medical insurance for themselves and their families. If the taxpayer had other employees working for his or her business, they must have been offered nondiscriminatory health insurance coverage if the taxpayer was to qualify for the deduction.

The 25 percent adjustment could not exceed the net earnings from the business in which the insurance plan was established. The balance of the health insurance cost was included with other medical care expenses as an itemized deduction subject to the 7.5 percent deduction threshold based on AGI. However, self-employed persons

were not allowed this deduction if they or their spouses were employees and eligible to participate in an employer-subsidized health plan.

Self-Employment Tax ▲ (line 48, Form 1040)

This tax, levied under the social security system, was reported by most individuals who had self-employment earnings of at least \$400 derived from a sole proprietorship or from their share of partnership profits. Some types of income (such as dividends, interest, and capital gains and losses) and certain deductions (such as net operating losses, and casualty and theft losses) were not allowed in computing self-employment earnings.

The maximum net earnings subject to self-employment tax for 1989 increased to \$48,000 from \$45,000 for 1988. The net self-employment tax rate for 1989 remained at 13.02 percent.

Size of Adjusted Gross Income (line 31, Form 1040)

The amount of adjusted gross income reported by the taxpayer on the return was the basis for classifying data by size of adjusted gross income. Returns without positive adjusted gross income, such as deficit returns or returns on which income and loss were equal, were classified as having "no adjusted gross income" and appear as a separate class in most basic tables. The absence of a class labeled "no adjusted gross income" indicates that any deficit or break-even returns in a table were included in the lowest income size class.

Social Security Benefits (lines 21a, 21b, Form 1040)

Social security benefits include any monthly benefit under title II of the Social Security Act or the part of a "tier 1 railroad retirement benefit" that was equivalent to a social security benefit. Social security benefits are not taxable unless the taxpayer's total income (including tax-exempt interest) plus one-half of total social security benefits exceeds certain levels. The maximum taxable amount was one half of the net social

security benefits received. Social security benefits received were reported on Form 1040, line 21a with only the taxable portion reported on line 21b. Taxpayers who had no taxable benefits were not required to show the total benefit on their income tax returns.

Social Security Taxes on Tip Income (line 51, Form 1040)

This amount consisted of social security tax on unreported tip income and uncollected employee social security tax on tips.

Cash tips amounting to \$20 or more received by the taxpayer in a month while working for any one employer were subject to withholding of income tax and social security tax (or the equivalent railroad retirement tax). If the employer was unable to withhold the social security tax, the amount of uncollected social security tax on tips was indicated on the employee's Form W-2, and the taxpayer was required to report the uncollected tax and pay it with the Form 1040. If the employee did not report the tips to the employer, the employee was required to compute the social security tax on unreported tips on Form 4137 and attach it to Form 1040.

Standard Deduction ▲ (line 34, Form 1040)

For 1989, the *basic* standard deduction was increased. Taxpayers who were age 65 or over or blind could claim an *additional* standard deduction amount of \$600 or \$750. Both the basic and additional standard deduction were determined by filing status, as shown below.

Single

- Basic deduction of \$3,100;
- Each taxpayer 65 or over or blind was allowed an additional \$750 deduction each for age and blindness.

Married filing jointly or qualifying widow(er)

- Basic deduction of \$5,200;
- Each taxpayer 65 or over or blind was allowed an additional \$600 deduction each for age and blindness.

Married, filing separately

- Basic deduction of \$2,600;
- Each taxpayer 65 or over or blind was allowed an additional \$600 deduction each for age and blindness.

Head of Household

- Basic deduction of \$4,550;
- Each taxpayer 65 or over or blind was allowed an additional \$750 deduction each for age and blindness.

In the statistics, the basic standard deduction was tabulated for all taxpayers who claimed it, including those who were 65 or over or blind. The "additional standard deduction" total included only the additional amount that was taken by those taxpayers who were 65 or over or blind.

State Income Tax Refund (line 10, Form 1040)

This amount was the refund of State income tax that was claimed as an itemized deduction in a prior year, only to the extent that such deduction reduced taxes in the prior year.

Statutory Adjustments ▲ (lines 24-30, Form 1040)

These were the adjustments to total income which were allowed as deductions in arriving at adjusted gross income. For 1989, statutory adjustments included jury duty pay received by the taxpayer and given to the employer if the taxpayer continued to receive wages while on jury duty, payments to a self-employed Keogh retirement plan or a "simplified employee pension" (SEP), forfeited interest penalty, payments to an individual retirement arrangement (IRA), alimony paid, the self-employed health insurance deduction, and the foreign housing deduction. Each of the above items is described separately in this section. In addition, statutory adjustments included the forestation/reforestation amortization deduction and the repayment of supplemental unemployment benefits under the Trade Act of 1974. These amounts were included in the "Other Adjustments" category in the statistics.

Tax Due at Time of Filing
(line 67, Form 1040)

"Tax due" was reported on returns on which total tax liability exceeded total tax payments.

Tax From Recomputing Prior-Year Investment Credit (line 50, Form 1040)

The investment tax credit provisions of the law included a recapture rule which required taxpayers to pay back some or all of any investment credit previously taken on property disposed of before the end of the useful life claimed in computing the credit. The law specified that if property qualifying for the credit was disposed of before the end of its intended useful life, the tax for the year of disposal was increased by the difference between the credit originally claimed and the credit that would have been allowed based on the shorter actual life. Tax credits could not be applied against this additional tax.

Tax Generated ▲
(line 38, Form 1040)

This amount was the tax computed on modified taxable income. (See also "Modified Taxable Income.") For 1989, there were two basic tax rates, 15 and 28 percent. However, taxable income over certain levels (from \$44,900 to \$93,130 if single, \$37,425 to \$117,895 if married filing separately, \$64,200 to \$128,810 if head of household, and \$74,850 to \$155,320 if married filing jointly or a qualifying widow(er)) was subject to an additional 5 percent tax. This meant that a 33 percent marginal tax rate was applied to this part of taxable income with the purpose of phasing out the benefit of the 15 percent tax rate. At income levels immediately above those shown for each filing status, the personal exemption deduction for taxpayers and dependents was phased out, also at a 5 percent rate. Above those levels, the marginal tax rate dropped back to 28 percent. The tax generated at each of these tax rates is shown in Tables 3.4 and 3.5.

If children under age 14 had investment income that exceeded \$1,000, there were two methods of reporting this income. If the child filed his or her

own return, the investment income that exceeded \$1,000 was taxed at the parents' rate on Form 8615 and tabulated separately in Tables 3.4 and 3.5. If the parents elected to report the child's investment income on their return, they attached a Form 8814. The investment income in excess of \$1,000 was included on Form 1040, line 22. The remaining investment income was taxed at the child's rate (15 percent), added to the parents' tax on Form 1040, line 38, and was also tabulated separately in Tables 3.4 and 3.5.

On most returns, except those with additional taxes from special computations, "tax generated" equaled "income tax before credits."

Tax Payments
(lines 56, 57, 59-62, Form 1040)

These payments were generally made before the return was filed and were applied against tax liability to determine any amount payable or refundable at the time of filing. They consisted of the following:

- (1) income tax withheld, including backup withholding;
- (2) estimated tax payments;
- (3) payment with request for extension of filing time;
- (4) excess social security taxes or railroad retirement tax withheld;
- (5) credit for tax on certain gasoline, fuel, and oil;
- (6) credit from regulated investment companies; and
- (7) overpayment of windfall profit tax.

Each of the above is described under a separate heading in this section.

Although the earned income credit was included with tax payments on the tax return itself, for the statistics it is treated partly as a credit against income tax liability and partly as a refundable amount (See also "Earned Income Credit.")

Tax Rates

See "Tax Generated."

Tax-Exempt Interest (line 8b, Form 1040)

Beginning with 1987, the amount of any tax-exempt interest received or accrued during the tax year had to be shown on the tax return. Tax-exempt interest includes interest on certain State and municipal bonds, as well as any tax-exempt interest dividends from a mutual fund or other regulated investment company. This is an information reporting requirement and does not convert tax-exempt interest to taxable interest.

Taxable and Nontaxable Returns

The taxable and nontaxable classification of a return for this report was determined by the presence of "total income tax" (the sum of income tax after credits and the alternative minimum tax). Some returns classified as "nontaxable" may have had a liability for other taxes, such as self-employment or Railroad Retirement Tax Act (RRTA) taxes, social security taxes on tip income, tax from recomputing prior-year investment credit, penalty taxes on individual retirement arrangements, Section 72 penalty taxes, advance earned income credit payments, golden parachute payments, or uncollected employee social security tax on tips. These taxes, however, were disregarded for purposes of this classification since three of the above taxes were considered social security (rather than income) taxes, and the remaining ones, except for advance earned income payments, were either based on prior year's income or were penalty taxes.

For this report, the earned income credit was treated as an amount which, first, was used to offset income tax before credits. Since the earned income credit was refundable, it was subtracted from income tax (for the statistics) after reduction by all other statutory credits. As a result, some returns became nontaxable strictly because of the

earned income credit if there was no alternative minimum tax and the earned income credit equaled or exceeded income tax before credits reduced by any other credits.

It should be noted that classification as taxable or nontaxable was based on each return as it was originally filed and does not reflect any changes resulting from audit or other enforcement activities.

Taxable Income (line 37, Form 1040)

Taxable income was derived by subtracting from adjusted gross income any exemption amount *and* either total itemized deductions or the standard deduction. On most current year returns "taxable income" was identical to "modified taxable income", with the exception of returns for taxpayers with taxable income over certain levels, whose benefits of the 15 percent tax rate bracket and personal exemption amount were phased out. For prior year returns received during the current year filing period, taxable income was imputed from the amount of tax reported. (See also "Modified Taxable Income.")

Taxable Interest Received (line 8a, Form 1040)

This amount was the taxable portion of interest received from bonds, debentures, notes, mortgages, certain insurance policy proceeds, personal loans, bank deposits, savings accounts, tax refunds, and U.S. savings bonds. Also included as interest were "dividends" on deposits or withdrawable accounts in mutual savings banks, cooperative banks, savings and loan associations, and credit unions. For 1989, these amounts could, in some circumstances, include a child's income which was to be taxed at the parent's rate. Most interest on State or local government obligations remained tax-exempt, but the total tax-exempt interest had to be reported on line 8b of Form 1040. It was not included in the taxpayer's income for income tax purposes (See also "Tax-Exempt Interest.")

Taxes Paid Deduction
(line 8, Schedule A)

Taxes allowed as an itemized deduction from adjusted gross income included personal property taxes, State and local income taxes, taxes paid to foreign countries or U.S. possessions (unless a foreign tax credit was claimed), and real estate taxes except those levied for improvements that tended to increase the value of the property. Mandatory employee contributions to a state disability fund and employee contributions to a state unemployment fund were also included. Federal taxes and State and local sales taxes were not deductible.

Taxes paid on business property were deducted separately on the schedules for business, rent, royalty, and farm income and are excluded from the "taxes paid" statistics in this report.

Total Income Tax
(line 47 — earned income credit amount + line 49 of Form 1040)

Total income tax was the sum of income tax after credits (from which the earned income credit was subtracted) and the alternative minimum tax. It did not include any of the other taxes which made up total tax liability. Total income tax was the basis for classifying returns as taxable or nontaxable.

Total Itemized Deductions
(line 34, Form 1040)

Itemized deductions from adjusted gross income could be claimed for medical and dental expenses, taxes paid, interest paid, contributions, casualty and theft losses, moving expenses, and miscellaneous deductions. The total amount of itemized deductions was tabulated only from returns showing positive adjusted gross income.

Total Rent and Royalty Income or Loss

This income concept consists of all rent and royalty income and loss which was used in computing adjusted gross income, farm rental income and suspended rental loss carryover from prior years. It excludes that portion of rental losses which was not deductible in computing adjusted gross income due to the passive loss rules which went into effect for Tax Year 1987. (Passive loss rules are discussed under Changes in Law.)

Total Tax Credits ▲
(lines 46, 58, Form 1040)

For this report, total tax credits consisted of the following:

- (1) child care credit;
- (2) credit for the elderly and disabled;
- (3) foreign tax credit;
- (4) general business credit;
- (5) minimum tax credit;
- (6) other tax credits;
- (7) mortgage interest credit and any credits on prior year returns; and
- (8) earned income credit (EIC) used to offset income tax before credits.

These amounts were deducted from income tax before credits to arrive at income tax after credits. For the statistics, the portion of the EIC which did not result in a negative amount was tabulated as "earned income credit used to offset income tax before credits." Any amount remaining of the EIC could be refunded or applied to other taxes, and

was classified separately as "earned income credit refundable portion," or "earned income credit used to offset other taxes." All other credits were limited to the amount needed to offset income tax before credits and were not refundable.

Total Tax Liability

(line 55 modified by the earned income credit, Form 1040)

Total tax liability was the sum of income tax after credits, the alternative minimum tax, self-employment tax, social security tax on tips, tax from recomputing prior-year investment credits, taxes from individual retirement arrangements, Section 72 penalty taxes, and tax on golden parachute payments. These taxes were then reduced by the earned income credit used to offset all other taxes (defined under "Earned Income Credit"). For the statistics, unlike the Form 1040, total tax liability did not include any advance earned income credit payments.

Type of Tax Computation ▲
(line 38, Form 1040)

Tabulations in Table 3.1 include two methods of computing the tax on income subject to tax. These methods were:

- (1) regular tax, as computed from the tax tables or tax rate schedules accompanying the Forms 1040, 1040A, or 1040EZ (see also "Regular Tax Computation"); and
- (2) Form 8615, used to compute the tax on investment income of children under 14.

Unemployment Compensation
(line 20, Form 1040)

Beginning in 1987, all unemployment compensation had to be included in income.

Unreimbursed Employee Business Expenses
(line 20, Schedule A)

See "Employee Business Expenses."

Section 5

1989 Forms and Instructions

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Form 1040 U.S. Individual Income Tax Return 1989

Department of the Treasury—Internal Revenue Service For the year Jan.—Dec. 31, 1989, or other tax year beginning 1989, ending 19 OMB No. 1545-0074

Label Use IRS label. Otherwise, please print or type. Your first name and initial Last name Your social security number

Presidential Election Campaign Do you want \$1 to go to this fund? Yes No

Filing Status 1 Single 2 Married filing joint return (even if only one had income)

Exemptions (See Instructions on page 8.) a Yourself b Spouse c Dependents

Income 7 Wages, salaries, tips, etc. (attach Form(s) W-2) 8a Taxable interest income

Adjustments to Income 24 Your IRA deduction, from applicable worksheet on page 14 or 15

Adjusted Gross Income 31 Subtract line 30 from line 23. This is your adjusted gross income.

Tax Computation 32 Amount from line 31 (adjusted gross income) 33a Check if: You were 65 or older Blind; Spouse was 65 or older Blind

34 Enter the larger of: Your standard deduction (from page 17 of the Instructions), OR Your itemized deductions (from Schedule A, line 26)

35 Subtract line 34 from line 32. Enter the result here 36 Multiply \$2,000 by the total number of exemptions claimed on line 6e

37 Taxable income. Subtract line 36 from line 35. Enter the result (if less than zero, enter zero) 38 Enter tax. Check if from: a Tax Table, b Tax Rate Schedules, or c Form 8615

Credits (See Instructions on page 18.) 41 Credit for child and dependent care expenses (attach Form 2441)

Other Taxes (Including Advance EIC Payments) 48 Self-employment tax (attach Schedule SE) 49 Alternative minimum tax (attach Form 6251)

Medicare Premium 54 Supplemental Medicare premium (attach Form 8808)

Payments 56 Federal income tax withheld (if any is from Form(s) 1099, check box) 57 1989 estimated tax payments and amount applied from 1988 return

Refund or Amount You Owe 64 If line 63 is larger than line 55, enter amount OVERPAID 65 Amount of line 64 to be REFUNDED TO YOU

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Paid Preparer's Use Only Preparer's signature Date Check if self-employed Preparer's social security no.

Instructions for

Form 1040

and Schedules
A, B, C, D, E, F
and SE

1989



**Want
Your
Refund
Fast?**

See Page 2



Department of the Treasury
Internal Revenue Service

What's inside?

A note from the Commissioner (page 2)
What's new for 1989 (page 2)
Free tax help (page 3)
Avoid common mistakes (page 22)
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Note:

This booklet does not contain any tax forms.

From the Commissioner

Dear Taxpayer,

IRS appreciates the efforts you make to file an accurate tax return. We can improve the processing of returns and issuance of refunds if you file early and use the label we sent to you. If you have a refund coming, we can process your return even faster if you file electronically.

When we went to print with this year's forms and instructions, Congress was still considering changes to the tax law. Please take note of the information included in these instructions concerning the new law.

As your new Commissioner, I assure you we are deeply committed to do everything we can to make it easier for you to comply with the tax laws. We are equally committed to simplifying tax rules and modernizing IRS' outdated equipment. This will make it easier for you to file your tax return or resolve other tax problems. We want to provide whatever assistance we can to make filing your return as easy as possible. Let us know if we can do more.

Fred T. Goldberg, Jr.
Commissioner of Internal Revenue

What's New for 1989?

Fast Refund. If you expect a tax refund for 1989, instead of mailing your return to IRS, you may want to have it filed electronically. When you file electronically, you receive your refund in about 3 weeks, or, in about 2 weeks if you have it deposited directly into your savings or checking account. For a charge, many professional tax return preparers offer electronic filing in addition to their return preparation services. If you prepare your own return, a preparer or transmitter in your area can file your return electronically for you. For more information on electronic filing, see **Tele-Tax Information** in the index (topic no. 112). For a list of those in your area who can file your return electronically for you, call IRS toll free at 1-800-424-1040 and ask for the Electronic Filing Office.

Refund Checks. Be sure to cash your refund check soon after you receive it. Checks not cashed within 12 months of the date of the check will be cancelled.

Deduction for Exemptions. The deduction for each exemption—for you, your spouse, and dependents—has increased to \$2,000.

For 1989, you may not claim an exemption for your child who was a full-time student and was age 24 or older at the end of the year, unless the child's gross income was less than \$2,000. But the child may claim an exemption on his or her own return.

Should You Itemize or Take the Standard Deduction? The standard deduction has increased for most people. Because of this increase, it may be to your benefit to take the standard deduction this year even though you

itemized deductions in the past. Read the instructions for line 34 on page 16.

Social Security Numbers for Dependents Age 2 or Older. If you claim any person age 2 or older as a dependent, show that person's social security number on your return. If your dependent does not have a number, see the instructions for line 6c, column (3), on page 9.

Increased Earned Income Credit. You may be able to take this credit for 1989 if you earned less than \$19,340 and a child lived with you. The limit was \$18,576 last year. Read the instructions for line 58 on page 20 to see if you can take this credit.

Child and Dependent Care Expenses. You may not claim the credit for child and dependent care expenses or exclude employer-provided dependent care benefits from your income unless you report the new information about the care provider on Form 2441.

You may not claim a credit for payments made for the care of a dependent child who was age 13 or older unless the child was disabled. The age limit was 15 or older last year.

Supplemental Medicare Premium. If you were eligible for Medicare Part A benefits for more than 6 full months during the year, you may owe the new supplemental Medicare premium. The premium will help pay the cost of the new Medicare catastrophic and prescription drug coverage. Read the instructions for line 54 on page 19.

Children Under 14 May Not Have To File. If your child was under age 14 and had income only from interest and dividends that totaled less than \$5,000, you may be able to elect to report your child's income on your return. If you do, your child will not have to file a return.

For more details, see **Exception for Children Under Age 14** on page 5.

Employee Business Expenses. For most people, employee business expenses are deductible only as an itemized deduction on **Schedule A**, line 20. If you are reimbursed for your employee expenses under an arrangement with your employer and both of the conditions listed below apply, amounts you received under the arrangement should not have been reported to you as income on your Form W-2.

- The arrangement requires you to substantiate your expenses to your employer, AND

- The arrangement requires you to return (and you do return) any amount in excess of your substantiated expense covered under the arrangement.

If the arrangement does not meet both of the above conditions, amounts you received under the arrangement should have been reported to you as wages on your Form W-2.

Pending Legislation. At the time these instructions were printed, Congress was considering changes that affect the **capital gain and supplemental Medicare premium** rules. When Congress completes its action, we will take steps to publicize the final rules.

Additional Information. If you want more information about tax law changes for 1989, get **Pub. 553, Highlights of 1989 Tax Changes**. You may also find the publications listed at the end of this booklet helpful in completing your return.

New Publication. An easy-to-read guide, **Pub. 2, The ABC's of Income Tax**, will help you better understand your taxes. It gives the basic rules that apply to most people, without the exceptions that apply to only a few.

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What To Look For in 1990

Exclusion of Interest From U.S. Savings Bonds. If you cash Series EE savings bonds issued after 1989, you may be able to exclude from income part or all of the interest on those bonds. But you must have paid higher education expenses during the year for you, your spouse, or your dependent. Get Pub. 550, Investment Income and Expenses, for details.

Privacy Act and Paperwork Reduction Act Notice

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

This notice applies to tax returns and any papers filed with them. It also applies to any questions we need to ask you so we can complete, correct, or process your return;

figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a) and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under those sections. This is so we know who you are, and can process your return and papers.

You must fill in all parts of the tax form that apply to you. Code section 6109 and its regulations say that you must show your social security number on what you file. You do not have to check the boxes for the Presidential Election Campaign Fund.

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

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

If you do not file a return, do not provide the information we ask for, or provide

fraudulent information, the law says that you may be charged penalties and, in certain cases, you may be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

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

The Time It Takes To Prepare Your Return

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

The time needed to complete and file the following forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to IRS
1040	3 hrs., 7 min.	2 hrs., 32 min.	3 hrs., 10 min.	35 min.
Sch. A (1040)	2 hrs., 47 min.	26 min.	1 hr., 1 min.	20 min.
Sch. B (1040)	33 min.	8 min.	16 min.	20 min.
Sch. C (1040)	6 hrs., 13 min.	1 hr., 4 min.	1 hr., 56 min.	25 min.
Sch. D (1040)	1 hr., 2 min.	1 hr.	1 hr., 8 min.	35 min.
Sch. D-1 (1040)	13 min.	1 min.	13 min.	35 min.
Sch. E (1040)	2 hrs., 52 min.	1 hr., 7 min.	1 hr., 16 min.	35 min.
Sch. F (1040)	9 hrs., 41 min.	1 hr., 59 min.	3 hrs., 52 min.	35 min.
Sch. R (1040)	20 min.	15 min.	22 min.	35 min.
Sch. SE (1040):				
Short	20 min.	11 min.	13 min.	14 min.
Long	26 min.	22 min.	37 min.	20 min.

We Welcome Comments on Forms:

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to the Internal Revenue Service, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; or the Office of Management and Budget, Paperwork Reduction Project (1545-0074), Washington, DC 20503.

DO NOT send your return to either of these offices. See Where To File on page 5.

How To Use This Booklet

• Pages 4-6 contain information on who must file, when and where to file, and how to choose the correct form.

• Page 6 has steps for preparing your return.

• Pages 6-22 have line-by-line instructions.

• Pages 22-23 have general information.

• Page 23 begins instructions for many of the schedules that may be attached to Form 1040.

What Free Tax Help Is Available?

Tax Forms and Publications. Most of your tax questions can be answered by reading the tax form instructions or one of our many free tax publications.

Recorded Tax Information by Telephone. Our Tele-Tax service has recorded tax information covering about 140 topics.

Refund Information. Beginning March 1, Tele-Tax can also tell you the status of your refund.

Telephone Help. IRS representatives are available to help you with your tax questions. If, after reading the tax form instructions and publications, you are not sure how to fill out your return, or have a question about a notice you

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received from us, please call us. Use the toll-free number for your area.

Send IRS Written Questions. You may send your written tax questions to your IRS District Director. If you don't have the address, you can get it by calling the number for your area.

To find the toll-free number for your area and the pages that contain Tele-Tax Information, see "Telephone Assistance—Federal Tax Information" in the Index.

Walk-In Help. IRS representatives are available in many IRS offices around the country to help with tax questions that cannot be answered easily by telephone or in our publications. To find the location of the IRS office nearest you, look in the phone book under "United States Government, Internal Revenue Service."

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE). These programs help older, handicapped, and non-English-speaking people fill out their returns. Call the toll-free telephone number for your area for details. If you received a Federal Income Tax Package in the mail, take it with you when you go for help.

Videotaped Instructions. Videotaped instructions for completing your return are available in either English or Spanish at many libraries.

Telephone Service for the Deaf or Blind are available at regional libraries for the blind and handicapped.

Unresolved Tax Problems. The Problem Resolution Program is for taxpayers who have been unable to resolve their problems with the IRS. If

you have a tax problem you cannot clear up through normal channels, write to your local IRS District Director or call your local IRS office and ask for Problem Resolution assistance. This office cannot change the tax law or technical decisions. But it can help you clear up problems that resulted from previous contacts.

Free Social Security Personal Earnings and Benefit Estimate Statement. The Social Security Administration (SSA) can mail you a statement of your earnings covered by social security and your estimated future benefits. To get this statement, complete a simple form and return it to SSA. You may get a request form by writing to Consumer Information Center, Department 72, Pueblo, CO 81009.

Who Must File

Use Chart A below to see if you must file a return. But, you must use Chart B on page 5 if someone (such as your parent) can claim you as a dependent on his or her return. Also see Other Filing Requirements on page 5.

Chart A—For Most People

To use this chart, first find your marital status at the end of 1989. Then, read across to find your filing status and age at the end of 1989. You must file a return if your gross income* was at least the amount shown in the last column.

Marital status	Filing status	Age	Gross income*
Single (including divorced and legally separated)	Single	under 65	\$5,100
		65 or older	\$5,850
Married with a child and living apart from your spouse during the last 6 months of 1989 (see page 7)	Head of household	under 65	\$6,550
		65 or older	\$7,300
Married and living with your spouse at end of 1989 (or on the date your spouse died)	Married, joint return	under 65 (both spouses)	\$9,200
		65 or older (one spouse)	\$9,800
		65 or older (both spouses)	\$10,400
	Married, separate return	any age	\$2,000
Married, not living with your spouse at end of 1989 (or on the date your spouse died)	Married, joint or separate return	any age	\$2,000
		Single	under 65 65 or older	$5,100 $5,850
Widowed before 1989 and not remarried in 1989	Head of household	under 65 65 or older	\$6,550 \$7,300
		Qualifying widow(er) with dependent child (see page 7)	under 65 65 or older	$7,200 $7,800

*Gross income usually means money, goods, and property you received on which you must pay tax. It does not include nontaxable income. See page 9 of the instructions to find out which types of income you should include.

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Chart B—For Children and Other Dependents

(See the instructions for line 6c on page 8 to find out if someone can claim you as a dependent.)

If someone (such as your parent) can claim you as a dependent, and any of the 4 conditions listed below applies to you, you must file a return.

1. Single dependents under 65

You must file a return if—

Your unearned income was:	and	the total of that income plus your earned income was:
\$1 or more		more than \$500
\$0		more than \$3,100

2. Single dependents 65 or older or blind

You must file a return if—

- Your earned income was more than \$3,850, or
- Your unearned income was more than \$1,250 (\$2,000 if 65 or older and blind), or
- Your gross income was more than the total of your earned income (up to \$3,100) or \$500, whichever is larger, plus \$750 (\$1,500 if 65 or older and blind).

Exception for Children Under Age 14. If your child was under age 14 on January 1, 1990, and all of the following apply, you may elect to report your child's income on your return. If you make this election, your child does not have to file a return.

- Your child had income only from interest and dividends; and
- Your child's gross income was less than \$5,000; and

In the following chart, unearned income includes taxable interest and dividends. Earned income includes wages, tips, and taxable scholarships and fellowships.

3. Married dependents under 65

You must file a return if—

- Your earned income was more than \$2,600, or
- You had any unearned income and your gross income was more than \$500, or
- Your gross income was at least \$5 and your spouse files a separate return on Form 1040 and itemizes deductions.

4. Married dependents 65 or older or blind

You must file a return if—

- Your earned income was more than \$3,200, or
- Your unearned income was more than \$1,100 (\$1,700 if 65 or older and blind), or
- Your gross income was more than the total of your earned income (up to \$2,600), or \$500, whichever is larger, plus \$600 (\$1,200 if 65 or older and blind), or
- Your gross income was at least \$5 and your spouse files a separate return on Form 1040 and itemizes deductions.

• Your child had no Federal income tax withheld from his or her income (backup withholding) or did not make estimated tax payments for 1989.

If you and the child's other parent are not filing a joint return, special rules apply to determine which parent may make the election. Get Form 8814, Parent's Election To Report Child's Interest and Dividends, for details.

Other Filing Requirements.

You must file a return if any of the following applied for 1989:

- You owe any special taxes, such as:
 - social security tax on tips you did not report to your employer;
 - uncollected social security tax or RRTA tax on tips you reported to your employer;
 - alternative minimum tax;
 - tax on an Individual Retirement Arrangement (IRA) or a qualified retirement plan; or
 - tax from recapture of investment credit or low-income housing credit.
- You received any advance earned income credit (EIC) payments from your employer(s).
- You had net earnings from self-employment income of at least \$400.
- You had wages of \$100 or more from a church or qualified church-controlled organization that is exempt from employer social security taxes.

The rules under **Who Must File** (pages 4 and 5) apply to all U.S. citizens and resident aliens (but see **Exception below**). They also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 1989 and who have elected to be treated as resident aliens.

Exceptions. If you were a U.S. citizen who lived in a U.S. possession or had income from a U.S. possession, different filing requirements apply. Get Pub. 570, Tax Guide for Individuals in U.S. Possessions.

If you were a nonresident alien at any time during 1989 (except as mentioned above), different rules apply. You may have to file Form 1040NR, U.S. Nonresident Alien Income Tax Return. Specific rules apply to determine if you are a resident or nonresident alien. Get Pub. 519, U.S. Tax Guide for Aliens, for details.

Who Should File

Even if you do not have to file, you should file to get a refund of any Federal income tax withheld. You should also file if you can take the earned income credit. If you file for either of these reasons only, you may be able to use Form 1040A. If you are single and file only to get a refund of tax withheld, you may be able to use Form 1040EZ.

When To File

You should file as soon as you can after January 1, but not later than April 16, 1990. If you file late, you may have to pay penalties and interest. See **Penalties and Interest on page 22**.

If you know that you cannot file your return by the due date, you should file Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, by April 16, 1990.

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

If you are a U.S. citizen or resident, you may qualify for an automatic extension of time to file if, on the due date of your return, you meet one of the following conditions:

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

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

Where To File

If an addressed envelope came with your return, please use it. If you do not have one, or if you moved during the year, mail your

return to the Internal Revenue Service Center for the place where you live. No street address is needed.

If you live in:	Use this address:
Florida, Georgia, South Carolina	Atlanta, GA 39901
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Merced, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501

(Where To File continued on next page)

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American Samoa	Philadelphia, PA 19255
Guam	Commissioner of Revenue and Taxation 855 West Marine Dr. Agaña, GU 96910
Puerto Rico (or if excluding income under section 933)	Philadelphia, PA 19255
Virgin Islands Nonpermanent residents	V. I. Bureau of Internal Revenue Lockhart Garden No. 1 A Charlotte Amalie, St. Thomas, VI 00802
Virgin Islands Permanent residents	Philadelphia, PA 19255
Foreign country U.S. citizens and those filing Form 2555 or Form 4563	Philadelphia, PA 19255
All A P O or F P O addresses	Philadelphia, PA 19255

Which Form To File

You MAY Be Able To Use Form 1040EZ If:

- You were single and do not claim any dependents.
- You were not 65 or older OR blind.
- You had only wages, salaries, tips, taxable scholarships and fellowships, and not more than \$400 of taxable interest income.
- Your taxable income is less than \$50,000.
- You do not itemize deductions or claim any adjustments to income or tax credits.

You MAY Be Able To Use Form 1040A If:

- You had income only from wages, salaries, tips, taxable scholarships and fellowships, unemployment compensation, interest, or dividends.
- Your taxable income is less than \$50,000.
- You do not itemize deductions.

You can also use Form 1040A to claim the deduction for certain contributions to an Individual Retirement Arrangement (IRA), nondeductible contributions to an IRA, and the credit for child and dependent care expenses. You may use it even if you owe the new supplemental Medicare premium.

Since Forms 1040A and 1040EZ are easier to complete than Form 1040, you should use one of them unless using Form 1040 lets you pay less tax. However, you must file Form 1040 if any of the following situations applies to you.

You MUST Use Form 1040 If:

- Your taxable income is \$50,000 or more.
- You itemize deductions. (Read the instructions for line 34 on page 16 to see if it would benefit you to itemize.)
- You received, as a nominee, interest or dividends that actually belong to another person.
- You received or paid accrued interest on securities transferred between interest payment dates.
- You received any nontaxable dividends or capital gain distributions.
- You are required to fill in Part III of Schedule B for foreign accounts and foreign trusts (see page 27 of the instructions).
- You had any of the kinds of income shown on Form 1040, lines 10 through 19, 21b, and 22, such as taxable social security or equivalent railroad retirement benefits.
- You take any of the adjustments to income shown on Form 1040, lines 26 through 29, or any write-in amount included on line 30.

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• You claim any of the credits on Form 1040, lines 42 through 45, or any write-in amount included on line 46.

• You owe any of the taxes on Form 1040, lines 39, 48 through 52, or any write-in amount included on line 53 (other than advance earned income credit payments).

• You claim any of the payments on Form 1040, lines 57, 61, 62, or any write-in amount included on line 62 or 63.

• You file any of these forms:

Form 1040-ES, Estimated Tax for Individuals, for 1989.

Form 2210, Underpayment of Estimated Tax by Individuals and Fiduciaries.

Form 2555, Foreign Earned Income.

Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa.

Form 8271, Investor Reporting of Tax Shelter Registration Number.

Form 8814, Parent's Election To Report Child's Interest and Dividends.

Preparing Your Return

Follow the six useful steps below to help you prepare your return. If you follow these steps and read the line-by-line instructions, we feel that you can fill in your return quickly and accurately.

Step 1—Get all of your records together.

Income Records. These include any Forms W-2, W-2G, W-2P, and 1099 that you may have. If you don't get a Form W-2 by January 31, 1990, or if the one you get isn't correct, please contact your employer as soon as possible. Only your employer can give you a Form W-2 by February 15, call the toll-free telephone number listed in the instructions for your area. You will be asked for your employer's name, address, and if known, identification number.

Itemized Deductions and Tax Credits. Pages 18 through 27 of these instructions tell you what credits and itemized deductions you can take. Some of the records you may need are:

- Medical and dental payment records.
- Real estate and personal property tax receipts.
- Interest payment records for items such as a home mortgage, car, or appliances.
- Records of payments for child care so you could work.

Step 2—Get any forms, schedules, or publications you need.

In general, we mail forms and schedules to you based on what you filed last year. Before you fill in your return, look it over to see if you need more forms or schedules.

If you think you will need any other forms, get them before you start to fill in your return. Most IRS offices and many local banks, post offices, and libraries may have some of them. Or, you can use the order blank on the next to the last page of this instruction booklet. We will send you the forms, schedules, instructions, and publications you ask for.

Step 3—Fill in your return.

The line-by-line instructions begin below.

Step 4—Check your return to make sure it is correct.

See **Avoid Common Mistakes** on page 22.

Step 5—Sign and date your return.

Form 1040 is not considered a valid return unless you sign it. Your spouse must also sign if it is a joint return.

Step 6—Attach all required forms and schedules.

Attach the first copy or Copy B of Forms W-2, W-2G, and W-2P to the front of Form 1040.

Attach all other schedules and forms behind Form 1040 in order of the "Attachment Sequence No." shown in the upper right corner of the schedule or form.

For example, the "Attachment Sequence No." for Schedule A (Form 1040) is 07.

Attach forms without an attachment sequence number at the end of your return.

If you need more space on forms or schedules, attach separate sheets. Use the same format as the printed forms, but show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on the sheets and attach them at the end of your return.

If you owe tax, be sure to attach your payment to the front of Form 1040.

Line-by-Line Instructions

Name, Address, and Social Security Number

We can process your return faster if you use the mailing label on the front of the instruction booklet. But don't attach it until you have finished your return. Cross out any errors and print the correct information on the label. Add any missing items (such as your apartment number).

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

If you do not have a label, print or type the information in the spaces provided. But if you are married filing a separate return, do not enter your husband's or wife's name here. Instead, show his or her name in the space provided on line 3.

Name Change. If you changed your name because of marriage, divorce, etc., be sure to report this to the Social Security Administration (SSA) so that it has the same name in its records that you have on your tax return. This prevents delays in processing your return and safeguards your future social security benefits.

Social Security Number. Enter your social security number in the area marked "Your social security number." If you are married, write your husband's or wife's social security number in the area marked "Spouse's social security number." Be sure that the number you enter agrees with the number shown on your social security card. Also be sure to check that your social security number is correct on your Forms W-2 and 1099. See page 22 for more information.

If you don't have a social security number, get Form SS-5 from your local SSA office. If you do not receive a number by the time your return is due, write "Applied for" in the space for the number.

Nonresident Alien Spouse. If your spouse is a nonresident alien and you file a joint return, your spouse must get a social security number. If you file a separate return and your spouse has no social security number and no income, write "NRA" in the space for your spouse's number.

P.O. Box. If your post office does not deliver mail to your home and you have a P.O. box, show your P.O. box number instead of your home address.

Foreign Address. If your address is outside of the United States or its possessions or territories, enter the information on the line for "City, town, or post office, state, and ZIP code" in the following order: city, province or state, foreign postal code, and the name of the foreign country. Do not abbreviate the country name.

Presidential Election Campaign Fund

Congress set up this fund to help pay for Presidential election costs. If you want \$1 of your tax to go to this fund, check the "Yes" box. If you are filing a joint return, your spouse may also have \$1 go to the fund. If you check "Yes," your tax or refund will not change.

Filing Status Lines 1 through 5

In general, your filing status depends on whether you are considered single or married. Each filing status has a different tax rate. The filing statuses are listed below, with the highest tax rate listed first and the lowest rate last:

- Married filing a separate return
- Single
- Head of household
- Married filing a joint return and Qualifying widow(er) with dependent child

If more than one filing status applies to you, choose the one that will give you the lowest tax.

Single

You may check the box on line 1 if any one of the following was true on December 31, 1989:

- You were never married, or
- You were legally separated, according to your state law, under a decree of divorce or of separate maintenance, or
- You were widowed before January 1, 1989, and did not remarry in 1989.

Married Filing Joint Return

You may check the box on line 2 if any one of the following is true:

- You were married as of December 31, 1989, even if you did not live together at the end of 1989, or
- Your spouse died in 1989 and you did not remarry in 1989, or
- Your spouse died in 1990 before filing a 1989 return. For details on how to file the joint return, see *Death of Taxpayer* on page 23.

A husband and wife may file a joint return even if only one had income or if they did not live together all year. However, both persons must sign the return and both are responsible. This means that if one spouse does not pay the tax due, the other may have to.

If you file a joint return for 1989, you may not, after the due date for filing that return, amend that return to file as married filing a separate return.

Special Rule for Aliens. If at the end of 1989 you were a nonresident alien or dual-status alien married to a U.S. citizen or resident alien, you may be able to file a joint return with your spouse. If you do file a joint return, you and your spouse must agree to be taxed on your combined worldwide income. For more details, get Pub. 519, U.S. Tax Guide for Aliens.

Married Filing Separate Return

If you file a separate return, you will generally pay more tax. This is because the tax rate is higher for married persons filing separately. But you may want to figure your tax both ways to see which filing status is to your benefit. If you file a separate return, the following apply:

- You cannot take the standard deduction if your spouse itemizes deductions.
- You cannot take the credit for child and dependent care expenses in most cases.
- You cannot take the earned income credit.
- You cannot take the credit for the elderly or the disabled if you lived with your spouse at any time in 1989.
- You may have to include in income up to one-half of any social security or equivalent railroad retirement benefits you received in 1989.

Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people in community property states. See page 9.

But you may be able to file as head of household if you had a child living with you, and you lived apart from your spouse during the last 6 months of 1989. See *Married Persons Who Live Apart* on this page.

Head of Household

You may check the box on line 4 ONLY if on December 31, 1989, you were unmarried or legally separated and meet either test 1 or 2 below. The term "unmarried" includes certain married persons who live apart, as discussed on this page.

1. You paid more than half the cost of keeping up a home in which you lived and you can claim as a dependent. Your parent did not have to live with you in your home; OR
2. You paid more than half the cost of keeping up a home in which you lived and in which one of the following also lived for more than 6 months of the year (temporary absences, such as for vacation or school, are counted as time lived in the home):
 - a. Your unmarried child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child does not have to be your dependent. But your foster child must be your dependent.

b. Your married child, grandchild, great-grandchild, etc., adopted child, or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the rules on page 8 for *Children of Divorced or Separated Parents*, this child does not have to be your dependent.

c. Any other relative whom you can claim as a dependent. For the definition of a relative, see page 8.

To find out if someone is your dependent, see the instructions for line 6c. To find out what is included in the cost of keeping up a home get Pub. 501, Exemptions, Standard Deduction, and Filing Information.

If the person for whom you kept up a home was born, or died, during the year, you may still file as head of household as long as the home was that person's main home for the part of the year he or she was alive.

You do not qualify as head of household if your child, parent, or relative described above is your dependent under the rules for *Person Supported by Two or More Taxpayers* (see page 8).

Aid to Families With Dependent Children (AFDC). If you used payments you received under the AFDC program to pay part of the cost of keeping up your home, you cannot count them as money you paid for keeping up your home. Instead, count them as support from someone else.

Married Persons Who Live Apart. Even if you were not divorced or legally separated in 1989, you may be considered unmarried and file as head of household. You may also be able to claim the credit for child and dependent care expenses and the earned income credit. You can take the standard deduction even if your spouse itemizes deductions.

You may check the box on line 4 if ALL 5 of the following apply:

1. You file a separate return from your spouse, and
2. You lived apart from your spouse during the last 6 months of 1989, and
3. You paid more than half the cost of keeping up your home for 1989, and
4. Your home was the main home of your child, stepchild, adopted child, or foster child for more than 6 months of 1989, and
5. You claim this child as your dependent. However, you do not have to claim this child as your dependent if the child's other parent claims him or her as a dependent under the rules on page 8 for *Children of Divorced or Separated Parents*.

Qualifying Widow(er) With Dependent Child

If your spouse died in 1987 or 1988 and you did not remarry in 1989, you may be able to use joint return tax rates for 1989.

You may check the box on line 5 if you meet ALL 3 of the following tests:

1. You could have filed a joint return with your spouse the year he or she died, even if you didn't actually do so.
2. Your dependent child, stepchild, adopted child, or foster child lived with you (except for temporary absences, such as for vacation or school).
3. You paid over half the cost of keeping up the home for this child for the whole year.

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Do not claim an exemption for your spouse.

If you can't file as qualifying widow(er) with dependent child, go to page 7 to see if you can file as Head of household. Otherwise, see *Must file single*.

Exemptions Line 6a

For Yourself

Check the box on line 6a unless someone (such as your parent) can claim you as a dependent.

Line 6b

For Your Spouse

If you file a joint return and your spouse cannot be claimed as a dependent on another person's return, check the box on line 6b. If you file a separate return, you can take an exemption for your spouse only if your spouse is not filing a return, had no income, and cannot be claimed as a dependent on another person's return.

If at the end of 1989 you were divorced or legally separated, you cannot take an exemption for your former spouse. If your divorce was not final (an interlocutory decree), you are considered married for the whole year.

Death of Your Spouse. If your spouse died in 1989 and you did not remarry before the end of 1989, check the box on line 6b if you could have taken an exemption for your spouse on the date of death. For other filing instructions, see *Death of Taxpayer* on page 23.

Nonresident Alien Spouse. If you do not file a joint return, you can take an exemption for your spouse only if your spouse had no income from U.S. sources and is not the dependent of another taxpayer. Check the box on line 6b if you can take an exemption for your spouse and enter "NRA" to the right of the word Spouse on line 6b.

Line 6c

Dependents

You can claim an exemption for each of your dependents who was alive during some part of 1989. This includes a baby born in 1989 or a person who died in 1989. Any person who meets ALL 5 of the following tests qualifies as your dependent.

Test 1—Relationship

The person must be your relative (see *Exception at end of Test 1*). The following are considered your relatives:

- Your child, stepchild, adopted child; a child who lived in your home as a family member, if placed with you by an authorized placement agency for legal adoption; or a foster child (any child who lived in your home as a family member for the whole year).
- Your grandchild, great-grandchild, etc.
- Your son-in-law, daughter-in-law.
- Your parent, stepparent, parent-in-law.
- Your grandparent, great-grandparent, etc.
- Your brother, sister, half brother, half sister, stepbrother, stepfather, brother-in-law, sister-in-law.
- If related by blood, your aunt, uncle, nephew, niece.

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Any relationships established by marriage are not treated as ended by divorce or death. **Exception.** A person who lived in your home as a family member for the entire year can also be considered a dependent. But the relationship must not violate local law.

Test 2—Married Person

If the person is married, he or she cannot file a joint return. However, if neither the person nor the person's spouse is required to file, but they file a joint return to get a refund of all tax withheld, you may claim him or her if the other 4 tests are met.

Test 3—Citizen or Resident

The person must have been a U.S. citizen or resident alien, a resident of Canada or Mexico, or your adopted child who is not a U.S. citizen, but who lived with you all year in a foreign country.

Test 4—Income

Generally, the person's gross income must be less than \$2,000. Gross income does not include nontaxable income, such as welfare benefits or nontaxable social security benefits.

Income earned by a permanently and totally disabled person for services performed at a sheltered workshop school is generally not included for purposes of the income test. Get Pub. 501, Exemptions, Standard Deduction, and Filing Information, for details.

Exception for Your Child. Your child can have gross income of \$2,000 or more if:

- a. your child was under age 19 at the end of 1989, or
- b. your child was under age 24 at the end of 1989 and qualifies as a student. Your child is a student if he or she:
 - was enrolled as a student at a school during any 5 months of 1989 for the number of hours or classes that the school considers to be full-time, or
 - took a full-time, on-farm training course during any 5 months of 1989. (The course had to be given by a school or a state, county, or local government agency.) School includes technical, trade, and mechanical schools. It does not include on-the-job training courses or correspondence schools.

Test 5—Support

The general rule is that you had to provide over half the person's support in 1989. If you file a joint return, support can come from either spouse. If you remarried, the support provided by your new spouse is treated as support coming from you. For exceptions to the support test, see *Children of Divorced or Separated Parents and Person Supported by Two or More Taxpayers*, on this page.

Support includes food, a place to live, clothing, medical and dental care, and education. Support also includes items such as a car and furniture, but only if they are for the person's own use or benefit. In figuring support, use the actual cost of these items. However, figure the cost of a place to live at its fair rental value. Include money the person used for his or her own support, even if this money was not taxable. (Examples are gifts, savings, and social security and welfare benefits.)

Support does not include items such as income and social security taxes, life

insurance premiums, scholarships, or funeral expenses.

If you care for a foster child, see Pub. 501 for special rules that apply.

Children of Divorced or Separated Parents. Special rules apply to determine if the support test is met for children of divorced or separated parents. The rules also apply to children of parents who did not live together at any time during the last 6 months of the year, even if they do not have a separation agreement. For these rules, a **custodial parent** is the parent who had custody of the child for most of the year. A **noncustodial parent** is the parent who had custody for the shorter period or who did not have custody at all.

The general rule is that the custodial parent is treated as having provided over half of the child's support if both parents together paid more than half of the child's support. This means that the custodial parent can claim the child as a dependent if the other dependency tests are also met.

But, if you are the noncustodial parent, you are treated as having provided over half of the child's support and can claim the child as a dependent if either 1 or 2 below applies:

1. The custodial parent agrees not to claim the child's exemption for 1989 by signing Form 8332 or a similar statement. But you (as the noncustodial parent) must attach this signed Form 8332 or similar statement to your return. Instead of attaching Form 8332, you can attach a copy of certain pages of your divorce decree or separation agreement, if it went into effect after 1984 (see *Children Who Didn't Live With You Due to Divorce or Separation* on page 9), OR

2. Your divorce decree or written separation agreement went into effect before 1985 and it states that you (the noncustodial parent) can claim the child as a dependent. But you must have given at least \$600 for the child's support in 1989. Also, you must check the pre-1985 agreement box on line 6d. This rule does not apply if your decree or agreement was changed after 1984 to say that you cannot claim the child as your dependent.

Person Supported by Two or More Taxpayers. Sometimes two or more taxpayers together pay more than half of another person's support, but no one alone pays over half of the support. One of the taxpayers may claim the person as a dependent only if Tests 1 through 4 above are met. In addition, the taxpayer who claims the person as a dependent must:

- a. have paid more than 10% of that person's support, and
- b. attach to his or her tax return a signed Form 2120, Multiple Support Declaration, from every other person who paid more than 10% of the support. This form states that the person who signs it will not claim an exemption in 1989 for the person he or she helped to support.

Columns (1) through (5)

After you have figured out who you can claim as a dependent, fill in the columns on line 6c. **Column (1).** Enter the name of each dependent. If you have more than six dependents, attach a statement to your return. Give the same information as in columns (1) through (5) for each dependent.

Column (2). If your dependent was under age 2 on December 31, 1989, put a check mark in column (2).

Column (3). Beginning in 1989, any dependent age 2 or older must have a social security number. You must enter that number in column (3). If you do not enter it or if the number is wrong, you may have to pay a penalty.

Your dependent can get a number by filing Form SS-5 with a local Social Security Administration office. If your dependent does not have a number when you are ready to file your return, write "Applied for" in column (3). If your dependent lives in Canada or Mexico, see Pub. 501.

Column (5). Enter the number of months your dependent lived with you in 1989. (Temporary absences such as school or vacation are counted as time living in your home.) Enter "12" in this column if your dependent was born, or died, in 1989. If your dependent lived in Canada or Mexico during 1989, don't enter a number. Instead, write the letter "F" (for foreign).

Children Who Didn't Live With You Due to Divorce or Separation. If you are claiming a child who didn't live with you under the rules for **Children of Divorced or Separated Parents** (see page 8), enter the total number of such children on the line to the right of line 6c labeled "No. of your children on 6c who didn't live with you due to divorce or separation." If you put a number on this line, you must do one of the following:

- Check the box on line 6d if your divorce decree or written separation agreement was in effect before 1985, and it states that you can claim the child as your dependent.
- Attach Form 8332 or similar statement to your return. If your divorce decree or separation agreement went into effect after 1984 and it states that you can claim the child as your dependent, you may attach a copy of the following pages from the decree or agreement instead of Form 8332:
 1. Cover page (write the other parent's social security number on this page), and
 2. The page that states you can claim the child as your dependent, and
 3. Signature page showing the date of the agreement.

Other Dependent Children. Enter the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "No. of other dependents listed on 6c." Include dependent children who lived in Canada or Mexico during 1989.

Income

Examples of Income You Do Not Report

(Do not include these amounts when you decide if you must file a return.)

Welfare benefits.

Disability retirement payments (and other benefits) paid by the Veterans' Administration.

Workers' compensation benefits, insurance damages, etc., for injury or sickness.

Child support.

Gifts, money, or other property you inherited or that was willed to you. Dividends on veterans' life insurance.

Life insurance proceeds received because of a person's death.

Amounts you received from insurance because you lost the use of your home due to fire or other casualty to the extent the amounts were more than the cost of your normal expenses while living in your home. (Report as income reimbursements for normal living expenses.)

Certain amounts received as a scholarship (see the instructions for line 7).

Cancellation of certain student loans if, under the terms of the loan, the student performs certain professional services for any of a broad class of employers (get Pub. 520, Scholarships and Fellowships).

Examples of Income You Must Report
The following kinds of income should be reported on Form 1040, or related forms and schedules, in addition to the types of income listed on Form 1040, lines 7 through 21b. You may need some of the forms and schedules mentioned below. Scholarship and fellowship amounts. (See the instructions for line 7.)

Original Issue Discount (Schedule B). Distributions from SEPs and DECs. Amounts received in place of wages, from accident and health plans (including sick pay and disability pensions) if your employer paid for the policy.

Bartering income (fair market value of goods or services you received in return for your services).

Tier 2 and supplemental annuities under the Railroad Retirement Act.

Life insurance proceeds from a policy you cashed in if the proceeds are more than the premium you paid.

Your share of profits from S corporations, partnerships, estates and trusts (Schedule E).

Endowments. Lump-sum distributions (Form 4972). (See page 13.)

Gains from the sale or exchange (including barter) of real estate, securities, coins, gold, silver, gems, or other property (Schedule D or Form 4797).

Gains from the sale of your main home (Schedule D and Form 2119).

Accumulation distributions from trusts (Form 4970).

Prizes and awards (contests, raffles, lottery, and gambling winnings).

Earned income from sources outside the United States (Form 2555). Director's fees.

Fees received as an executor or administrator of an estate. Embezzled or other illegal income.

U.S. Citizens Living Abroad
Generally, foreign source income must be reported. Get Pub. 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, for more details.

Community Property States
Community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

If you and your spouse live in a community property state, you must follow state law to determine what is community income and what is separate income. However, different rules could apply if:

- you and your spouse lived apart all year,
- you do not file a joint return, and
- none of the community income you earn is transferred to your spouse.

For details, get Pub. 555, Community Property and the Federal Income Tax.

Rounding Off to Whole Dollars

You may round off cents to the nearest whole dollar on your return and schedules. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If you do round off, do so for all amounts. However, if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding and only round off the total. Example: You received two W-2 forms, one showing wages of \$5,000.55 and one showing wages of \$18,500.73. On Form 1040, line 7, you would enter \$23,501 (\$5,000.55 + \$18,500.73 = \$23,501.28).

Line 7

Wages, Salaries, Tips, Etc.

Show the total of all wages, salaries, fees, commissions, tips, bonuses, supplemental unemployment benefits, and other amounts you were paid before taxes, insurance, etc., were taken out. For a joint return, be sure to include your spouse's income on line 7.

Include in this total:

- The amount that should be shown in Box 10 on Form W-2. Report all wages, salaries, and tips you received, even if you do not have a Form W-2.

- Tips received that you did not report to your employer. (Show any social security tax due on these tips on line 51—see the instructions on page 18.)

- You must report as income the amount of allocated tips shown on your W-2 form(s) unless you can prove a lesser amount with adequate records. For information on allocated tips, get Pub. 531, Reporting Income From Tips.

- Corrective distributions of excess salary deferrals.

- Corrective distributions of excess contributions and excess aggregate contributions to a retirement plan.

- Disability pensions if you have not reached the minimum retirement age set by your employer.

Note: Except for those disability pensions mentioned above, pensions shown on Form W-2P (other than payments from an IRA) are reported on lines 17a and 17b of Form 1040. Payments from an IRA are reported on lines 16a and 16b.

- Payments by insurance companies, etc., not included on Form W-2. If you received sick pay or a disability payment from

anyone other than your employer, and it is not included in the wages shown on Form W-2, include it on line 7. Attach a statement showing the name and address of the payer and amount of sick pay or disability income. (Get Form W-4S for details on withholding of Federal income tax from your sick pay.)

- Fair market value of meals and living quarters if given by your employer as a matter of your choice and not for your employer's convenience. Don't report the value of meals given you at work if they were provided for your employer's convenience. Also don't report the value of living quarters you had to accept on your employer's business premises as a condition of employment.

- Strike and lockout benefits paid by a union from union dues. Include cash and the fair market value of goods received. Don't report benefits that were gifts.

- Any amount your employer paid for your moving expenses (including the value of services furnished in kind) that is not included in Box 10 on Form W-2.

Note: You must report on line 7 all wages, salaries, etc., paid for your personal services, even if the income was signed over to a trust (including an IRA), another person, a corporation, or a tax-exempt organization.

For more details on reporting income received in the form of goods, property, meals, stock options, etc., get Pub. 525, Taxable and Nontaxable Income.

Employer-Provided Vehicle. If you used an employer-provided highway motor vehicle for both personal and business purposes and 100% of the fair rental value of the vehicle was included in the wages box (Box 10) of your W-2 form, you can deduct the business use of the vehicle. But you must use Form 2106, Employee Business Expenses, to do so. (The total fair rental value of the vehicle should be shown in Box 16a of your W-2 form or on a separate statement.) For more details, get Pub. 525.

Excess Salary Deferrals. If you chose to have your employer contribute part of your pay to certain retirement plans (such as a 401(k) or the Federal Thrift Savings Fund) instead of having it paid to you, your W-2 form should have the "Deferred compensation" box in Box 5 checked. The amount deferred should be shown in Box 16. The total amount that may be deferred for 1989 under all plans is generally limited to \$7,627. But amounts deferred under a tax-sheltered annuity plan may have a higher limit. Get Pub. 575, Pension and Annuity Income (Including Simplified General Rule), for details. Any amount deferred in excess of these limits must be reported on Form 1040, line 7.

Employer-Provided Dependent Care Benefits (DCB). If you received benefits under your employer's dependent care plan, you may be able to exclude part or all of them from your income. But you must use Form 2441, Child and Dependent Care Expenses, to do so. The benefits should be separately shown on your W-2 form(s) and labeled as "DCB."

First, go to Form 2441 and complete Parts I and III. Line 21 of that form shows any excluded benefits. Line 22 shows the taxable benefits, if any. Include the taxable benefits from line 22 on Form 1040, line 7.

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On the dotted line next to line 7, write "DCB."

Scholarships and Fellowships. If you received a scholarship or fellowship, part of it may be taxable even if you didn't receive a W-2 form.

If you were a degree candidate and the scholarship or fellowship was granted after August 16, 1986, the amounts you used for expenses other than tuition and course-related expenses are taxable. For example, amounts used for room, board, and travel are taxable.

Include the taxable amount on line 7. Then write "SCH" and the taxable amount not reported on a W-2 form on the dotted line next to line 7.

If the scholarship or fellowship was granted on or before August 16, 1986, or if you were not a degree candidate, get Pub. 520 to see how much may be taxable and how to report it.

Line 8a

Taxable Interest Income

Report ALL of your taxable interest income on line 8a, even if it is \$400 or less. If the total is more than \$400, first fill in Schedule B (see page 27).

Report any interest you received or that was credited to your account so you could withdraw it even if it wasn't entered in your passbook.

The payer should send you a Form 1099-INT or, if applicable, a Form 1099-OID for this interest. A copy of the form is also sent to IRS.

If you received, as a nominee, interest that actually belongs to someone else, see Schedule B instructions on page 27.

Caution: Be sure each payer of interest income has your correct social security number. Otherwise, the payer may withhold 20% of the interest. You may also be subject to penalties.

Interest credited in 1989 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial institution may not have to be included in your 1989 income. For details, get Pub. 550, Investment Income and Expenses.

Examples of Taxable Interest Income You MUST Report

Report interest from:

- Accounts (including certificates of deposit and money market accounts) with banks, credit unions, and savings and loan associations.

- Bonding and loan accounts.
- Notes, loans, and mortgages. Special rules apply to loans with below-market interest rates. Get Pub. 545, Interest Expense.
- Tax refunds. Report only the interest on them as interest income.

- Bonds and debentures. Also arbitrage bonds issued by state and local governments after October 9, 1969. (Report interest on other state and local bonds and securities on line 8b.) Also report as interest on line 8a any gain on the disposition of certain market discount bonds issued to you after July 18, 1984, to the extent of the accrued market discount. For taxable bonds acquired after December 31, 1987, reduce your interest income on

the bonds by the amount of any amortizable bond premium. Do not deduct the premium as interest expense on Schedule A. See Schedule B instructions on page 27.

- U.S. Treasury bills, notes, and bonds.

- U.S. Savings Bonds. The interest is the yearly increase in the value of the bond. Interest on Series E or EE bonds can be reported using method a or b below:

- a. Report the total interest when you cash the bonds, or when they reach final maturity and no longer earn interest; OR
- b. Each year report on your return the yearly increase in the bonds' value.

If you change to method b, report the entire increase in all your bonds from the date they were issued. Each year after report only the yearly increase. You may not change to method a unless you complete Form 3115 and attach it to your tax return. See Pub. 550 for details.

Note: If you receive a 1989 Form 1099-INT for U.S. Savings Bond interest that includes amounts you reported before 1989, see Pub. 550.

- Original Issue Discount (OID). This is the difference between the issue price of a debt instrument and the stated redemption price at maturity. If the instrument was issued at a discount after May 27, 1969 (or for certain noncorporate instruments after July 1, 1982), include in your interest income the discount for the part of the year you held it. The taxable OID may be more or less than the amount shown on Form 1099-OID.

If you bought a corporate debt instrument at original issue and held it for all of 1989 or the part of 1989 that it was outstanding, include in interest income the total OID from Form 1099-OID. Get Pub. 1212, List of Original Issue Discount Instruments, to figure the taxable OID for other corporate debt instruments and noncorporate debt instruments (such as zero coupon U.S. Treasury-backed securities).

If you had OID for 1989, but did not receive Form 1099-OID, or if the price you paid for the instrument is more than the issue price plus accumulated OID, see Pub. 1212. It provides total OID on the instruments listed and gives computational information.

Also include in your interest income any other periodic interest shown on Form 1099-OID.

Line 8b

Tax-Exempt Interest Income

If you received any tax-exempt interest (such as from municipal bonds) report it on line 8b. Include in this amount any exempt-interest dividends from a mutual fund or other regulated investment company. Do not report interest earned on your IRA on line 8b.

Line 9

Dividend Income

Dividends are distributions of money, stock, or other property that corporations pay to stockholders. They also include dividends you receive through a partnership, an S corporation, or an estate or trust. Payers include nominees or other agents. The payer should send you a Form 1099-DIV. A copy of this form is also sent to the IRS.

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If you received, as a nominee, dividends that actually belong to someone else, see Schedule B instructions on page 27.

Caution: Be sure each payer of dividends has your correct social security number. Otherwise, the payer may withhold 20% of the dividend income. You may also be subject to penalties.

If your total gross dividends (Form 1099-DIV, Box 1a) are more than \$400, first fill in Schedule B (see page 27). If you received \$400 or less in dividends, include on line 9 only ordinary dividends and any investment expenses shown in Box 1e of Form 1099-DIV.

Dividends Include:

- **Ordinary dividends.** These are shown on Form 1099-DIV, Box 1b.
- **Capital gain distributions.** These are shown on Form 1099-DIV, Box 1c. If you have other capital gains or losses, also enter your capital gain distributions on Schedule D. If you don't need Schedule D to report any other gains or losses, see the instructions for lines 13 and 14.

• **Nontaxable distributions.** Some distributions are nontaxable because they are a return of your cost. They will not be taxed until you recover your cost. You must reduce your cost (or other basis) by these distributions. After you get back all of your cost (or other basis), you must report these distributions as capital gains. For details, get Pub. 550, Form 1099-DIV shows nontaxable distributions in Box 1d.

Note: Generally, payments from a money market fund are dividends.

Do Not Report as Dividends

- Mutual insurance company dividends that reduced the premiums you paid.
- Amounts paid on deposits or accounts from which you could withdraw your money, such as mutual savings banks, cooperative banks, and credit unions. Remember to report these amounts as interest on line 8a.

Line 10

Taxable Refunds of State and Local Income Taxes

If you received a refund, credit, or offset of state or local income taxes in 1989 that you paid and deducted before 1989, you may have to report all or part of this amount as income if your itemized deduction for state and local income taxes in the year you paid the taxes resulted in a tax benefit. You may receive Form 1099-G, or similar statement, showing the refund.

Any part of a refund of state or local income taxes paid before 1989 that you were entitled to receive in 1989 but chose to apply to your 1989 estimated state income tax is considered to have been received in 1989.

Do not report the refund as income if it was for a tax you paid in a year for which you did not itemize deductions on Schedule A (Form 1040), or it was for a year in which you filed Form 1040A or Form 1040EZ.

If the refund was for a tax you paid in 1988 and you itemized deductions on Schedule A for 1988, use the worksheet below to figure the amount. If any, you must report as income for 1989.

But, see Recoveries in Pub. 525, Taxable and Nontaxable Income, instead of using the worksheet below if any of the following applies:

- The refund you received in 1989 is for a tax year other than 1988.
- You received a refund (other than an income tax refund, such as a real property tax refund) in 1989 of an amount deducted or credit claimed in an earlier year.
- Your 1988 taxable income was less than zero.
- Your last payment of 1988 estimated state income tax was made in 1989.
- You were liable for the alternative minimum tax in 1988.
- You could not deduct the full amount of credits you were entitled to in 1988 because total credits exceeded tax shown on your 1988 Form 1040, line 40.
- You could be claimed as a dependent by someone else in 1988.

Worksheet for State and Local Income Tax Refunds (Keep for your records)

1. Enter the income tax refund from Form(s) 1099-G (or similar statement) 1989-99
2. Enter the amount from your 1988 Schedule A, line 26
3. Enter on line 3 the amount shown below for the filing status you claimed on your 1988 Form 1040.
 - Single, enter \$3,000
 - Married filing jointly or Qualifying widow(er), enter \$5,000
 - Married filing separately, enter \$2,500
 - Head of household, enter \$4,400
4. If you (or your spouse if you filed a joint return) were 65 or older or blind at the end of 1988, multiply the number on your 1988 Form 1040, line 33a, by \$600 (\$750 if your filing status on your 1988 Form 1040 was single or head of household). Otherwise, enter zero
5. Add lines 3 and 4. Enter the total
6. Subtract line 5 from line 2. Enter the result (but not less than zero)
7. Taxable part of your refund. Compare the amounts on lines 1 and 6 above. Enter the smaller of the two amounts here and on Form 1040, line 10

Line 11

Alimony Received

Enter amounts you received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you don't, you may have to pay a \$50 penalty. For more details, get Pub. 504, Tax Information for Divorced or Separated Individuals.

If you received payments under a divorce or separation instrument executed after 1984, see the instructions for line 29 on page 15 for information on the rules that

apply in determining whether these payments qualify as alimony.

Lines 13 and 14

Capital Gain or (Loss)

Enter on line 13 your capital gain or (loss) from Schedule D. If you received capital gain distributions but do not need Schedule D for other capital transactions, enter those distributions on line 14.

Caution: At the time these instructions were printed, Congress was considering legislation that could change some of the rules that apply to Schedule D and these instructions. When Congress completes its action, we will take the steps necessary to publicize the final rules.

Line 15

Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the Instructions for Form 4797. Enter the ordinary gain or (loss) from Part II of Form 4797.

Lines 16a and 16b

IRA Distributions

Use lines 16a and 16b to report individual retirement arrangement (IRA) distributions you received. This includes regular distributions, early distributions, rollovers, and any other money or property you received from your IRA account or annuity. Generally, you will receive either a Form 1099-R or a Form W-2P showing the amount of your distribution. **Caution:** If you received an early distribution or excess distribution, you may have to pay an additional tax. Get Form 5329.

IRA distributions that you must include in income are taxed at the same rate as other income. You may not use the special averaging rule for lump-sum distributions from qualified employer plans. If your distribution is fully taxable, enter it on line 16a; no entry is required on line 16b. If only part is taxable, enter the total amount on line 16a; enter the taxable part on line 16b. If you made nondeductible contributions to your IRA or rolled your IRA distribution over into another IRA, see below.

Nondeductible Contributions. If you received an IRA distribution in 1989, and you made any nondeductible contributions for 1989 or for an earlier year, part of your distribution may be nontaxable.

If you made any nondeductible contributions for 1989, get Pub. 590, Individual Retirement Arrangements (IRAs), and Form 8506 to figure the taxable part of your IRA distribution. Enter the total amount on line 16a; enter the taxable part on line 16b.

If all of your nondeductible contributions were made for earlier years, use Form 8506 to figure the nontaxable part of your distribution. Follow the instructions for Form 8506, line 11, to figure the taxable part to enter on Form 1040, line 16b. Enter the total amount on line 16a.

Rollovers. A rollover is a tax-free transfer of cash or other assets from one retirement program to another. Use lines 16a and 16b to report a rollover from one IRA to another IRA. But do not use lines 16a or 16b to report a rollover from a qualified employer's

plan to an IRA; use lines 17a and 17b instead.

Enter the total distribution on line 16a. If the total on line 16a was rolled over, enter zero on line 16b. Otherwise, enter the part that was not rolled over on line 16b. For more details, see Pub. 590.

Lines 17a and 17b

Pensions and Annuities

Use lines 17a and 17b to report pension and annuity income you received. Also, use these lines to report distributions from profit-sharing plans, retirement plans and employee-savings plans. See below for information on rollovers. See page 13 if you received a lump-sum distribution. You should receive a Form W-2P or Form 1099-R showing the amount of your pension or annuity. Be sure to attach Form W-2P to Form 1040.

Do not use lines 17a and 17b to report corrective distributions of excess salary deferrals, excess contributions, or excess aggregate contributions from retirement plans. Instead, see the instructions for line 7. Also, do not use lines 17a and 17b to report any social security or railroad retirement benefits shown on Forms SSA-1099 and RRB-1099. Instead, see the instructions for lines 21a and 21b.

Fully Taxable Pensions and Annuities Your pension or annuity payments are fully taxable if you did not contribute to the cost of your pension or annuity, or you used the 3-Year Rule and you got back tax-free your entire cost before 1989.

Fully taxable pensions and annuities also include military retirement pay shown on Form W-2P, and any taxable railroad retirement benefits from Box 12 of Form RRB-W-2P. If you received Form RRB-W-2P and an amount is shown in Box 13 of your form, get Pub. 575, Pension and Annuity Income (Including Simplified General Rule), to see how to report your benefits.

If your pension or annuity is fully taxable, enter it on line 17b; no entry is required on line 17a.

For information on military disability pensions, get Pub. 525.

Pensions and Annuities That Are Not Fully Taxable

If your pension or annuity is not fully taxable, the method you use to figure the taxable part depends on your annuity starting date. Once you have figured the taxable part of your pension or annuity, enter the total amount on line 17a; enter the taxable part on line 17b.

Annuity Starting Date Was After July 1, 1986. If your annuity starting date was after July 1, 1986, and your Form W-2P does not show the taxable part of your pension or annuity, you must use the General Rule to figure the taxable part, unless you qualify to use the Simplified General Rule explained below. The General Rule is explained in Pub. 939, Pension General Rule (Nonsimplified Method), if you choose to, you may submit a ruling request to IRS before the due date of your return (including extensions), and IRS will figure the taxable part for you for a \$50 fee. See Pub. 939 for details on how to do this.

If your Form W-2P shows a taxable amount, you may report on line 17b the taxable amount shown on Form W-2P or, if you qualify, you may complete the worksheet on this page to see if it gives you a lower taxable amount. Read the instructions that follow to see if you qualify to use the worksheet.

Simplified General Rule. Using this method will usually result in at least as much of the pension or annuity being tax-free each year as under the General Rule or as figured by IRS. You qualify for this simpler method if:

- The annuity payments are for (a) your life, or (b) your life and that of your beneficiary, and
- The annuity payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity, and
- At the time the payments began, either you were under age 75, or, if you were 75 or older, the number of years of guaranteed payments was fewer than 5.

If you qualify, use the worksheet below to figure the taxable part of your pension or annuity. If you are a beneficiary entitled to a death benefit exclusion, add the exclusion to the amount you enter on line 2 of the worksheet below even if you received a Form W-2P showing a taxable amount. (The payer of the annuity cannot add the death benefit exclusion to your cost when figuring the taxable amount.) Attach a signed statement to your return stating that you are entitled to a death benefit exclusion. For details on the Simplified General Rule, see Pub. 575.

Age at Annuity Starting Date. If you are the retiree, use your age on the annuity starting date. If you are the survivor of a retiree, use the retiree's age on his or her annuity starting date. If you are the

beneficiary of an employee who died, get Pub. 575.

Note: If there is more than one beneficiary, see Pub. 575 or Pub. 721, Tax Guide to U.S. Civil Service Retirement Benefits, to figure each beneficiary's taxable amount.

Changing Methods. In some cases you may be able to change the way you figure the taxable part of your pension. For more information, see Pub. 575 or Pub. 721.

Annuity Starting Date Was Before July 2, 1986. If your annuity starting date was before July 2, 1986, you cannot use the Simplified General Rule. Continue to report your annuity payments under either the 3-Year Rule or the General Rule, whichever applies. See Pub. 575 or Pub. 721.

Caution: Certain transactions, such as loans against your interest in a qualified plan, may be treated as taxable distributions and may also be subject to penalties. For details, see Pub. 575.

Death Benefit Exclusion

If you are the beneficiary of a deceased employee or deceased former employee, amounts paid to you by, or on behalf of, an employer because of the death of the employee may qualify for a death benefit exclusion of up to \$5,000. If you are entitled to this exclusion, add it to the cost of the pension or annuity.

Special rules apply if you are the survivor under a joint and survivor's annuity. For details, see Pub. 575.

Rollovers

A rollover is a tax-free transfer of cash or other assets from one retirement program to another. Use lines 17a and 17b to report a rollover from one qualified employer's plan to another, or to an IRA.

Distributions that may be rolled over are generally reported to you on Form 1099-R

Worksheet for Simplified General Rule (Keep for your records)

1. Enter the total pension received this year. Also enter this amount on Form 1040, line 17a
 2. Enter your cost in the plan, including any death benefit exclusion
 3. Age at annuity starting date: (see instructions above)

Enter:	Enter:
55 and under	300
56-60	260
61-65	240
66-70	170
71 and older	120
 4. Divide the amount on line 2 by the number on line 3, and round to two decimal places
 5. Multiply line 4 by the number of months for which this year's payments were made
 6. Taxable pension for year. Subtract line 5 from line 1. Enter the result but not less than zero. Also enter this amount on Form 1040, line 17b. If your Form W-2P shows a larger taxable amount, use the amount on this line instead of the amount from Form W-2P.
- Remaining cost to be recovered in tax years after 1989.** (Fill out only if your annuity starting date was after December 31, 1986.)
7. Enter the amount from line 2
 8. Enter the amount from line 5 plus any amount recovered tax-free in 1987 and 1988
 9. Your remaining cost. Subtract line 8 from line 7

Note: If you had more than one pension or annuity that is not fully taxable, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 17b.

or Form W-2P. Enter the total distribution on line 17a. If the total on line 17a (less any "after tax" contributions) was rolled over, enter zero on line 17b. Otherwise, enter the taxable part of the distribution that was not rolled over on line 17b. Special rules apply to partial rollovers of property.

For details on rollovers, including distributions under qualified domestic relations orders, get Pub. 575.

Lump-Sum Distributions

If you received a lump-sum distribution from a profit-sharing or retirement plan, you should receive a Form 1099-R showing the amount of the distribution. If you received an early distribution or excess distribution from a qualified retirement plan, you may owe additional tax. For details, get Form 5329.

Enter the total distribution on line 17a and the taxable part on line 17b unless:

- You elect to report the capital gain part shown on Form 1099-R, Box 3, on Schedule D (see the instructions for Schedule D); or
- You reached age 50 before 1986, you meet certain other conditions, and you use Form 4972, Tax on Lump-Sum Distributions, to figure the tax on any part of the distribution. In these cases, you may pay less tax on the distribution. For details, get Form 4972.

If you use Form 4972 to figure the tax on any part of your distribution, do not include that part of the distribution on line 17a or b of Form 1040.

Line 20

Unemployment Compensation

Unemployment compensation (insurance) is fully taxable. By January 31, 1990, you should receive a Form 1099-G showing the total unemployment compensation paid to you during 1989.

Use line 20 to report the unemployment compensation you received. If you received an overpayment of unemployment compensation in 1989 and you repaid it in 1989, subtract the amount you repaid from the total amount you received and enter the result on line 20. Also write "repayment" and the amount you repaid on the dotted line next to line 20.

Note: Supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund are wages. Report them on line 7.

Lines 21a and 21b

Social Security and Equivalent Railroad Retirement Benefits

Social security benefits you receive may be taxable in some instances. Social security benefits include any monthly benefit under title II of the Social Security Act or the part of a tier 1 railroad retirement benefit treated as a social security benefit. Social security benefits do not include any Supplemental Security Income (SSI) payments.

By January 31, 1990, you should receive a Form SSA-1099 showing the total social security benefits paid to you in 1989, and the amount of any social security benefits you reported in 1989. If you received railroad retirement benefits treated as social security, you should receive Form RRB-1099. For more details, get Pub. 915, Social Security Benefits and Equivalent Railroad Retirement Benefits.

Use the worksheet on this page to see if any of your benefits are taxable, but please note the following before you begin.

- You will first need to complete Form 1040, lines 7 through 20, 22, and 30 if they apply to you, to figure the taxable part, if any, of your benefits.
- Caution:** If you made IRA contributions for 1989 and you were covered by a retirement plan at work, you may need to make a special computation. Get Pub. 590 for details.
- If you repaid any benefits in 1989, and your total repayments (Box 4) were more than your total benefits for 1989 (Box 3), do not use the worksheet below. None of your benefits are taxable for 1989. But you may be able to take an itemized deduction for part of the excess repayments if they were for benefits you included in gross income in an earlier year. Get Pub. 915.
- If you file Form 2555, Foreign Earned Income, or Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa, or you exclude income from sources within Puerto Rico, use the worksheet in Pub. 915 instead of the one below.

Line 22
Other Income
Use line 22 to report any income you can't find a place for on your return or other schedules. List the type and amount of income. If necessary, show the required information on an attached statement. For more information, see Miscellaneous Taxable Income in Pub. 525, Taxable and Nontaxable Income.

Social Security Benefits Worksheet (Keep for your records)

- Check only one box
- A. Single, Head of household, or Qualifying widow(er) with dependent child
 - B. Married filing a joint return
 - C. Married filing a separate return and you lived with your spouse at any time in 1989
 - D. Married filing a separate return and you did not live with your spouse at any time in 1989. If you checked this box, write "D" on the dotted line next to line 21a.
1. Enter the total amount from Box 5 of ALL your Forms SSA-1099 and Forms RRB-1099 (if applicable) _____
 - Note:** If line 1 is zero or less, stop here; none of your benefits are taxable. Otherwise, go on to line 2.
 2. Divide the amount on line 1 above by 2 _____
 3. Add the amounts on Form 1040, lines 7, 8a, 8b, 9 through 15, 16b, 17b, 18 through 20, plus line 22. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099 _____
 4. Add lines 2 and 3 _____
 5. Enter the total adjustments from Form 1040, line 30 _____
 6. Subtract line 5 from line 4 _____
 7. Enter $\left\{ \begin{array}{l} \$25,000 \text{ if you checked Box A or D, or} \\ \$32,000 \text{ if you checked Box B, or} \\ -0- \text{ if you checked Box C} \end{array} \right.$ _____
 8. Subtract line 7 from line 6. Enter the result, but not less than zero _____
 - Note:** If line 8 is zero, stop here. None of your benefits are taxable. Do not enter any amounts on lines 21a or 21b unless you checked Box D above. If you checked Box D, enter -0- on line 21b and write "D" on the dotted line next to line 21a. If line 8 is more than zero, go on to line 9.
 9. Divide the amount on line 8 above by 2 _____
 10. Taxable social security benefits.
 - First, enter on Form 1040, line 21a, the amount from line 1 above.
 - Then, compare the amounts on lines 2 and 9 above. Enter the smaller of the two amounts here and on Form 1040, line 21b _____

Note: If part of your benefits are taxable for 1989 AND they include benefits paid in 1989 that were for 1984 through 1988, you may be able to reduce the taxable amount shown on the worksheet. Get Pub. 915 for details.

Caution: Do not report any income from self-employment on line 22. If you do have any income from self-employment, you must use Schedule C or Schedule F.

Examples of income to be reported on line 22 are:

- Prizes, awards, and gambling winnings. Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on this line. You cannot offset losses against winnings and report the difference.

If you had any gambling losses, you may take them as an itemized deduction on Schedule A. However, you cannot deduct more losses than the winnings you report.

- Amounts you received for medical expenses or other items such as real estate taxes that you deducted in an earlier year if they reduced your tax. See Pub. 525 for information on how to figure the amount to include in income.
- Amounts you recovered on bad debts that you deducted in an earlier year.
- Fees received for jury duty and precinct election board duty. You may be able to deduct part or all of your jury duty pay. See the instructions for line 30.

Net Operating Loss. If you had a net operating loss in an earlier year to carry forward to 1989, enter it as a minus figure in parentheses on line 22. Attach a statement showing how you figured the amount. Get Pub. 536, Net Operating Losses, for more details.

Adjustments to Income
Lines 24 and 25

Individual Retirement Arrangement (IRA) Deduction

Enter your IRA deduction on line 24. If you file a joint return, enter your spouse's deduction on line 25.

Were You Covered by an Employer Retirement Plan?

If you were covered by a retirement plan (qualified pension, profit-sharing, annuity, Keogh, SEP, etc.) at work or through self-employment in 1989, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you can't deduct them. In any case, the income earned on your IRA contributions is not taxed until it is paid to you.

The "Pension plan" box in Box 5 of your Form W-2 should be checked if you were covered by a plan. This box should be checked even if you were not vested in the plan. You are also covered by a plan if you are self-employed and have a Keogh retirement plan.

Special Rule for Married Individuals Who File Separate Returns.

If you were not covered by a retirement plan but your spouse was, you are considered covered by a plan if you lived with your spouse at any time in 1989. See the chart on this page to find out if you can take a deduction, and, if you can, which worksheet to use.

Not Covered by a Retirement Plan. If you (and your spouse if filing a joint return) were not covered by a plan at work, use Worksheet 1 to figure your deduction.

Covered by a Retirement Plan. If you (or your spouse if filing a joint return) were covered by a plan at work, see the chart on this page. It will tell you if you can take a deduction and, if you can, which worksheet to use.

Nondeductible Contributions. You can make nondeductible contributions to your IRA. You can do this even if you are allowed to deduct your contributions. Your nondeductible contribution is the difference between the total allowable contributions to your IRA and the amount you deduct.

Example: You file as single and paid \$2,000 into your IRA. You were covered by a retirement plan and your modified AGI is over \$35,000 (all wages). You can't deduct the \$2,000. But you can treat it as a nondeductible contribution.

Use Form 8606 to report all contributions you treat as nondeductible. Also use it to figure the basis (nontaxable part) of your IRA. If you and your spouse each make nondeductible contributions, each of you must complete a separate Form 8606.

Note: If you file Form 2555, Foreign Earned Income, get Pub. 590 to figure your IRA deduction.

Read the following list before you do your worksheet.

- You will first need to complete Form 1040 through line 23, lines 26 through 29, and figure any write-in amount included on line 30, to figure your IRA deduction and, if applicable, nondeductible contributions.

- If you made contributions to your IRA in 1989 that you deducted for 1988, do not include them in the worksheet.
- If you make contributions to your IRA in 1990 (by April 16) for 1989, include them in the worksheet.
- Your IRA deduction can't be more than the total of your wages and other earned income.
- If the total of your IRA deduction on Form 1040 plus any nondeductible contribution on your Form 8606 is less than your total IRA contributions for 1989, see Pub. 590 for special rules.
- You must file a joint return to deduct contributions to your nonworking spouse's IRA. A nonworking spouse is one who had no wages or other earned income in 1989, or a working spouse who chooses to be treated as having no earned income for figuring the deduction.
- Do not include rollover contributions in figuring your deduction. See the instructions for lines 16a and 16b on page 11 for more details on rollover contributions.
- Do not include trustee's fees that were billed separately and paid by you for your IRA. These fees can be deducted only on an itemized deduction on Schedule A.
- Alimony payments received under certain divorce or separation instruments are considered earned income for purposes of the IRA deduction. See Pub. 590.
- If you were married and both spouses worked and both had IRAs, figure each spouse's deduction separately.
- You should receive a statement by May 31, 1990, that shows all contributions to your IRA for 1989.

IRA Worksheet 1 (Keep for your records)

1. Enter IRA contributions you made for 1989, but do not enter more than \$2,000 _____
2. Enter your wages and other earned income from Form 1040, minus any deduction you claim on Form 1040, line 27. (Do not include your spouse's income and do not reduce your wages by losses from self-employment.) _____
3. Compare the amounts on lines 1 and 2. Enter the smaller of the two amounts on line 3. Enter on Form 1040, line 24 or 25, whichever applies, the amount on line 3 you choose to deduct. If contributions were made to your nonworking spouse's IRA, go on to line 4 _____

Nonworking spouse's IRA

4. Compare the amount on line 2 to \$2,250. Enter the smaller of the two amounts _____
5. Enter the amount from line 3 _____
6. Subtract line 5 from line 4. Enter the result _____
7. Enter IRA contributions made for 1989 for your nonworking spouse, but not more than \$2,000 _____
8. Compare the amounts on lines 6 and 7. Enter the smaller of the two amounts on line 8. Enter on Form 1040, line 25, the amount on line 8 you choose to deduct _____

If you (or your spouse if filing a joint return) were covered by a retirement plan* and—

Your filing status is:	and your modified AGI** is:	You can take:
Single, Head of household, or Married filing separately and did not live with your spouse in 1989	\$25,000 or less	Full IRA deduction (use Worksheet 1)
	Over \$25,000 but less than \$35,000	Partial IRA deduction (use Worksheet 2)
	\$35,000 or more	No IRA deduction (see Nondeductible Contributions)
Married filing jointly or Qualifying widow(er) with dependent child	\$40,000 or less	Full IRA deduction (use Worksheet 1)
	Over \$40,000 but less than \$50,000	Partial IRA deduction (use Worksheet 2)
Married filing separately and lived with your spouse in 1989	\$50,000 or more	No IRA deduction (see Nondeductible Contributions)
	Over \$-0- but less than \$10,000	Partial IRA deduction (use Worksheet 2)
	\$10,000 or more	No IRA deduction (see Nondeductible Contributions)

* If married filing separately and you were not covered by a plan but your spouse was, you are considered covered by a plan if you lived with your spouse at any time in 1989.

** Modified AGI (adjusted gross income) is the amount on Form 1040, line 23, minus the total of any deductions claimed on Form 1040, lines 26 through 29, and any write-in amount included on line 30.

IRA Worksheet 2 (Keep for your records)

- 1. If you checked Filing Status box:
 - (1 or 4, enter \$35,000)
 - (2 or 5, enter \$50,000)
 - (3, enter \$10,000 (\$35,000 if you did not live with your spouse at any time in 1989))
 - 2. Enter the amount from Form 1040, line 23.
 - 3. Add amounts on Form 1040, lines 26 through 29, and any write-in amount included on line 30.
 - 4. Subtract line 3 from line 2. If this amount is equal to or larger than the amount on line 1, none of your IRA contributions are deductible. Stop here. If you want to make a nondeductible IRA contribution, see Form 8606.
 - 5. Subtract line 4 from line 1. Enter the result. If the result is \$10,000 or more, stop here and use Worksheet 1.
 - 6. Multiply the amount on line 5 by 20% (.20). If the result is not a multiple of \$10, round it up to the next multiple of \$10 (for example, round \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200. Go on to line 7.
- Deductible IRA contributions**
- 7. Enter your wages and other earned income from Form 1040, minus any deduction you claim on Form 1040, line 27. (Do not include your spouse's income and do not reduce your wages by losses from self-employment.)
 - 8. Enter IRA contributions you made for 1989, but do not enter more than \$2,000.
 - 9. Enter the smallest of lines 6, 7, or 8 here. This is the most you can deduct. Enter on Form 1040, line 24 or 25, whichever applies, the amount on line 9 you choose to deduct. (If line 8 is more than line 9, go on to line 10.)
- Nondeductible IRA contributions**
- 10. Subtract line 9 from line 7 or line 8, whichever is smaller. Enter the result. Enter on line 2 of your Form 8606 the amount from line 10 you choose to make nondeductible.
- If married filing a joint return and contributions were made to your nonworking spouse's IRA, go on to line 11.**
- Deductible IRA contributions for nonworking spouse**
- 11. Compare the amount on line 7 to \$2,250 and enter the smaller amount.
 - 12. Add the amount on line 9 to the part of line 10 you choose to make nondeductible.
 - 13. Subtract line 12 from line 11. Enter the result. If it is zero or less, stop here. You cannot make deductible or nondeductible IRA contributions for your nonworking spouse.
 - 14. Enter the smallest of: (a) IRA contributions made for 1989 that are for your nonworking spouse; (b) \$2,000; or (c) the amount on line 13.

- 15. Multiply the amount on line 5 by 22.5% (.225). If the result is not a multiple of \$10, round it up to the next multiple of \$10. If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200.
 - 16. Enter the amount from line 9.
 - 17. Subtract line 16 from line 15. Enter the result.
 - 18. Compare the amounts on lines 14 and 17, and enter the smaller amount.
 - 19. Compare the amounts on lines 6, 7, and 18 and enter the smallest of the three amounts on line 19. This is the most you can deduct. Enter on Form 1040, line 25, the amount on line 19 you choose to deduct. (If line 14 is more than line 19, go on to line 20.)
- Nondeductible IRA contributions for nonworking spouse**
- 20. Subtract line 19 from line 14 and enter the result. Enter on line 2 of your spouse's Form 8606, the amount from line 20 that you choose to make nondeductible.

Line 26 Self-Employed Health Insurance Deduction

If you were self-employed and had a net profit for the year, you may be able to deduct part of the amount paid for health insurance on behalf of yourself, your spouse, and dependents. But you may not take the deduction if you were eligible to participate in any subsidized health plan maintained by you or your spouse's employer. Also, if you had employees, you may not take the deduction unless you provided nondiscriminatory health insurance coverage to your employees. For more details, get Pub. 535, Business Expenses.

If you qualify to take the deduction, use the worksheet below to figure the amount you can deduct. But, if you file Form 2555 or Form 4563, or you exclude income from Puerto Rico, use the worksheet in Pub. 535 instead of the one below.

Worksheet (Keep for your records)

- 1. Enter the amount paid for health insurance for 1989 for you, your spouse, and dependents
- 2. Percentage used to figure the deduction x 25
- 3. Multiply the amount on line 1 by the percentage on line 2
- 4. Enter your net profit and any other earned income* from the business under which the insurance plan is established, minus any deduction you claim on Form 1040, line 27
- 5. Compare the amounts on lines 3 and 4. Enter the smaller of the two amounts here and on Form 1040, line 26. (DO NOT include this amount in figuring any medical expense deduction on Schedule A (Form 1040).)

*Earned income includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income.

Line 27 Keogh Retirement Plan and Self-Employed SEP Deduction

If you are self-employed or a partner, deduct payments to your Keogh (HR 10) plan or SEP on line 27. Deduct payments for your employees on Schedule C or F.

Caution: You must be self-employed to claim the Keogh deduction. There are two types of Keogh plans:

- A defined-contribution plan has a separate account for each person. Benefits are based on the amount paid to each account.
- Payments to a defined-benefit plan are determined by the funds needed to give a specific benefit at retirement. If you deduct payments to this kind of plan, write "DB" to the left of line 27.

Get Pub. 560, Self-Employed Retirement Plans, for more information, including limits on the amount you can deduct.

Line 28 Penalty on Early Withdrawal of Savings

The Form 1099-INT or, if applicable, Form 1099-DIV given to you by your bank or savings and loan association will show the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity. Enter this amount on line 28. (Be sure to include the interest income on Form 1040, line 8a.)

Line 29 Alimony Paid

You can deduct periodic payments of alimony or separate maintenance made under a court decree. You can also deduct payments made under a written separation agreement or a decree for support. Don't deduct lump-sum cash or property settlements, voluntary payments not made under a court order or a written separation agreement, or amounts specified as child support.

For details, see Tele-Tax Information in the index (topic no. 252) or get Pub. 504, Tax Information for Divorced or Separated Individuals.

You must enter the recipient's last name, if different than yours, and his or her social security number in the space provided on line 29. If you don't, you may have to pay a \$50 penalty and your deduction may be disallowed. If you paid alimony to more than one person, enter the social security number and last name, if applicable, of one of the recipients. Show the required information, including the amount paid, for the other recipient(s) on an attached statement. Enter your total payments on line 29.

Divorce or Separation Instruments Executed After 1984. Generally, you may deduct any payment made in cash to, or on behalf of, your spouse or former spouse under a divorce or separation instrument executed after 1984 if:

- the instrument does not prevent the payment from qualifying as alimony, and
- you and your spouse or former spouse did not live together when the payment was made if you were separated under a decree of divorce or separate maintenance, and

- you are not required to make any payment after the death of your spouse or former spouse, and
- the payment is not treated as child support.

These rules also apply to certain instruments modified after 1984. Other rules apply if you paid more than \$10,000 in any calendar year. For more details, see Pub. 504.

Line 30 Total Adjustments

Add lines 24 through 29 and enter the total on line 30. Also include in the total on line 30 any of the following adjustments.

Qualified Performing Artists. If you are a qualified performing artist, include in the total on line 30 your performing-arts-related expenses from line 13 of Form 2106, Employee Business Expenses. Write the amount and "Form 2106" on the dotted line next to line 30.

Jury Duty Pay Given to Employer. If you reported jury duty pay on line 22 and you were required to give your employer any part of that pay because your employer continued to pay your salary while you served on the jury, include the amount you gave your employer in the total on line 30. Write the amount and "Jury pay" on the dotted line next to line 30.

Employer-Provided Vehicle. If your employer provided a vehicle for your business use and included 100% of its fair rental value on your Form W-2, include the amount from line 35 of Form 2106 in the total on line 30. Write the amount and "Form 2106" on the dotted line next to line 30.

Forestation/Reforestation Amortization. If you can claim a deduction for amortization of the costs of forestation or reforestation and you do not have to file Schedule C or Schedule F for this activity, include your deduction in the total on line 30. Write the amount and "Reforestation" on the dotted line next to line 30.

Repayment of Sub-Pay Under the Trade Act of 1974. If you repaid supplemental unemployment benefits (sub-pay) that you previously reported in income because you became eligible for payments under the Trade Act of 1974, include in the total on line 30 the amount you repaid in 1989. Write the amount and "Sub-pay TRA" on the dotted line next to line 30. Or, you may be able to claim a credit against your tax instead. Get Pub. 525, Taxable and Nontaxable Income, for more details.

Line 31 Adjusted Gross Income

If line 31 is less than zero, you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, see Form 1045, Application for Tentative Refund. If you do not wish to carry back a net operating loss, you may elect to carry the loss over to future years. You must attach the election to your return. For more information, get Pub. 536, Net Operating Losses.

IRS Will Figure Your Tax and Some of Your Credits

If you want us to, we will figure your tax for you. If you have paid too much, we will send you a refund. If you did not pay enough, we'll send you a bill. We won't charge you interest or a late payment penalty if you pay within 30 days of the notice date, or by the due date for your return, whichever is later.

We can figure your tax if you meet ALL of the conditions described below:

- All of your income for 1989 was from wages, salaries, tips, interest, dividends, pensions, or annuities.
- You do not itemize deductions.
- You do not file any of the following forms: Form 6251, Alternative Minimum Tax—Individuals; Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000; Form 8808, Supplemental Medicare Premium; Form 8814, Parent's Election To Report Child's Interest and Dividends; Form 2555, Foreign Earned Income.

- Your adjusted gross income (line 31) is not more than \$50,000.
- You (and your spouse if you are filing a joint return) sign and date your return and mail it by April 15, 1990.
- You do not want any of your refund applied to next year's estimated tax.
- You give us enough information so that we can figure the tax. Please read the following instructions:

a. Fill in the parts of your return through line 37 that apply to you.

b. Read lines 39 through 63. Fill in the lines that apply to you, but do not fill in the Total lines. Please be sure to fill in line 56 for Federal income tax withheld. See the instructions below if you want us to figure your credit for the elderly or the disabled, or earned income credit.

c. If you are filing a joint return, use the space under the words "Adjustments to Income" on the front of your return to show your taxable income and your spouse's taxable income separately.

d. Fill in any forms or schedules asked for on the lines you completed, and attach them to the return when you file it.

We will figure the following credits too.

Credit for the Elderly or the Disabled. If you can take this credit, attach Schedule R to your return and write "CFE" on the dotted line next to line 42.

Earned Income Credit (EIC). If you qualify to take this credit (see the instructions for line 58 on page 20), write "EIC" on the dotted line next to line 58.

Tax Computation Lines 33a through 33c

Line 33a. If you were age 65 or older or blind, check the appropriate boxes on line 33a. If you were married and checked the

box on line 6b on page 1 of Form 1040 and your spouse was 65 or older or blind, also check the appropriate boxes for your spouse.

Age. If you were 65 or older on January 1, 1990, check the "65 or older" box on your 1989 return.

Blindness. If you were completely blind as of December 31, 1989, attach a statement to your return describing this condition.

If you were partially blind, you must attach a certified statement from your eye doctor that:

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

If your eye condition is not likely to improve beyond the conditions listed above, attach a certified statement to this effect. If you attached this statement in a prior year, attach a note saying that you have already filed a statement.

Line 33b. If someone (such as your parent) can claim you as a dependent, check the box on line 33b. If you do not itemize your deductions, be sure to use the **Standard Deduction Worksheet for Dependents** on page 17 to figure the amount to enter on line 34.

Line 33c. Check this box if your spouse itemizes deductions on a separate return or if you are a dual-status alien. If you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident at the end of 1989 and you and your spouse agree to be taxed on your combined worldwide income, do not check the box.

If you check this box, you cannot take the standard deduction. If you have any itemized deductions (such as state and local income taxes or interest), your Federal income tax will be less if you itemize your deductions.

Line 34 Standard Deduction OR Itemized Deductions

You must decide whether to take the standard deduction or itemize your actual deductions for charitable contributions, medical expenses, interest, taxes, etc. Your Federal income tax will be less if you take the larger of:

- your standard deduction (figured on page 17), or
- your total itemized deductions reportable on Schedule A (Form 1040).

The standard deduction has increased for most people. Even if you itemized last year, be sure to read page 17 to see if the standard deduction will benefit you in 1989.

If you take the standard deduction, find the correct amount for you and enter it on line 34.

If you itemize your deductions, complete and attach Schedule A and enter on Form 1040, line 34, the amount from Schedule A, line 26.

Itemizing for State Tax Purposes. If you itemize even though your itemized deductions are less than the amount of your standard deduction, write "IE" (itemized elected) on the dotted line next to line 34.

Caution: If you are married filing a separate return and your spouse itemizes deductions, or if you are a dual-status alien (you checked the box on line 33c), you cannot take the standard deduction even if you were 65 or older or blind.

Standard Deduction Chart for Most People	
DO NOT use this chart if you were 65 or older or blind OR if someone can claim you as a dependent.	
If your filing status is:	Your standard deduction is:
Single	\$3,100
Married filing joint return or Qualifying widow(er) with dependent child	\$5,200
Married filing separate return	\$2,600
Head of household	\$4,550

Standard Deduction Chart for People Age 65 or Older or Blind		
If someone can claim you as a dependent, use the worksheet below, instead.		
Enter the number from the box on line 33a of Form 1040	Caution: Do not use the number of exemptions from line 6e.	Your standard deduction is:
	<input type="checkbox"/>	
If your filing status is:	and the number in the box above is:	Your standard deduction is:
Single	1	\$3,850
	2	4,600
Married filing joint return or Qualifying widow(er) with dependent child	1	\$5,800
	2	6,400
	3	7,000
	4	7,600
Married filing separate return	1	\$3,200
	2	3,800
	3	4,400
	4	5,000
Head of household	1	\$5,300
	2	6,050

Standard Deduction Worksheet for Dependents (Keep for your records)	
Use this worksheet ONLY if someone can claim you as a dependent.	
1. Enter your earned income (defined below). If none, enter -0-	1. _____
2. Minimum amount	2. \$500
3. Compare the amounts on lines 1 and 2. Enter the larger of the two amounts here	3. _____
4. Enter on line 4 the amount shown below for your filing status:	
• Single, enter \$3,100	} 4. _____
• Married filing a separate return, enter \$2,600	
• Married filing a joint return or Qualifying widow(er) with dependent child, enter \$5,200	
• Head of household, enter \$4,550	
5. Standard deduction.	
a. Compare the amounts on lines 3 and 4. Enter the smaller of the two amounts here. If under 65 and not blind, stop here and enter this amount on Form 1040, line 34. Otherwise, go on to line 5b	5a. _____
b. If 65 or older or blind, multiply \$750 (\$600 if married filing a joint or separate return, or qualifying widow(er) with dependent child) by the number on Form 1040, line 33a. Enter the result	5b. _____
c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 34	5c. _____

Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 19.

Line 38

Tax
To figure your tax, use one of the following methods.
Tax Rate Schedules. You must use the Tax Rate Schedules to figure your tax if your taxable income is \$50,000 or more.
Form 8615. Form 8615 must generally be used to figure the tax for any child who was

under age 14 on January 1, 1990, and who had more than \$1,000 of investment income (such as taxable interest or dividends). However, if neither of the child's parents was alive on December 31, 1989, do not use Form 8615 to figure the child's tax.
Tax Table. If neither of the above conditions applies to you, you MUST use the Tax Table to find your tax. Be sure you

use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 38.
Note: If you are filing Form 8814, Parent's Election To Report Child's Interest and Dividends, include in your total for line 38 the tax from Form 8814, line 8. Also enter that tax in the space provided next to line 38.

Line 39

Additional Taxes
Check the box(es) on line 39 to report any additional taxes from:
Form 4970, Tax on Accumulation Distribution of Trusts, or
Form 4972, Tax on Lump-Sum Distributions.

Credits

Line 41 Credit for Child and Dependent Care Expenses

You may be able to take a credit on line 41 for payments you made for child and disabled dependent care while you (and your spouse if you were married) worked or looked for work.

The credit is allowed if you kept up a home that included a child under age 13 or your dependent or spouse who could not care for himself or herself. Use Form 2441 to figure the credit. To take the credit, you must show on Form 2441 the name, address, and identifying number of the person or organization who provided the care. Please see Form 2441 and its instructions for more details, including special rules for divorced or separated parents.

Note: If someone cared for your child or disabled dependent in your home, both you and the employee may have to pay a share of the social security tax on the employee's wages. You may also have to pay Federal unemployment tax, which is for your employee's unemployment insurance. For more details, get Pub. 926, Employment Taxes for Household Employers.

Line 42

Credit for the Elderly or the Disabled
You may be able to take this credit and reduce your tax if, by the end of 1989, you were:

- age 65 or older, or
- under age 65, you retired on permanent and total disability, and you had taxable disability income in 1989.

For more information, see the separate instructions for Schedule R. Enter the credit on line 42. If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 16.

Line 43

Foreign Tax Credit
Form 1116 explains when you can take this credit for payment of income tax to a foreign country. Also get Pub. 514, Foreign Tax Credit for Individuals. Enter the credit from Form 1116 on line 43.

Line 44

General Business Credit
Complete line 44 if you can take any of the 5 credits listed below. Use the appropriate credit form (as described below) to figure the credit. If you have two or more of these credits, a credit carryforward, or a general business credit from a passive activity, you must also complete Form 3800 to figure the total credit and enter on line 44 the amount from Form 3800. Also be sure to check Box a on line 44 for Form 3800. If you have only one credit, enter on line 44 the amount of the credit from the form. Also, check Box b

on line 44 and write in the form number for that credit.

Form 3468, Computation of Investment Credit. This credit was generally repealed for property placed in service after 1985. For exceptions, see Form 3468.

Form 5884, Jobs Credit. If you are a business employer who hires people who are members of special targeted groups, you may qualify for this credit. Use Form 5884 to figure the credit. Get Pub. 572, General Business Credit, for more details.

Form 6478, Credit for Alcohol Used as Fuel. If you sell straight alcohol (or an alcohol mixture) at retail or use it as fuel in your trade or business, you may be able to take a credit for the alcohol used as fuel. Use Form 6478 to figure the credit.

Form 6765, Credit for Increasing Research Activities. You may be able to take a credit for research and experimental expenditures paid or incurred in carrying on your trade or business. Use Form 6765 to figure the credit.

Form 8586, Low-Income Housing Credit and Schedule A, (Form 8609), Annual Statement. If you owned a building that was part of a low-income housing project, you may be able to take this credit. Use Form 8586 and Schedule A (Form 8609), to figure the credit. Also complete and attach Form 8609, Low-Income Housing Credit Allocation Certificate.

Line 45

Credit for Prior Year Minimum Tax
You may be able to reduce your 1989 tax by this credit if you paid alternative minimum tax in 1988. Get Form 8801, Credit for Prior Year Minimum Tax, to see if you qualify for the credit.

Line 46

Add amounts on lines 41 through 45 and enter the total on line 46. Also include in the total on line 46 any of the following credits:

Mortgage Interest Credit. You may be able to take a credit for part of the interest you paid on your home mortgage if you were issued a mortgage credit certificate by a state or local government under a qualified mortgage credit certificate program to buy, rehabilitate, or make improvements to your main home. You must complete and attach Form 8996, Mortgage Interest Credit, to figure the amount of the credit to include in your total for line 46. On the dotted line next to this total, write "MIC" (mortgage interest credit) and show the amount.

Credit for Fuel From a Nonconventional Source. A credit is allowed for the sale of qualified fuels produced from a nonconventional source. See I.R. Code section 29 for a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule showing how you figured the credit. Include the credit in the total for line 46. On the dotted line next to this total, write "FNS" and show the amount.

Other Taxes

Line 48

Self-Employment Tax
If you had self-employment income in 1989, and earned under \$48,000 in wages

from which social security tax or RRRA tax was withheld, you may have to pay self-employment tax. Please see **Schedule SE (Form 1040)** and its instructions. If you have to pay self-employment tax, enter the amount from Schedule SE.

Line 49

Alternative Minimum Tax

You may be liable for the alternative minimum tax if the amount on line 32 plus any of the items listed below and included on your return total more than:

- \$40,000 if married filing jointly or qualifying widow(er) with dependent child, or
- \$30,000 if single or head of household, or
- \$20,000 if married filing separately.

1. Accelerated depreciation.
2. Amortization of certified pollution-control facilities.
3. Charitable contribution of appreciated capital gain property.
4. Incentive stock options.
5. Tax-exempt interest from private activity bonds or exempt-interest dividends from a regulated investment company.
6. Intangible drilling costs.
7. Depletion.
8. Circulation and research and experimental expenditures.
9. Mining exploration and development costs.
10. Installment sales of property.
11. Tax shelter farm loss.
12. Passive activity loss.
13. Income from long-term contracts.

Note: A child under age 14 may owe the alternative minimum tax if the amount on line 32, plus any of the items listed above and included on the return total more than the sum of \$1,000 plus the child's earned income.

Get Form 6251 and its instructions to see if you owe this tax.

Line 50

Recapture Taxes

You may owe the tax computed on Form 4255, Recapture of Investment Credit, if you disposed of investment credit property or changed its use before the end of its useful life or recovery period. See Form 4255 for details. If you owe this tax, check the box for Form 4255 and enter any tax due on line 50.

If you disposed of property (or there was a reduction in the qualified basis of the property) on which you took the low-income housing credit, you may owe the tax computed on Form 8611, Recapture of Low-Income Housing Credit. See Form 8611 for more information. If you owe this tax, check the box for Form 8611 and enter any tax due on line 50.

Line 51

Social Security Tax on Tip Income Not Reported to Employer

If you received tips of \$20 or more in any month and you did not report the full amount to your employer, or your W-2 form(s) shows allocated tips that you must report in income, you must pay the social security or railroad retirement (RRRA) tax on the

unreported tips. If you reported the full amount to your employer but the social security or RRTA tax was not withheld, you must pay it unless the rules discussed under **Uncollected Employee Social Security and RRTA Tax on Tips** (line 53) apply.

To figure the amount of social security tax on the tips, complete Form 4137 and attach it to your Form 1040. Enter the tax on line 51.

To determine the amount of RRTA tax on the tips, contact your nearest Railroad Retirement Board office. On line 51, enter the tax and on the dotted line next to it, write "RRTA."

Be sure all your tips are reported as income on Form 1040, line 7. You may be charged a penalty equal to 50% of the social security tax due on tips you received and did not report to your employer.

Line 52

Tax on Qualified Retirement Plans (Including IRAs)

You may owe this tax if: (1) you received any early distributions from a qualified pension plan (such as your IRA), qualified annuity plan, or tax-sheltered annuity plan; (2) you received any excess distributions from a plan mentioned in (1); (3) you made excess contributions to your IRA; (4) you had excess accumulations in a qualified pension plan (including an IRA); or (5) you received any amount under a modified endowment contract entered into after June 20, 1988.

If any of the above applies, get Form 5329 and its instructions to see if you owe this tax. Enter the tax from Form 5329 on Form 1040, line 52.

Caution: Be sure to include in income on line 16 or line 17, as applicable, any early distributions from qualified retirement plans.

Line 53

Add lines 47 through 52. Put the total on line 53. Also include in the total on line 53 any of the following that applies.

Section 72 (m)(5) Excess Benefits Tax. If you are or were a 5% owner of a business and you received a distribution of excess benefits from a qualified pension or annuity plan, you may have to pay a penalty tax of 10% of the distribution. Get Pub. 560, Self-Employed Retirement Plans, for more details.

Include the amount of the penalty in your total for line 53. On the dotted line next to this total, write "Section 72 (m)(5)" and show the amount.

Advance Earned Income Credit (AEIC) Payments. If you received AEIC payments, include them in the total on line 53. On the dotted line next to this total, write "AEIC" and show the amount. Your W-2 form(s) will show these payments.

Note: Figure the earned income credit you can actually take on the worksheet on page 20.

Uncollected Employee Social Security and RRTA Tax on Tips. If you did not have enough wages to cover the social security tax or railroad retirement (RRTA) tax due on tips you reported to your employer, the amount of tax due will be shown on your Form W-2. Include that amount in the total

on line 53. On the dotted line next to this total, write "Uncollected Tax on Tips" and show the amount.

Golden Parachute Payments. Golden parachute payments are certain payments made by a corporation to key employees to compensate them if control of the corporation changes. If you received an excess parachute payment (EPP), you must pay a tax equal to 20% of this excess payment. Include the amount of this tax in your total for line 53. On the dotted line next to this total, write "EPP" and show the amount of the tax.

If you received a Form W-2 that includes a parachute payment, the amount of tax withheld on any excess payment should be identified in Box 16 of Form W-2. Include the amount from Box 16 in the total for line 53.

If you received a Form 1099-MISC that includes a parachute payment, any excess payment will be separately identified on the form. Multiply the excess payment by 20% to figure the amount to include in the total for line 53.

Installment Sales for Dealers in Personal Property. If you deferred payment of tax in 1987 or 1988 under sec. 811 (c)(7) of the Tax Reform Act of 1986, you must include the ratable portion of tax due for 1989 in the total for line 53. Write "Sec. 453C" and show the amount on the dotted line next to line 53.

Medicare Premium

Line 54

Caution: At the time these instructions were printed, Congress was considering legislation that would change the rules below for the supplemental Medicare premium. When Congress completes its action, IRS will take steps to publicize the final rules.

The following rules apply at the time these instructions were printed.

You will usually owe the new supplemental Medicare premium for 1989 if both 1 and 2 below apply to you. The premium will help pay the cost of the new Medicare catastrophic and prescription drug coverage.

- 1. The amount on line 53 is \$150 or more, and
- 2. You (or your spouse) were Medicare eligible for more than 6 full months in 1989.

If both 1 and 2 above apply to you, use Form 8808, Supplemental Medicare Premium, to figure the amount of premium you owe. Form 8808 will be available when Congress completes its action. Also see the separate instructions for Form 8808 for the special rule for married persons filing separate returns and exceptions to the rules above.

You were Medicare eligible if any one of the following applies:

- You received Form SSA-1099 or Form RRB-1099 indicating that you were Medicare eligible for more than 6 full months in 1989, or
- You were 65 or older and would have been entitled to monthly social security or railroad retirement benefits if you had filed an application, or
- You were qualified for Medicare Part A on the basis of government employment and you were age 65 or older, or

• You had end-stage renal (kidney) disease and would have been entitled to Medicare if you had filed an application.

Payments

Line 56

Total Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your Forms W-2, W-2G, W-2P, and 1099-R. Enter the total on line 56. The amount of Federal income tax withheld should be shown in Box 9 of Form W-2, Box 2 of Form W-2G, Box 11 of Form W-2P, and Box 4 of Form 1099-R. If line 56 includes amounts withheld as shown on Form 1099-R, check the box on line 56.

Backup Withholding. If you were subject to backup withholding on dividends, interest income, or other income you received during 1989, include the amount withheld in the total on line 56. This should be shown in Box 2 of Form 1099-DIV and in Box 4 of the other 1099 forms. Be sure to check the box on line 56.

Line 57

1989 Estimated Tax Payments

Enter on this line any payments you made on your estimated or Form 1040-ES (Form 1040-ES) for 1989. Include any overpayment from your 1988 return that you applied to your 1989 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid. Or you can each claim a part of it. Get Pub. 505, Tax Withholding and Estimated Tax, for more information on how to divide your payments. Please be sure to show both social security numbers on the separate returns. If you or your spouse paid separate estimated tax, but you are now filing a joint income tax return, add the amounts you each paid.

Follow these instructions even if your spouse died.

Divorced Taxpayers. If you were divorced during 1989 and you made joint estimated tax payments with your former spouse, please enter your former spouse's social security number in the block provided on the front of Form 1040.

If you were divorced and remarried in 1989, enter your present spouse's social security number in the block provided on the front of Form 1040. Also, under the bold heading "Payments" to the left of line 57, write your former spouse's social security number, followed by "DIV."

Name Change. If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040 explaining all the payments you and your spouse made in 1989, the Service Center where you made the payments, and the name(s) and social security number(s) under which you made the payments.

Line 58

Earned Income Credit

This is a special credit that can help some people who have a child and have income under \$19,340. The credit can be as much as \$910. If you can take the credit, you can subtract it from the tax you owe or get a refund even if you had no tax withheld from your pay.

You may be able to take the credit if all the following apply:

- 1. You received earned income in 1989 of less than \$19,340. (See **Earned Income Includes** on this page.)
 - 2. The amount on Form 1040, line 32, is less than \$19,340.
 - 3. You have a child who lived with you in your main home in the U.S. for more than half the year (for all of 1989 if your filing status is qualifying widow(er) with dependent child). If your child was born, or died, in 1989 and your home was your child's home during the part of 1989 that he or she was alive, your child is considered to have lived with you for the entire year.
 - 4. You do not file Form 2555, Foreign Earned Income.
 - 5. Your filing status is married filing joint return, qualifying widow(er) with dependent child, or head of household. Special rules apply to each of these three filing statuses.
- Married Filing Joint Return.** Your child must be claimed as your dependent on line 6c. **Exception:** If you remarried and the child's other parent claimed the child as a dependent under the rules for **Children of Divorced or Separated Parents** (see page 8), you can take the credit if you meet all of the other conditions listed above. If you can take the credit because of this exception,

enter your child's name on the dotted line next to line 58.

Your "child" means your son or daughter, stepchild, adopted child, a child placed with you by an authorized placement agency for adoption by you, or any other child, such as your grandchild, whom you cared for as your own child for the whole year.

Qualifying Widow(er) With Dependent Child. Your child must be claimed as your dependent on line 6c. Your "child" means your son or daughter, stepchild, adopted child, a child placed with you by an authorized placement agency for adoption by you, or any other child, such as your grandchild, whom you cared for as your own child for the whole year.

Head of Household. If your child was unmarried, this child does not have to be your dependent. Enter the child's name on line 4 of your return if the child is not your dependent. Your "child" means your son or daughter, stepchild, adopted child, or a descendant of your son, daughter, or adopted child.

If your child was married, this child must be claimed as your dependent on line 6c. **Exception:** If this child's other parent claimed him or her as a dependent under the rules for **Children of Divorced or Separated Parents** (see page 8), you can take the credit if you meet all of the other conditions listed above. If you can take the credit because of this exception, enter your child's name on the dotted line next to line 58 (unless you entered the child's name in the space provided on line 4).

Note: You MUST file a return if you got advance earned income credit (AEIC) payments in 1989. You must include the amount of these payments in the total on

line 53. See the line 53 instructions for more details. You may be able to get AEIC payments in 1990 by filing Form W-5 with your employer.

If you want IRS to figure the credit for you, see **IRS Will Figure Your Tax and Some of Your Credits** on page 16.

For more details about the credit, get Pub. 596, Earned Income Credit.

Earned Income Includes:

- Wages, salaries, and tips.
- Earnings from self-employment—this is usually the amount shown on Schedule SE (Form 1040), Section A, line 3, or Section B, line 3c.
- Anything else of value (money, goods, or services) you get from your employer for services you performed even if it is not taxable (such as housing allowance or rental value of a parsonage for clergy members and meals and lodging for employees).

Earned Income does not include items such as interest, dividends, social security and railroad retirement benefits, welfare benefits, nondisability pensions, veterans' benefits, workers' compensation, unemployment compensation (insurance), alimony, or income exempt from self-employment tax as a result of the filing and approval of Form 4029 (relating to members of certain religious faiths). Earned income also does not include taxable scholarships or fellowships not reported on Form W-2.

If you qualify for the credit, use the worksheet on this page to figure it. Otherwise, write "No" on line 58 and go on to line 59.

Note: The earned income credit must be reduced by the alternative minimum tax (Form 1040, line 49). If you owe this tax, subtract it from the amount on line 5 or line 6c of the worksheet below, whichever applies, and enter the result (but not less than zero) on Form 1040, line 58.

Earned Income Credit Worksheet (Keep for your records)

If your filing status is single or married filing separately, you cannot take the credit. Do not complete this worksheet.

1. Enter the amount from Form 1040, line 7, plus any other earned income, whether taxable or not. But do not include scholarship or fellowship income if you did not receive a W-2 form for it. Note: If you received earned income that is not taxable, write "NET" on the dotted line next to line 58 even if you cannot claim the credit.	\$
2. If you were self-employed, enter the amount, even if a loss, from Schedule SE, Section A, line 3, or Section B, line 3c. But, if you use the optional method to figure your self-employment tax, see Pub. 596 for more information before entering an amount on line 2. If you included self-employment income on line 1 above, do not include it here.	\$
3. Earned income. Add lines 1 and 2. But if line 2 is a loss, subtract line 2 from line 1. If line 3 is zero or less, or \$19,340 or more, stop here; you cannot take the credit. Otherwise, go on to line 4.	\$
4. Adjusted gross income. Enter the amount from Form 1040, line 32. If this amount is \$19,340 or more, stop here; you cannot take the credit. Otherwise, go on to line 5 or line 6, whichever applies.	\$
5. If line 4 is less than \$10,250, use the amount on line 3 to find the credit in the table that begins on page 52. Enter the credit here and on Form 1040, line 58.	\$
6. If line 4 is \$10,250 or more: a. First, use the amount on line 3 to find the credit in the table that begins on page 52. Enter that amount here. b. Then, use the amount on line 4 to find the credit in the table. Enter that amount here. c. Compare the amounts on lines 6a and 6b above. Enter the smaller of the two amounts here. Also enter this amount on Form 1040, line 58.	\$

Excess Railroad Retirement (RRTA) Taxes Withheld. For 1989 no more than \$5,354.10 in RRTA tax should have been withheld from your pay. If any one railroad employer withheld more than that amount, you must ask that employer to refund the excess to you. You cannot claim it on your return.

Do not use the worksheet below if you had any RRTA tax withheld from your pay. Instead, get Pub. 505, Tax Withholding and Estimated Tax, to figure the amount of any excess RRTA or social security taxes withheld if either of the following applies to you:

- You had more than one railroad employer and you paid more than \$5,354.10 in RRTA tax in 1989, or
- You had both RRTA tax and social security tax withheld from your wages in 1989 and the total withheld was more than \$3,604.80.

Caution: If you were a government employee who paid over the 1.45% Medicare (hospital insurance benefits) tax on your government wages, do not include on line 1 of the worksheet below the Medicare tax withheld from your government wages. See the instructions for line 62 to see if you can take a credit for excess Medicare tax paid.

If you are filing a joint return, you must figure excess social security tax withholding separately for each spouse. Do NOT combine amounts of both husband and wife.

Worksheet (Keep for your records)

1. Add all social security tax withheld (but not more than \$3,604.80 for each employer). Enter the total here
2. Enter any uncollected social security tax on tips included in the total on Form 1040, line 53.
3. Add lines 1 and 2
4. Social security tax limit **-3,604.80**
5. Subtract line 4 from line 3. Enter this amount on line 60

Line 61

Credit for Federal Tax on Fuels

If you can take a credit for tax on gasoline, diesel fuel, and other fuels used in your business, or for certain diesel-powered cars, vans, and light trucks, please attach Form 4136. Enter the credit on line 61.

Line 62

Regulated Investment Company Credit

Enter on this line the total amount of the credit from Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains. Be sure to attach Copy B of Form 2439. Also include on line 62 any Excess Medicare Tax Credit.

Excess Medicare Tax Credit. If you were a Federal, state, or local government employee whose wages in 1989 were subject only to the 1.45% Medicare (hospital insurance benefits) tax, and you had other social security or RRTA wages that when added to your government wages total more than \$48,000, too much Medicare tax may have been withheld. If so, you may take a credit against your income tax. Use Form 4469 to figure the credit.

Include the amount of the credit in your total for line 62. On the dotted line next to line 62, write "Form 4469" and show the amount.

Line 63

Total Payments

Add lines 56 through 62 and enter the total on line 63. Also include on this line any credit for overpaid windfall profit tax (OWPT) from Form 6249. Write the amount and "OWPT" on the dotted line next to line 63. Be sure to attach Forms 6249 and 6248.

Refund or Amount You Owe

Line 64

Amount Overpaid (If line 63 is larger than line 55)
Subtract line 55 from line 63. You can choose to have all or part of this amount refunded to you (line 65). The remainder, if any, can be applied to your estimated tax for 1990 (line 56). If line 64 is under \$1, we will send a refund only on written request.

Income Tax Withholding for 1990. If the amount you overpaid is large, get a copy of Form W-4, Employee's Withholding Allowance Certificate, from your employer to see if you are entitled to additional allowances. If you are, file a new Form W-4 with your employer to change the amount of income tax to be withheld from your wages.

If you go back to work after a period of unemployment, you may reduce the amount of income tax withheld if your employer agrees to use the part-year method of withholding. There are also other methods that could reduce your withholding.

For more details, see your employer or get Pub. 505, Tax Withholding and Estimated Tax.

Injured Spouse Claim. If you file a joint return and your spouse has not paid certain obligations (such as child and spousal support payments and Federal nontax debts such as student loans), all or part of the overpayment shown on line 64 may be used to pay the past due amount. But, your part of the overpayment may be refunded to you if ALL 3 of the following apply:

- You are not obligated to pay the past due amount.
- You received and reported income (such as wages, taxable interest, etc.) on the joint return.
- You made and reported payments such as Federal income tax withheld from your wages or estimated tax payments on the joint return.

If ALL 3 of the above conditions apply and you want your part of the overpayment refunded to you, complete Form 8379, Injured Spouse Allocation, and attach it to Form 1040 when you file your return. Write "Injured Spouse" in the upper left corner of Form 1040.

Note: If you are filing Form 8379 to receive your part of a joint overpayment for a return you have already filed, you may not attach it to Form 1040. Instead, you must file Form 1040X, Amended U.S. Individual Income Tax Return, and attach Form 8379 to it.

Line 66

Applied to 1990 Estimated Tax

Subtract line 65 from line 64. This is the amount that will be applied to your estimated tax for 1990. Enter this amount on line 66.

We will apply amounts to your account unless you request us to apply it to your spouse's account. The request should include your spouse's social security number.

Line 67

Amount You Owe (If line 55 is larger than line 63)

Subtract line 63 from line 55 and enter the result. This is the amount you owe.

Attach your check or money order for the full amount when you file. If line 67 is under \$1, you do not have to pay. Do not include any estimated tax payment in your check or money order. Mail any estimated tax payment in a separate envelope from the one you use to pay the tax due on Form 1040.

Income Tax Withholding for 1990. If you do owe tax for 1989, you may want to increase the amount of income tax withheld from your pay for 1990. To do this, file Form W-4, Employee's Withholding Allowance Certificate, with your employer. Otherwise, you may have to make estimated tax payments for 1990. See **Should You Make Estimated Tax Payments for 1990?** on page 22.

For more details, get Pub. 505, Tax Withholding and Estimated Tax.

Line 68
Penalty for Underpayment of Estimated Tax

If line 67 is \$500 or more and more than 10% of the tax shown on your return, or you underpaid your 1989 estimated tax liability for any payment period, you may owe a penalty. Get Form 2210 (Form 2210F for farmers and fishermen) to see if you owe a penalty and to figure the amount. If you want, IRS will figure the penalty for you and send you a bill.

How To Avoid the Penalty. You will not owe the penalty or have to complete Form 2210 (or 2210F) if either of the following applies:

1. You had no tax liability for 1988, you were a U.S. citizen or resident for all of 1988, AND your 1988 tax return was for a tax year of 12 full months, or
2. The total of lines 56, 57, 60, and any write-in amount from Form 4469 on line 62 of your 1989 return is at least as much as your 1988 tax liability, AND your 1988 tax return was for a tax year of 12 full months. Your estimated tax payments for 1989 must have been made in 4 equal and timely installments.

Note: For 1989, the supplemental Medicare premium on line 54 is not treated as a tax for purposes of the penalty.

Under certain conditions the penalty may be waived. If you do not meet either of the exceptions above, get Form 2210 (or 2210F) to see if you qualify for a waiver.

Figuring the Penalty. If you cannot avoid the penalty and you choose to figure it

yourself on Form 2210 (or 2210F), enter the penalty amount on Form 1040, line 68. Add the penalty amount to any tax due and enter the total on line 67. If you are due a refund, subtract the penalty amount from the overpayment you show on line 64.

If you used the annualized income installment method to figure your required payments, write "AI" on the dotted line next to line 68. If you are claiming a waiver, write "Waiver" on the dotted line next to line 68.

If you leave line 68 blank, IRS will figure the penalty and send you a bill. We will not begin to charge you interest on the penalty until 10 days after the notice date.

What To Attach. Generally, you are not required to attach Form 2210 (or 2210F) to your return, even if you owe the penalty. But, you MUST complete and attach the form if you claim a waiver or use the annualized income installment method.

Should You Make Estimated Tax Payments for 1990?

In general, you do not have to make estimated tax payments if you expect that your 1990 Form 1040 will show a tax refund, or a tax balance due IRS of less than \$500. If your total estimated tax (including any alternative minimum tax and supplemental Medicare premium) is \$500 or more, please get Form 1040-ES. It contains a worksheet that you can use to see if you have to make estimated tax payments.

Sign Your Return

Form 1040 is not considered a valid return unless you sign it. Your spouse must also sign if it is a joint return. Be sure to date your return and show your occupation in the space provided. If you have someone prepare your return for you, you are still responsible for the correctness of the return. If you are filing a joint return with your deceased spouse, see **Death of Taxpayer**, on page 23.

Child's Return. If your child cannot sign his or her return, sign your child's name in the space provided. Then add "By (your signature), parent for minor child."

Paid Preparers Must Sign Your Return. Generally, anyone you pay to prepare your return must sign it. A preparer who signs your return must sign it by hand in the space provided (signature stamps or labels cannot be used), and give you a copy of the return for your records. Someone who prepares your return for you but does not charge you should not sign your return.

Tax return preparers should be familiar with their responsibilities. They should get Pub. 1045, Information for Tax Practitioners, for more details.

Avoid Common Mistakes

This checklist is to help you make sure your form is filled out correctly. Errors may delay your refund.

1. Are your name and address correct on the label? If not, did you correct the label?
2. If you took the standard deduction, did you enter it on line 34? Also did you use the correct chart (or worksheet) on page 17?

3. Did you attach your W-2 form(s) and any other forms? Did you assemble all forms and schedules in the proper order? See **Step 6** on page 6.

4. Did you add and subtract correctly especially when figuring your refund or amount you owe?

5. Did you use the correct filing status and taxable income amount to find your tax in the Tax Table?

6. If a child lived with you and you earned income was under \$19,340, did you see if you can take the earned income credit on line 58? See page 20.

7. Did you write your social security number, daytime phone number, and "1989 Form 1040" on your check or money order?

8. Did you sign and date your tax form?

General Information

Penalties and Interest

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

Late Filing of Return. You can avoid penalties for late filing by sending in your return by the due date. If you file late, the penalty is 5% of the amount due for each month or part of a month your return is late, unless you have a reasonable explanation. If you do, attach it to your return. The penalty cannot be more than 25% of the tax due. If your return is more than 60 days late, the minimum penalty will be \$100 or the amount of any tax you owe, whichever is smaller.

Late Payment of Tax. If you pay your taxes late, the penalty is usually 1/2 of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty cannot be more than 25% of the unpaid amount. It applies to any unpaid tax on the return. It also applies to any additional tax shown on a bill not paid within 10 days of the date of the bill. This penalty is in addition to interest charges on late payments.

Note: If you include interest or either of these penalties with your payment, identify and enter these amounts in the bottom margin of Form 1040, page 2. Do not include the interest or penalty amounts in **Amount You Owe** on line 67.

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

Other Penalties. There are also other penalties that can be imposed for negligence, substantial understatement of

tax, and fraud. Criminal penalties may be imposed for willful failure to file, tax evasion, or making a false statement. Get Pub. 17, Your Federal Income Tax, for details on some of these penalties.

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

If not, your refund may be delayed or you may not receive credit for your social security earnings. If your Form W-2, Form 1099, or other tax document shows an incorrect social security number or name, notify your employer or the form-issuing agent. If the name or number on your social security card is incorrect, contact any Social Security Administration office. The telephone number is listed in the phone book under "U.S. Government, Social Security Administration."

Gift To Reduce the Public Debt

You may make a gift to reduce the public debt. If you wish to do so, enclose a separate check with your income tax return. Make it payable to "Bureau of the Public Debt." You may be able to deduct this gift on your 1990 tax return if you itemize your deductions. Please do not add it to any tax you may owe. If you owe tax, include a separate check for that amount payable to "Internal Revenue Service."

Address Change

If you move, you should always notify the IRS Service Center where you filed your last return. If you move after you file your return and you are expecting a refund, also notify the post office serving your old address. This will help to forward your check to your new address.

Mailing Your Return

If you received an envelope with your forms booklet, please use it. If you didn't receive an envelope, or you moved during the year, see **Where To File** on page 5. Envelopes with insufficient postage will be returned by the post office.

Corresponding With IRS

Be sure to include your social security number in any correspondence with IRS.

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your return, as well as any worksheets used to figure them, until the statute of limitations runs out for that return. Usually this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. Also keep copies of your filed tax returns as part of your records. You should keep some records longer. For example, keep property records (including those on your own home) as long as they are needed to figure the basis of the original or replacement property. For more details, get Pub. 552.

Requesting a Copy of Your Tax Return

If you need a copy of your tax return, use Form 4506, Request for Copy of Tax Form. The charge for a copy of a return is \$4.25. If you need tax account information, contact your local IRS office. If you want a printed copy of your account, it will be mailed to you free of charge.

Substitute Tax Forms

You may not use your own version of a tax form unless it meets the requirements contained in Pub. 1167 for acceptable privately designed and printed substitute tax forms. You can get Pub. 1167 by writing to the Forms Distribution Center for your state. See the next to the last page of this instruction booklet for the address.

Amended Return

If you find changes in your income, deductions, or credits after you mail your return, file Form 1040X, Amended U.S. Individual Income Tax Return, to change the return you already filed. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or within 2 years after the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

If your return is changed for any reason (for example, as a result of an audit of your return by IRS), it may affect your state income tax return. Contact your state tax agency for more information.

Death of Taxpayer

If a taxpayer died before filing a return for 1989, the taxpayer's spouse or personal representative may have to file and sign a return for the person who died. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased person's property.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should write "deceased" after the deceased's name and show the date of death in the name and address space at the top of the return. Also write "DECEASED" across the top of the tax return.

If your spouse died in 1989 and you did not remarry in 1989, you can file a joint return. You can also file a joint return if your spouse died in 1990 before filing a 1989 return. A joint return should show your spouse's 1989 income before death and your income for all of 1989. Also write "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

Claiming a Refund for a Deceased Person.

If you are a surviving spouse filing a joint return with the deceased, file only the tax return to claim the refund. If you are a court-appointed representative, file the return AND attach a copy of the certificate that shows your appointment. All other filers requesting a refund of the deceased should file the return and attach Form 1310.

For more details, see Tele-Tax Information in the index (topic no. 158) or get Pub. 559, Tax Information for Survivors, Executors, and Administrators.

Instructions for Schedule A Itemized Deductions

Changes You Should Note

Beginning in 1989, if you use your home telephone for business purposes, you may

not deduct any of the basic local service charge (including taxes) for the first telephone line into your home.

- For taxable bonds acquired after December 31, 1987, you may not deduct any amortizable bond premium as interest on Schedule A. Instead, reduce the interest income on the bond by the amount of the premium. For details, see the instructions for Schedule B.

For taxable bonds acquired after October 22, 1986, and before January 1, 1988, you may choose to either deduct any amortizable bond premium as interest on Schedule A, line 11, or reduce your interest income on the bond as explained above.

Purpose

Some taxpayers should itemize their deductions because they will save money. See **Standard Deduction OR Itemized Deductions on page 16.**

If you itemize, you can deduct part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and certain miscellaneous expenses. You may also deduct certain moving expenses and casualty and theft losses.

Lines 1a through 4

Medical and Dental Expenses

Before you can figure your total deduction for medical and dental expenses, you must complete Form 1040 through line 32.

You may deduct only that part of your medical and dental expenses that is more than 7.5% of the amount on Form 1040, line 32.

Line 1a. Enter the amount you paid for doctors, dentists, nurses, and hospitals, prescription medicine and drugs, or for insulin, after you reduce these expenses by any payments received from insurance or other sources. Also include the total amount you paid for insurance premiums for medical and dental care.

Caution: If you were self-employed, do not include the amount of any health insurance you deducted on Form 1040, line 26.

Line 1b. Enter the amounts spent for transportation and lodging, and other expenses such as hearing aids, dentures, eyeglasses, and contact lenses, after you reduce these expenses by any payments received from insurance or other sources. List the medical expense and the amount of the expense. Enter one total in the total amount column on line 1b.

Note: If your insurance company paid your doctor or dentist directly for part of your medical expenses, and you paid only the amount that remained, include in your medical expenses ONLY the amount that you paid.

If you received a reimbursement in 1989 of prior year medical or dental expenses, do not reduce your 1989 expenses by this amount. You must include the reimbursement in income on Form 1040, line 22. If you deducted the medical expenses in the earlier year and the deduction reduced your tax, Pub. 502 tells you how to figure the amount to include in income.

When you figure your deduction, you may include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained on page 8 for Children of Divorced or Separated Parents.
- Any person that you could have claimed as a dependent on your return if that person had not received \$2,000 or more of gross income or had not filed a joint return.

Example. You provided more than half of your mother's support but may not claim her as a dependent because she received \$2,000 of wages during 1989. If part of your support was the payment of her medical bills, you may include that part in your medical expenses.

Examples of Medical and Dental Payments You MAY Deduct

To the extent you were not reimbursed, you may deduct what you paid for:

- Prescription medicines and drugs, or insulin.
- Medical doctors, dentists, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Medical treatment at a center for drug addicts or alcoholics.
- Medical aids such as hearing aid batteries, braces, crutches, wheelchairs, guide dogs and the cost of maintaining them.
- Lodging expenses (but not meals) paid while away from home to receive medical care in a hospital or a medical care facility that is related to a hospital. Do not include more than \$50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim 9 cents a mile. Add parking and tolls to the amount you claim under either method.

Examples of Medical and Dental Payments You MAY NOT Deduct

- The basic cost of Medicare insurance (Medicare A).
- Note:** If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.
- Life insurance or income protection policies.
- The 1.45% Medicare (hospital insurance benefits) tax withheld from your pay as part of the social security tax or the Medicare tax paid as part of social security self-employment tax.

- Nursing care for a healthy baby. (You may qualify for the child and dependent care credit; get Form 2441.)
- Illegal operations or drugs.
- Nonprescription medicines or drugs.
- Travel your doctor told you to take for rest or change.
- Funeral, burial, or cremation costs.

Pub. 502 has a discussion of expenses that may and may not be deducted. It also explains when you may deduct capital expenditures and special care for handicapped persons.

Lines 5 through 8

Taxes You Paid

Taxes You MAY Deduct

Line 5—State and Local Income Taxes. Include on this line state and local income taxes that were withheld from your salary and any estimated payments made in 1989, including payments for a prior year. Also include any part of a prior year refund of state or local income taxes that you chose to have credited to your 1989 estimated state or local income taxes. Do not reduce your deduction by either of the following:

- Any state and local income tax refund (or credit) you expect to receive for 1989, or
 - Any refund of (or credit for) prior year state and local income taxes you actually received in 1989 (see the instructions for Form 1040, line 10).
- Line 6—Real Estate Taxes.** Include taxes that you paid on property you own that was not used for business. Pub. 530 explains the deductions homeowners may take.

If your mortgage payments include your real estate taxes, do not take a deduction for those taxes until the year the mortgage company actually pays them to the taxing authority.

Line 7—Other Taxes. If you had any deductible tax not listed on Schedule A, lines 5 or 6 (such as personal property or foreign income tax), list the tax and the amount of tax. Enter one total in the total amount column on line 7.

Personal property tax must be based on value alone. For example, if part of the fee you paid for the registration of your car was based on the car's value and part was based on its weight, you may deduct only the part based on value.

If you paid tax to a foreign country or U.S. possession, you may want to take it as a credit instead of a deduction. Please get Pub. 514.

Taxes You MAY NOT Deduct

- Federal income and excise taxes.
- Social security and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. (However, see Expenses NOT Subject to the 2% Limit on page 26.)
- Certain state and local taxes, including: general sales tax, tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Lines 9a through 13 Interest You Paid

Include interest you paid on nonbusiness items only. Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. Get Pub. 545, Interest Expense, for details.

In general, if you paid interest in 1989 that includes amounts that apply to any period after 1989, you may deduct only the amount that applies for 1989.

Note: If you have a loan agreement that in any way refers to the "Rule of 78's," see Pub. 545.

Interest You MAY Deduct

Lines 9a and 9b—Home Mortgage Interest. In most cases, you will be able to deduct all of your home mortgage interest. The following rules apply to any loans secured by your main home, including first and second mortgages, home equity loans, and refinanced mortgages. Whether your home mortgage interest is deductible depends on the date you took out the mortgage, the amount of the mortgage, and your use of its proceeds.

If ALL of your mortgages fit into one or more of categories a, b, and c below, you can deduct all of the interest on those mortgages and report it on Schedule A, line 9a or 9b, whichever applies. If one or more of your mortgages does not fit into any of the categories below, get Pub. 936, Limits on Home Mortgage Interest Deduction, to figure the amount of interest you can deduct.

a. Mortgages you took out on your main home ON or BEFORE October 13, 1987. These mortgages also include line-of-credit mortgages you had on October 13, 1987, and mortgages you had on October 13, 1987, that you refinanced after that date. But see **Special Rules** below if you refinanced or borrowed additional amounts on a line-of-credit mortgage after October 13, 1987.

b. Mortgages you took out on your main home AFTER October 13, 1987, to buy, build, or improve your home, but only if these mortgages plus any mortgages in a above totaled \$1 million or less throughout 1989. The limit is \$500,000 or less if married filing separately.

c. Mortgages you took out AFTER October 13, 1987, on your main home, OTHER THAN to buy, build, or improve your home, but only if these mortgages totaled \$100,000 or less throughout 1989. The limit is \$50,000 or less if married filing separately. An example is a home equity loan you used to pay off credit card bills, to buy a car, or to pay tuition costs.

Special Rules

Refinanced Mortgages. If you had a mortgage on your home on October 13, 1987, and refinanced it after that date for no more than the balance of the old mortgage, all of the new mortgage is treated as a mortgage described in a above. But, if you refinanced it for more than the balance of the old mortgage, only the part of the new mortgage equal to the amount you owed on the old mortgage at the time you refinanced it is treated as a mortgage described in a. The part of the new

mortgage that is more than the balance of the old mortgage is a mortgage described in b or c (or b and c, if a mixed-use mortgage—see below).

Line-of-Credit Mortgages. If you had a line-of-credit mortgage on your home on October 13, 1987, and you borrowed additional amounts on this line of credit after that date, the additional amounts borrowed are treated as a mortgage taken out after October 13, 1987, and are subject to the rules under b or c (or b and c if a mixed-use mortgage—see below).

Mixed-Use Mortgages. If you took out a new mortgage after October 13, 1987 (including refinancing for more than what you owed or borrowing additional amounts on a line-of-credit mortgage you had on October 13, 1987), for purposes described in both b and c above, you have a mixed-use mortgage. The mortgage proceeds used to buy, build, or improve the home fit into category b and the rest of the proceeds fit into category c.

Note: Additional limits apply if the total amount of all mortgages exceeds the fair market value of the home. See Pub. 936.

What Is a Home. A home may be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, a toilet, and cooking facilities.

More Than One Home. If you had a main home and a second home, the dollar limits explained in b and c above apply to the total mortgages on both homes. See Pub. 936 for more information.

Line 9a. Enter on line 9a deductible mortgage interest you paid directly, or indirectly, to financial institutions for which you received a Form 1098, Mortgage Interest Statement. (If you did not receive a Form 1098, enter the interest on line 9b.)

If you paid \$600 or more of mortgage interest, the recipient will generally send you a Form 1098, or similar statement, by January 31, 1990, showing the total interest received during 1989. Any points you paid will not be shown.

If you paid more interest to financial institutions than is shown on Form 1098, get Pub. 545 to see if you can deduct the additional interest. If you can, attach a statement explaining the difference and write "See attached" next to line 9a.

Note: If you qualify for the Mortgage Interest Credit (see instructions for Form 1040, line 46), subtract the amount shown on line 9 of Form 8396 from the total deductible interest you paid on your home mortgage and enter the result on line 9a.

Line 9b. If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 9b.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. Next to line 9b, write "See attached."

Line 10—Points. Generally, points (including loan origination fees) charged

only for the use of money are deductible over the life of your mortgage. **Exception.** Points may be deducted in the year paid if the loan was used to buy or improve your main home, the loan was secured by that home, the points were paid with funds other than those obtained from the lender, it is customary to charge points in the area where the loan was made, and the points paid did not exceed the points usually charged in that area. This generally does not apply to points paid to refinance your mortgage. For more details, get Pub. 545.

Line 11—Investment Interest. Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity.

Complete and attach Form 4952, Investment Interest Expense Deduction, to figure your deduction.

Exception. You do not have to file Form 4952 if ALL of the following apply:

- Your only investment income was from interest or dividends,
- You have no other deductible expenses connected with the production of the interest or dividends,
- Your investment interest expense is not more than your investment income,
- You have no carryovers of investment interest expense from 1988, and
- You have no passive activity losses.

For more details, get Pub. 550, Investment Income and Expenses.

Lines 12a and 12b—Personal Interest. For 1989, you can deduct only 20% of personal interest (such as interest paid on car loans and credit cards). Include on line 12a interest you paid on:

- Bank and other general purpose credit cards. Include the finance charge paid as interest if no part of it was for service charges, membership fees, loan fees, credit investigation fees, etc.
- Revolving charge accounts. Include finance charges if they were based on your monthly unpaid balances.
- Your personal note for money you borrowed from a bank, a credit union, or another person.
- Loans on life insurance if you paid the interest in cash and report on the cash basis.

• Installment loans on personal property, such as cars (including a business car used in your capacity as an employee) and appliances.

• Taxes you paid late. Show only the interest; do not include any amount that is considered a penalty. If the tax is deductible, show it under Taxes You Paid (lines 5 through 8 of this schedule).

Note: Special rules apply to interest expense imputed on below-market loans. Get Pub. 545.

Interest You MAY NOT Deduct

Do not include interest paid on your debts by others, such as mortgage interest subsidy payments made by a government agency. Also do not include the interest you paid for:

- Certain loans against your interest in a 401(k) plan or a tax-sheltered annuity plan

that were made, renewed, renegotiated, modified, or extended after 1986. (Get Pub. 575, Pension and Annuity Income (Including Simplified General Rule), for details.)

• Tax-exempt income. This includes interest on money you borrowed to buy or carry wholly tax-exempt securities. This also includes interest paid to purchase or carry obligations or shares, or to make deposits or other investments, to the extent any interest income received from the investment is tax exempt.

- A loan on life insurance if the interest is added to the loan and you report on the cash basis.
- A debt to buy a single-premium life insurance or endowment contract.
- Any kind of business transaction. (Use Schedule C, E, or F of Form 1040 to deduct business interest expenses.)

Get Pub. 545 for more details.

Lines 14 through 17

Gifts to Charity

You may deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals.

Examples of these organizations are:

- Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.

• Fraternal orders, if the gifts will be used for the purposes listed above.

- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

Caution: If you contributed to a charitable organization and also received a benefit from it, you may deduct only the amount that is more than the value of the benefit you received. For more information, get Pub. 526, Charitable Contributions.

If you do not know whether you may deduct what you gave to an organization, check with that organization or with IRS.

Contributions You MAY Deduct

Contributions may be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drove to and from the volunteer work, you may take 12 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

Limit on the amount you may deduct

Get Pub. 526 to figure the amount of your deduction if any of the following applies:

• Your cash contributions or contributions of ordinary income property are more than 30% of Form 1040, line 32.

• Your gifts of capital gain property to certain organizations are more than 20% of Form 1040, line 32, or

• You gave gifts of property that increased in value or gave gifts of the use of property.

You MAY NOT Deduct As Contributions

- Travel expenses (including meals and lodging) while away from home unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Value of any benefit, such as food, entertainment, or merchandise, that you received in connection with a contribution to a charitable organization.

Example. You paid \$100 to a charitable organization to attend a fund-raising dinner.

To figure the amount of your deductible charitable contribution, subtract the value of the dinner from the total amount you paid. If the value of the dinner was \$40, your deductible contribution is \$60.

- Cost of raffle, bingo, or lottery tickets.
- Cost of tuition.
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

• Gifts to:

- a. Individuals.
- b. Foreign organizations.
- c. Groups that are run for personal profit.
- d. Groups whose purpose is to lobby for changes in the laws.

• Civic leagues, social and sports clubs, labor unions, and chambers of commerce. **Recordkeeping.** If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- a. How you figured the property's value at the time you gave it. (If the value was determined by an appraisal, you should also keep a signed copy of the appraisal.)
- b. The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- c. How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- d. Any conditions attached to the gift.

Note: If your total deduction for gifts of property is over \$500, or if you gave less than your entire interest in the property, or you made a "qualified conservation contribution" under section 170(h), your records should contain additional information. Get Pub. 526 for details.

Line 14. Enter the total contributions you made in cash or by check (including out-of-pocket expenses). If you gave \$3,000 or more to any one organization, show to whom and how much you gave in the space provided.

Line 15. Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. If the amount of your deduction is more than \$500, you must complete and attach Form 8283, Noncash Charitable Contributions. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. For this purpose, the "amount of your deduction" means your deduction BEFORE applying any income limitations that could result in a carryover of contributions. See Form 8283 and its instructions for details.

Line 16. Enter on line 16 any carryover of contributions that you were not able to deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details on how to figure a carryover.

Line 18

Casualty and Theft Losses

Use line 18 to report casualty or theft losses of property that is not trade or business, income-producing, or rent or royalty property. Complete and attach Form 4684, Casualties and Thefts, to figure your loss. Enter on line 18 of Schedule A the amount of loss from Form 4684.

Losses You MAY Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that—

- a. the amount of EACH separate casualty or theft loss is more than \$100, and
- b. the total amount of ALL losses during the year is more than 10% of your adjusted gross income on Form 1040, line 32.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. Get Form 4684 for details.

Losses You MAY NOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.

Use line 21 of Schedule A to deduct the costs of proving that you had a property loss. (Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.)

For more details, get Pub. 547, Nonbusiness Disasters, Casualties, and Thefts. It also gives information about Federal disaster area losses.

Line 19
Moving Expenses

Employees and self-employed persons (including partners) can deduct certain moving expenses.

You can take this deduction if you moved in connection with your job or business and your new workplace is at least 35 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 35 miles from your old home. If you meet these requirements, see Tele-Tax Information in the index (topic no. 304) or Pub. 521, Moving Expenses. Complete and attach Form 3903 to figure the amount of moving expenses to enter on line 19. If you began work at a new workplace outside the United States or its possessions, get Form 3903F, Foreign Moving Expenses.

Lines 20 through 25
Miscellaneous Deductions

Most miscellaneous deductions cannot be deducted in full. You must subtract 2% of your adjusted gross income from the total. You figure the 2% limit on line 23.

Generally, the 2% limit applies to job expenses you paid for which you were not reimbursed (line 20). The limit also applies to certain expenses you paid to produce or collect taxable income (line 21). See the instructions for lines 20 and 21 for examples of expenses to claim on these lines.

The 2% limit does not apply to certain other miscellaneous expenses that you may deduct. These expenses can be deducted in full on line 25. The line 25 instructions describe these expenses. Included are deductible gambling losses (to the extent of winnings) and certain job expenses of handicapped employees. See Pub. 529, Miscellaneous Deductions, for more information.

Expenses Subject to the 2% Limit (Lines 20 and 21)

Line 20. Use this line to report job expenses you paid for which you were not reimbursed. In some cases you MUST first fill out Form 2106, Employee Business Expenses. Fill out Form 2106 if:

- 1. You claim any travel, transportation, meal, or entertainment expenses for your job; OR
- 2. Your employer paid you for any of your job expenses reportable on line 20.

If 1 or 2 above applies, enter the amount from line 13 of Form 2106 on line 20 of Schedule A.

If you don't have to fill out Form 2106, just list the type and amount of your expenses on the dotted line for line 20. If you need more space, attach a statement showing the type and amount of the expense. Enter one total in the amount space for line 20.

Examples of expenses to include on line 20 are:

- Travel, transportation, meal, or entertainment expense. (Note: If you have any of these expenses, you must use Form 2106 for all of your job expenses.)
- Union dues.
- Safety equipment, small tools, and supplies you needed for your job.

• Uniforms your employer said you must have, and which you may not usually wear away from work.

• Protective clothing, required in your work, such as hard hats and safety shoes and glasses.

• Physical examinations your employer said you must have.

• Dues to professional organizations and chambers of commerce.

• Subscriptions to professional journals.

• Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.

• Business use of part of your home but only if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see Tele-Tax Information in the index (topic no. 309) or Pub. 587, Business Use of Your Home.

• Education expenses you paid that were required by your employer, or by law or regulations, to keep your salary or job. In general, you may also include the cost of keeping or improving skills you must have in your job. For more details, see Tele-Tax Information in the index (topic no. 313) or Pub. 508, Educational Expenses. Some education expenses are not deductible. See Expenses You MAY NOT Deduct.

• Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Line 21. Use this line for amounts you paid to produce or collect taxable income, manage or protect property held for earning income, and for tax preparation fees. List the type and amount of each expense on the dotted lines for line 21. If you need more space, attach a statement showing the type and amount of each expense. Enter one total in the amount space for line 21. Examples of these expenses are:

- Tax return preparation fee.
- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.

• Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For more information (including limits on the amount you can deduct), see Pub. 529.

Expenses NOT Subject to the 2% Limit (Line 25)

Use this line to report miscellaneous deductions that are NOT subject to the 2% AGI limit. Only the expenses listed below can be deducted on line 25:

- Gambling losses to the extent of gambling winnings. Report gambling winnings on Form 1040, line 22.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if more than \$3,000. See Pub. 525.
- Unrecovered investment in a pension.
- Impairment-related work expenses of a handicapped person.

List the type and amount of each expense. Enter one total in the amount space for line 25. For more information on these expenses, get Pub. 529.

Expenses You MAY NOT Deduct

Some expenses are not deductible at all. Examples are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property (but see casualty and theft losses).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Expenses of:
 - a. Travel as a form of education.
 - b. Attending a seminar, convention, or similar meeting unless it is related to your employment.
 - c. Adopting a child, including a child with special needs.
- Fines and penalties.
- Expenses of producing tax-exempt income.

Instructions for Schedule B

Interest and Dividend Income

Purpose

Use Schedule B if you are filing Form 1040 and you:

- Had more than \$400 in taxable interest.
- Had more than \$400 in dividends.
- Had a foreign account, or
- Were a grantor of, or transferor to, a foreign trust.

Part III of the schedule asks you to answer questions about foreign accounts and trusts.

Part I

Interest Income

To see what interest income you must report, read the instructions for Form 1040, line 8a, on page 10.

The payer should send you a Form 1099-INT or Form 1099-OID, if applicable, showing interest you must report. A copy of the form is also sent to IRS. If the total taxable interest from all payers is over \$400, fill in Parts I and III.

Line 1

Report on line 1 the interest portion of any payments you received from an individual based on a take-back mortgage or other form of seller financing that resulted from the sale of your home or other property. Show the payer's name and the amount.

Line 2

Report on line 2 ALL taxable interest (other than seller-financed mortgage interest) that you received or that was credited to your account so you could withdraw it. List each payer's name and show the amount.

Nominees. Include on line 2 interest you received, as a nominee, that actually belongs to another person (such as your child). Several lines above line 3, put a subtotal of all interest income listed on lines 1 and 2. Below this subtotal, write "Nominee Distribution" and show the interest amounts you received as a nominee. Subtract these amounts from the subtotal and enter the result on line 3.

Note: If you received interest as a nominee, you must give the actual owner a Form 1099-INT, unless the owner is your spouse.

Accrued Interest. When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules above under **Nominees** to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

Tax-Exempt Interest. If you received a Form 1099-INT for tax-exempt interest, such as from municipal bonds, report the interest on line 2. Several lines above line 3, put a subtotal of all interest listed on lines 1 and 2. Below this subtotal, write "Tax-Exempt Interest" and show the amount. Subtract this amount from the subtotal and enter the result on line 3. Be sure to also include this tax-exempt interest on Form 1040, line 8b.

Original Issue Discount (OID). If you are reporting OID in an amount less than the amount shown on Form 1099-OID, follow the rules above for **Nominees** or **Accrued Interest**, whichever applies, to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

Amortizable Bond Premium. If you are reducing your interest income on a bond by the amount of amortizable bond premium, report the total interest on the bond on line 2. Several lines above line 3, put a subtotal of all interest listed on lines 1 and 2. Below this subtotal, write "ABP Adjustment" and show the amount. Subtract this amount from the subtotal and enter the result on line 3.

Part II

Dividend Income

To see what dividend income you must report, read the instructions for Form 1040, line 9, on page 10.

The payer should send you a Form 1099-DIV showing dividends you must report. A copy of the form is also sent to IRS. If the total dividends from all payers are over \$400, fill in Parts II and III.

Line 4

Report on line 4 ALL of your dividend income. Include capital gain and nontaxable distributions. They will be deducted on lines 6 and 7. Include cash and the value of stock, property, or merchandise you received as a dividend. If you owned shares in a mutual fund, see Pub. 564, Mutual Fund Distributions.

List the payer's name and show the amount of income. If securities are held by a brokerage firm (in "street name"), list the name of the brokerage firm shown on Form 1099-DIV.

Nominees. Include on line 4 all dividends you received, including dividends you

received, as a nominee, that actually belong to another person (such as your child), even if you later distributed some or all of this income to others. Several lines above line 5, put a subtotal of all dividends listed on line 4. Below this subtotal, write "Nominee Distribution" and show the amounts you received as a nominee. Subtract these amounts from the subtotal and enter the result on line 5.

Note: If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV, unless the owner is your spouse.

Part III

Foreign Accounts and Foreign Trusts

Fill in this part if you had more than \$400 in interest or dividend income; if you had a foreign financial account; or if you were the grantor of, or transferor to, a foreign trust.

Lines 10a and 10b

Check the **Yes** box on line 10a if either 1 or 2 below applies to you.

1. At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).
Exception. Check **No** if any of the following applies to you:

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You are an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account is in your employer's name; **AND** you do not have a personal financial interest in the account.
- You are an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account is in your employer's name; you do not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.
Get Form TD F 90-22.1 to see if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get the form by writing to the IRS Forms Distribution Center for your state, as shown on the inside back cover.

If you checked the **Yes** box on line 10a, file Form TD F 90-22.1 by June 30, 1990, with the Department of the Treasury at the address shown on that form. Do not attach Form TD F 90-22.1 to Form 1040.

If you checked the **Yes** box on line 10a, write the name of the foreign country or countries in the space provided on line 10b. Attach a separate sheet if you need more space.

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Instructions for Schedule D

Capital Gains and Losses

Caution: At the time these instructions were printed, Congress was considering legislation that could change some of the rules that apply to Schedule D and these instructions. When Congress completes its action, we will take the steps necessary to publicize the final rules.

Purpose

Use Schedule D to:

- Report a sale of a capital asset.
- Report gains from involuntary conversions of capital assets not held for business or profit.
- Reconcile Forms 1099-B you got for bartering transactions. (See Part VI.)
- Make the long-term capital gain election for lump-sum distributions.

Use Form 4797, Sales of Business Property, instead of Schedule D to report the following:

- The sale or exchange of trade or business property, depreciable and amortizable property, oil, gas, geothermal, or other mineral property, and section 126 property.
- The involuntary conversion (other than by casualty or theft) of trade or business property and capital assets held for business or profit.
- The disposition of other noncapital assets not mentioned above.

Use Form 4684, Casualties and Thefts, to report involuntary conversions of property due to casualty or theft.

Get Pub. 544, Sales and Other Dispositions of Assets, and Pub. 550, Investment Income and Expenses, for more information.

Form 1099-A, Information Return for Acquisition or Abandonment of Secured Property. If you received a Form 1099-A from your lender, you may have gain or loss to report because of the acquisition or abandonment. Get Pub. 544 for details.

Capital Gain Elections on Lump-Sum Distributions From Qualified Retirement Plans

The amount of a lump-sum distribution that qualifies for capital gain treatment should be shown on Form 1099-R, Box 3. If you qualify to use Form 4972, Tax on Lump-Sum Distributions, you can make the 20% capital gain election in Part II of that Form. If you do not include the capital gain portion on Form 4972, you can make a long-term capital gain election on Schedule D. To make the election on Schedule D for 1989, write "lump-sum distribution" on line 9d, column (a). Enter in column (g) 75% (.75) of the amount from Form 1099-R, Box 3. Enter the remaining amount of the distribution (Form 1099-R, Box 2, minus the amount used on Schedule D) on Form 1040, lines 17a and 17b. However, if you qualify to use Form 4972, you may report

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the balance on that form instead of Form 1040, lines 17a and 17b.

If you elect to include net unrealized appreciation (NUA) in income, a portion of the amount from Form 1099-R, Box 6, can generally receive capital gain treatment. See the instructions for Form 4972 for details.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets.

A capital asset is any property held by a taxpayer except the following:

- a. Stock in trade or other property included in inventory or held for sale to customers.
- b. Accounts or notes receivable you received for services in the ordinary course of your trade or business, or from the sale of any property described in a, or for services you performed as an employee.
- c. Depreciable property used in your trade or business even if it was fully depreciated.
- d. Real property (real estate) used in your trade or business.
- e. A copyright, a literary, musical, or artistic composition, a letter or memorandum, or similar property: (1) created by your personal efforts, or (2) prepared or produced for you (in the case of a letter, memorandum, or similar property); or (3) that you received from a taxpayer mentioned in (1) or (2), in a way (such as by gift) that entitled you to the basis of the previous owner.
- f. U.S. Government publications, including the Congressional Record, that you received from the government, other than by purchase at the normal sales price, or that you got from another taxpayer who had received it in a similar way, if your basis is determined by reference to the previous owner.

Short-Term or Long-Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for long-term capital gains and losses is more than one year. The holding period for short-term capital gains and losses is one year or less.

To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it. Use the trade dates for date acquired and date sold for stocks and bonds on an exchange or over-the-counter market.

Generally, a nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 under the section entitled **Nonbusiness Bad Debts** for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Losses

The capital loss that can be deducted after offsetting capital gains is limited to \$3,000 (\$1,500 if married filing a separate return).

Losses That Are Not Deductible

Do not deduct a loss from the direct or indirect sale or exchange of property between any of the following:

- Members of a family.
- A corporation and an individual or a fiduciary owning more than 50% of the

corporation's stock (not counting liquidations).

- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a fiduciary or beneficiary of another trust created by the same grantor.
- An individual and a tax-exempt organization controlled by the individual or the individual's family.
- A partnership and a corporation if the same taxpayers own directly or indirectly more than 50% of the capital interest, or profits interest, in the partnership and corporation.

Get Pub. 544 for more information on sales and exchanges between related parties.

If you dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, get the instructions for Form 6198, At-Risk Limitations. When the loss becomes allowable under the at-risk rules, it is then subject to the passive activity rules. Get Form 8582, Passive Activity Loss Limitations, and its instructions to see how to report capital gains and losses from a passive activity.

Items for Special Treatment and Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Wash sales of stock or securities. Get Pub. 550 for details.
- Bonds and other evidence of indebtedness. Get Pub. 550 for details.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Gain on the sale of depreciable property to a more than 50% owned entity, or to a trust of which you are a beneficiary.
- Gain on the disposition of stock in an Interest Charge Domestic International Sales Corporation.
- Gain on the sale or exchange of stock in certain foreign corporations.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership which would be treated as an investment company if the partnership were incorporated.
- Sales of qualified reinvested dividends from a qualified public utility. Get Pub. 550 for details.
- Transfer of appreciated property to a political organization.
- Loss on sale, exchange, or worthlessness of small business stock (section 1244 stock).
- In general, no gain or loss is recognized on a transfer of property from an individual to a spouse or a former spouse (but only if the transfer is incident to divorce). Get Pub. 504, Tax Information for Divorced or Separated Individuals.

• Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument.

• Losses from the disposition of wetlands and highly erodible croplands converted to agricultural use (other than livestock grazing) after March 1, 1986, are reported on Schedule D, but gains are reported on Form 4797.

• For rules on nontaxable exchanges, gifts of property, and inherited property, get Pub. 544.

• For treatment by shareholders of corporate liquidations, get Pub. 542, Tax Information on Corporations.

• For information on mutual fund transactions, get Pub. 564, Mutual Fund Distributions.

Gain or Loss From Options

Gain or loss from the closing or expiration of an option that is not a section 1256 contract, but that is a capital asset in your hands, is reported on Schedule D.

If a purchased option expired, enter the expiration date in column (c), and write "EXPIRATION" in column (d).

If an option granted (written) expired, enter the expiration date in column (b), and write "EXPIRATION" in column (e).

Fill in the other columns as appropriate. Get Pub. 550 for further details.

Exchange of Like-Kind Property
Report the exchange of "like-kind" property even though no gain or loss is recognized when you exchange business or investment property for property of "like-kind." For exceptions, get Pub. 544.

Identify in column (a) the property you disposed of. Enter the date you acquired it in column (b), and the date you exchanged it in column (c). Write "like-kind exchange" in column (d). Enter the cost or other basis in column (e). Enter zero in columns (f) and (g).

Sale or Exchange (Other Than Involuntary Conversion) of Capital Assets Held for Personal Use

Gain from the sale or exchange of this property is a capital gain. Report it on Schedule D, Part I or Part II. Loss from the sale or exchange of this property is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use (other than your main home), you must report the transaction on Schedule D.

For example, you have a loss on the sale of a vacation home that is not your main home. Report it on line 2d or 9d, depending on how long you owned the home. Complete columns (a) through (e). Since the loss is not deductible, enter zero in columns (f) and (g).

Disposition of Partnership Interest
A sale or other disposition of an interest in a partnership may result in ordinary income. Get Pub. 541, Tax Information on Partnerships.

Long-Term Capital Gains From Regulated Investment Companies
Include in income as a long-term capital gain the amount shown on Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, that represents your share of the undistributed capital gains

of a regulated investment company. Enter the tax paid by the company as shown on Form 2439 on Form 1040, line 62. Add to the basis of your stock, the excess of the amount included in income over the credit. See Pub. 550 for more information.

Capital Gain Distributions

Enter capital gain distributions paid to you during the year as long-term capital gain on line 13 regardless of how long you have held your investment. See Pub. 550 for more information.

Sale of Your Home

Use Form 2119, Sale of Your Home, to report a gain or loss from the sale of your main home whether or not you bought another one. For more information, get Pub. 523, Tax Information on Selling Your Home.

Installment Sales

If you sold property at a gain (other than publicly traded stocks or securities), and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to. Use Form 6252, Installment Sale Income. Also use Form 6252 if you received a payment in 1989 for a sale made in an earlier year on the installment method.

If you want to elect out of the installment method, report the sale as follows on a timely filed return (including extensions):

(1) Report the full amount of the sale on Schedule D.

(2) If you received a note or other obligation and are reporting it at less than face value (including all contingent payment obligations), complete Part V. If you received more than one, enter the amounts separately in the spaces in Part V.

Get Pub. 537, Installment Sales, for more details.

Section 1256 Contracts and Straddles

Use Form 6781, Gains and Losses From Section 1256 Contracts and Straddles, to report gains and losses from section 1256 contracts and straddles. Get Pub. 550 for more information.

Specific Instructions

Line 1

Reconcile Forms 1099-B for Sales of Stocks, Bonds, etc.

Enter your total sales of stocks, bonds, etc., reported for 1989 to you on Form(s) 1099-B or on any equivalent substitute statement(s). Enter real estate transactions reported to you on Form 1099-S or on an equivalent substitute statement on line 2d or 9d.

If line 1 differs from the total of lines 2c and 9c, column (d), attach a statement explaining the difference. For example, there would be a difference between line 1 and the total of lines 2c and 9c, column (d), if you received a Form 1099-B for an item that represents a return of capital. A return of capital reduces the basis of your stock and is not taxed until your basis in the stock is fully recovered. Include any nontaxable amount shown as a return of capital in the total on line 1. Do not report it in either Part I or II. Explain the difference between the entries in Parts I and II and the total on line

1 in a statement that you attach to Schedule D. See Pub. 550 for more information.

Column (d)

Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B or similar statement from your broker that shows gross sales price, enter that amount in column (d). However, if the broker advised you that gross proceeds (gross sales price) less commissions and option premiums were reported to IRS, enter that net amount in column (d). If the net amount is entered in this column, do not include the commissions and option premiums in column (e).

Caution: Be sure to add all sales price entries on lines 2a and 9a, column (d), to amounts on lines 2b and 9b, column (d). Enter the totals on lines 2c and 9c.

Column (e)

Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions, improvements, and minus depreciation, amortization, and depletion. If you inherited the property or got it as a gift in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cash cost as the basis. If you do not use cash cost, attach an explanation of your basis.

When selling stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. Get Pub. 550 to see how to figure your basis of stock that split during the time you owned it.

The basis of property acquired by gift generally is the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death.

The cost or other basis of an original issue discount (OID) debt instrument is increased by the amount of OID that has been included in gross income for that instrument.

If a charitable contribution deduction is allowed because of a sale of property to a charitable organization, the adjusted basis for determining gain from the sale is an amount which has the same ratio to the adjusted basis as the amount realized has to the fair market value.

Increase your cost or other basis by any expense of sale, such as broker's fees, commissions, state and local transfer taxes, and option premiums before making an entry in column (e), unless you reported net sales price in column (d).

For more information, get Pub. 551, Basis of Assets.

Lines 2a and 9a

Enter all sales of stocks, bonds, etc., whether or not you actually received a Form 1099-B. You can use abbreviations to describe property you list as long as your abbreviations are based on the descriptions of the property as shown on Form(s) 1099-B or on an equivalent substitute statement(s), if you need more space to list

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transactions, complete and attach Schedule D-1. (This is a new optional form for 1989 to list additional transactions.) You may use as many Schedules D-1 as you need to list transactions. The totals from Schedule D-1 which you enter on Schedule D, lines 2b and 9b, columns (f), (g), and (h), should be the combined totals of all your Schedules D-1.

Lines 2d and 9d

Enter sales and exchanges of other capital assets, including real estate transactions reported to you on Form(s) 1099-S or on an equivalent statement, unless you reported them on Form 2119, 4797, or 6252.

Lines 6 and 15

You may have a capital loss carryover from 1988 to 1989 if the loss on your 1988 Schedule D, line 18, was more than \$3,000 (\$1,500, if married filing a separate return), or if line 18 showed any loss and taxable income on your 1988 Form 1040, line 37, was zero.

Do not use Part IV of your 1988 Schedule D to figure your carryover to 1989 because the law was changed after that form was printed. Instead, use the worksheet below. But, if you already figured your carryover using the worksheet in Pub. 553 (Rev. January 1989), which reflected the law change, enter the amount from lines 8 and 17 of that worksheet, on your 1989 Schedule D, lines 6 and 15, respectively.

Worksheet To Compute Capital Loss Carryovers From 1988 to 1989 (Keep for your records)

1. Enter taxable income from your 1988 Form 1040, line 37. If your 1988 Form 1040, line 37, is zero, subtract the amount on Form 1040, line 36, from the amount on Form 1040, line 35. Enter the result here. To show a negative amount enclose it in parentheses.

Note: For lines 2 through 17, treat all amounts as positive.

2. Enter the loss from your 1988 Schedule D, line 19

3. Enter the amount from your 1988 Form 1040, line 36

4. Combine lines 1, 2, and 3. If zero or less, enter zero

5. Enter the smaller of line 2 or line 4

Note: Complete lines 6 through 10 below only if there is a loss on your 1988 Schedule D, line 8 and line 19. Otherwise, skip to line 11.

6. Enter the loss from your 1988 Schedule D, line 8

7. Enter the gain from your 1988 Schedule D, line 17

8. Enter amount from line 5 above

9. Add lines 7 and 8

10. Subtract line 9 from line 6. If zero or less, enter zero. This is your short-term capital loss carryover from 1988 to 1989. Enter this amount on your 1989 Schedule D, line 6

Note: Complete lines 11 through 17 below only if there is a loss on your 1988 Schedule D, line 17 and line 19. Otherwise, stop here.

11. Enter the loss from your 1988 Schedule D, line 17

12. Enter the gain from your 1988 Schedule D, line 8

13. Enter amount from line 5 above

14. Enter amount from line 6 above

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14. Enter amount from line 6 above

15. Subtract line 14 from line 13. If zero or less, enter zero

16. Add lines 12 and 15

17. Subtract line 16 from line 11. If zero or less, enter zero. This is your long-term capital loss carryover from 1988 to 1989. Enter this amount on your 1989 Schedule D, line 15

Line 20

If Form 1040, line 37, is zero, subtract the amount on Form 1040, line 36, from the amount on Form 1040, line 35. Enter the result. To show a negative amount (a loss), enclose it in parentheses.

Part VI

This part will enable IRS to compare amounts of bartering income reported to you on Forms 1099-B with amounts you report on your tax return. For details on bartering income, get Pub. 525, Taxable and Nontaxable Income.

Instructions for

Schedule E Supplemental Income and Loss

Purpose

Use Schedule E to report income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs.

Note: If you attach your own schedule(s) to report income or loss from any of these sources, use the same format as on Schedule E. Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in parentheses.

File Form 1041. Enter your employer identification number in the block for "Your social security number."

Part I

Income or Loss From Rentals and Royalties

Use Part I to report rental and royalty income and expenses. If you own a part interest in rental property, you may report your part on Schedule E. See the instructions for lines 4 and 5 to determine when rental and royalty income should be reported on Schedule C instead.

If you have more than three rental or royalty properties, complete and attach as many Schedules E as you need to list them. Complete lines 1, 2, and 3 for each property. But fill in column D only on one Schedule E. The figures in column D on that Schedule E should be the combined totals of all the schedules.

If you also need to use page 2 of Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Lines 1 through 3

Line 1.—Show the kind of property you rented out, for example, "brick duplex." Give the street address, city or town, and state. You do not have to give the ZIP code.

Line 2.—Renting Out a Dwelling Unit That Is Also Used for Personal Purposes.

—If you rented out a dwelling unit and also used it as a home during the year, you may not be able to deduct all the expenses for the rental part. A dwelling unit (unit) means a house, apartment, condominium, mobile home, boat, or like property. Check the "Yes" or "No" box on line 2, whichever applies, to show whether you or your family used the property for personal purposes in 1989.

If the property is not a dwelling unit, check "No."

If the property is a dwelling unit, check "Yes" if you or your family used the unit for personal use more than the greater of:

- 14 days; or
- 10% of the total days it was rented to others at a fair rental price.

What is personal use? A day of personal use is any day, or part of a day, that the unit was used by:

- you for personal purposes,
- any other person for personal purposes, if that person owns part of the unit (unless rented to that person under a "shared equity" financing agreement),
- anyone in your family or in the family of someone else who owns part of the unit. The day is not treated as personal if the unit is rented at a fair rental price to that person as his or her main home,
- anyone under an agreement that lets you use someone other unit,
- anyone who pays less than a fair rental price for the unit.

If you checked "No," you can deduct all your expenses for the rental part, subject to the at-risk and passive activity loss rules explained on page 32.

If you checked "Yes" and rented the unit out for less than 15 days, you may not deduct any rental expenses. But if you itemize deductions on Schedule A, you may deduct interest, taxes, and casualty losses. You do not have to report the rental income.

If you checked "Yes" and rented the unit out for at least 15 days, you may NOT be able to deduct all your rental expenses. You can deduct your mortgage interest, real estate taxes, and casualty losses for the rental part on Schedule E. You can also deduct your other rental expenses that are not related to your use of the unit as a home, such as advertising expenses and realtors' fees. If any income is left after deducting these expenses, you can then deduct other expenses. But you cannot deduct more than the income that is left. Carry amounts you cannot deduct to 1990. See Pub. 527, Residential Rental Property (Including Rental of Vacation Homes), for more details. Also, get Pub. 545, Interest Expense, to see how much interest you can deduct.

Line 3.—Rental Real Estate Properties with Active Participation.—A rental real estate activity is generally a passive activity subject to the limitation on losses from passive activities. See the instructions for line 2a and the Passive Activity Loss Rules on page 32 for more details. However, a special rule applies if you actively participated (defined on page 31) in rental real estate activities and had losses from them. In general, you may be able to deduct

up to \$25,000 in losses from all rental real estate activities in which you actively participated. However, other amounts apply if you are married filing separately.

Check the "Yes" or "No" box on line 3, whichever applies, to indicate whether you actively participated in 1989 in each rental real estate activity listed on line 1.

Active Participation. The active participation requirement can be met without regular, continuous, and substantial involvement in operations. But you must have participated in making management decisions or arranging for others to provide services (such as repairs), in a significant and bona fide sense. Management decisions that are relevant in this context include approving new tenants, deciding on rental terms, approving capital or repair expenditures, and other similar decisions.

You are not considered to actively participate if, at any time during the tax year, your interest (including your spouse's interest in the activity) was less than 10% (by value) of all interests in the activity.

For more information, see the Instructions for Form 8582, Passive Activity Loss Limitations, and Pub. 925, Passive Activity and At-Risk Rules.

Line 4

If you were not in the real estate sales business but received rent from property you own or control, report it on line 4. Include room and other space rentals. If you received services or property instead of money as rent, report its fair market value. If you received farm rental income, report it on Form 4835, Farm Rental Income and Expenses. See Rental Income From Farm Production or Crop Shares, below.

If you provided significant services to the renter or sold real estate as a business, do not report the income on line 4. Instead, report it on Schedule C.

For more information, see Tele-Tax Information in the index (topic no. 213) or Pub. 527.

Rental Income From Farm Production or Crop Shares. Report farm rental income and expenses on Form 4835 if (1) you received rental income based on crops or livestock produced by the tenant, and (2) you did not manage or operate the farm to any great extent.

Note: A loss from this kind of activity may be subject to the passive activity loss rules. See Pub. 925 for more information.

If you use Form 4835, enter on line 28 of Schedule E the net farm rental income or loss from Form 4835. Also include the gross farm rents from Form 4835, line 7, on Schedule E, line 43.

Note: For estimated tax payments, income received from your share of crops and rental based on farm production is considered income from farming.

Line 5

Report on line 5 royalties from oil, gas, or mineral properties (not including operating oil, gas, or mineral interests); copyrights; and patents. If you received \$10 or more in royalties, by January 31, 1990, you should receive a Form 1099-MISC, or similar statement, showing them. If you are in business as a self-employed writer,

inventor, artist, etc., report your income and expenses on Schedule C. You may be able to treat amounts received as "royalties" for transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For details, see Pub. 544, Sales and Other Dispositions of Assets.

If state or local taxes were withheld from oil or gas payments you received, enter on line 5 the gross amount of royalty. Include the taxes withheld by the producer on line 16.

Caution: If you received a credit or refund of overpaid windfall profit tax in 1989, see the instructions for line 42.

Lines 6 through 22

Enter your rental and royalty expenses for each property in the appropriate columns. You can deduct an amount for the depreciation of rental property and all normal expenses, such as taxes, interest, repairs, insurance, maintenance, and agents' commissions.

Do not deduct the value of your own labor, capital investments, or capital improvements.

Renting Out Part of Your Home. If you rent out only part of your home or other property, deduct the part of your expenses that apply to the rented part.

Expenses To Rehabilitate Low-Income Housing. You may amortize part of the costs you paid or incurred to rehabilitate qualified low-income housing if the rehabilitation began before January 1, 1987. If it began after 1986, you may be able to take a tax credit. See Form 8586, Low-Income Housing Credit, Form 8582-CR, Passive Activity Credit Limitations, and Pub. 572, General Business Credit. Also, get Pub. 925 to learn how the passive activity loss rules apply to low-income housing.

Deduction for Removal of Barriers to the Handicapped and the Elderly. You can deduct up to \$35,000 of the costs you paid or incurred in 1989 to remove barriers to the handicapped and the elderly. See Pub. 535, Business Expenses, and Pub. 907, Tax Information for Handicapped and Disabled Individuals, for details.

Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you will have to keep records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment of the debt. See Pub. 545 for details.

If you have a mortgage on your rental property, enter on line 12 the interest you paid for 1989 to banks or other financial institutions. Be sure to fill in column D.

Note: If the recipient was not a financial institution or you did not receive a Form 1098, Mortgage Interest Statement, from the recipient, report your deductible mortgage interest on line 13.

If you paid \$600 or more in interest on this mortgage, by January 31, 1990, you should receive a Form 1098, or similar statement, showing the total interest you paid during 1989. If you paid more mortgage interest than is shown on your Form 1098, or similar statement, get Pub. 545 to see if you can deduct the additional

interest. If you can, enter the amount on line 12. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 12.

If you and at least one other person (other than your spouse if you file a joint return) were liable for, and paid interest on the mortgage, and the other person received Form 1098, report the interest on line 13. Attach a statement to your return showing the name and address of the person who received Form 1098. In the left margin next to line 13, write "See attached."

Line 17

Beginning in 1989, the base rate (including taxes) for local telephone service for the first telephone line to any residence is a personal expense and is not deductible.

Line 21

You may take a depreciation deduction each year for rental property. The deduction does not apply to land and personal-use property.

If you placed any property in service after 1980, complete and attach Form 4562, Depreciation and Amortization. Enter on line 21 the amount from Form 4562, Part I. If you are depreciating only property placed in service before 1981, you do not need Form 4562. Figure depreciation on a worksheet from your own books and records. Enter the total depreciation on line 21. You do not need to attach the worksheet to your return. For a sample worksheet, see Pub. 534, Depreciation.

For more details on depreciation, see the Instructions for Form 4562 and Pub. 534. For information on depletion, see Pub. 535.

Line 23

If you have a loss from the activity, you may be subject to the At-Risk Rules explained below. If you are, you must file Form 6198, At-Risk Limitations, to figure the loss to enter on line 23. If you must file Form 6198 and the deductible loss from line 21 of that form is less than the loss shown on line 23 of Schedule E, enter the amount from Form 6198 in the appropriate column(s) on line 23 of Schedule E. In the space to the left of line 23, write "Form 6198."

If you have a loss from a passive activity, that loss may be further limited. In most cases, you must file Form 8582 to figure your deductible loss. See the instructions for line 24 and the Passive Activity Loss Rules, on page 32. If line 23 is income from a passive activity and you have losses from other passive activities, you may have to complete Form 8582.

At-Risk Rules

If (1) you have a loss from any activity that you, your partnership, or S corporation engaged in as a trade or business or for the production of income, including the holding of real property placed in service after December 31, 1986, and (2) you have amounts for which you are not at risk in the activity, use Form 6198 to determine your allowable loss to report on Schedule E.

Amounts for which you are not at risk include the following:

1. Nonrecourse loans used to finance the activity, acquire property used in the

activity, or acquire your interest in the activity, unless secured by property not used in the activity or by certain real property used in an activity of holding real property; or

2. Amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or

3. Loans from someone who has an interest in the activity, other than as a creditor, or who is related, under section 465(b)(3)(C), to a person (other than yourself) having such an interest; or

4. Amounts contributed to the activity, or to your interest in the activity that are covered by:

• nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or

• loans from a person described in 3 above. See Pub. 925 for details.

The at-risk rules may apply to an individual, a member of a partnership or joint venture, a shareholder in an S corporation, or a lessor of certain property. The amount you have at risk generally limits the loss you can deduct for any tax year.

If, in addition to the amount you report on Schedule E, you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply, or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the Instructions for Form 6198.

Any loss from an activity not allowed for the tax year because of the at-risk rules is treated as a deduction allocable to the activity in the next tax year.

Line 24

Enter on line 24 your deductible rental loss. If your rental loss is from a passive activity, your loss may be further limited under the Passive Activity Loss Rules explained below. If your rental of property is not treated as a rental activity under the passive activity rules, you may not be able to deduct any loss from the activity for the tax year because the special \$25,000 allowance of losses applies only to rental real estate activities with active participation. See the Instructions for Form 8582 to determine whether the rental is treated as a "rental activity."

If your loss is from a passive activity, you generally need to complete Form 8582 to figure the amount of loss, if any, to enter on line 24. But you do not have to complete Form 8582 to figure the amount of loss you can deduct on line 24 if you meet ALL 3 of the following conditions:

1. Rental real estate activities are your only passive activities; and

2. You do not have any prior year unallowed losses from any passive activities; and

3. All of the following apply if you have an overall net loss from these activities:

• You actively participated in all of the rental real estate activities (for details on active participation, see the line 3 instructions); and

• Your total losses from these activities are \$25,000 or less (\$12,500 or less if married

filing separately and you lived apart from your spouse all year); and

• You have no current or prior year unallowed credits from passive activities; and

• Your modified adjusted gross income, defined below, is \$100,000 or less (\$50,000 or less if married filing separately and you lived apart from your spouse all year).

If you meet ALL 3 of the conditions listed above, your rental real estate losses are not limited by the passive activity rules. Enter the loss from line 23 on line 24. Write at the top of Schedule E, "Form 8582 not required because of \$25,000 special allowance."

If you do not meet ALL 3 of the conditions listed above, you must complete and attach Form 8582.

Modified adjusted gross income is your adjusted gross income from Form 1040, line 31, without taking into account any passive activity loss, any taxable social security or equivalent railroad retirement benefits, or any deductible contributions to an IRA or certain other qualified retirement plans under section 219.

Caution: Passive activity income does not include income from renting: (1) substantially nondepreciable property, (2) property incidental to a development activity, and (3) property to a trade or business activity in which you materially participate. See Pub. 925 for details.

Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. They apply to losses in Parts I, II, and III of Schedule E.

You can generally deduct losses from passive activities only to the extent of income from passive activities. Exceptions apply to some activities, such as rental real estate (see the instructions for line 3).

Losses from passive activities may be first subject to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity rules.

A passive activity is any business activity in which you DO NOT materially participate and any rental activity regardless of participation. See the Instructions for Form 8582 to determine whether you materially participated in an activity. If you are a limited partner, you are generally not treated as having materially participated in the partnership's activity for the year.

The rental of real or personal property is generally a rental activity, but exceptions apply to this rule. If your rental of property is not a rental activity, you must determine whether it is a trade or business activity, and, if so, whether you materially participated in the activity for the tax year. See the Instructions for Form 8582 for the material participation tests and the definition of "rental activity." See Pub. 925 for special rules that apply to rentals of: (1) substantially nondepreciable property, (2) property incidental to development activities, and (3) property to activities in which you materially participate.

The rental of your home that you also used for personal purposes is not a passive activity. See Renting Out a Dwelling Unit

That Is Also Used for Personal Purposes on page 30.

A working interest in an oil or gas well that you hold directly or through an entity that does not limit your liability is not a passive activity even if you do not materially participate.

Royalty income not derived in the ordinary course of a trade or business reported on Schedule E is generally not considered income from a passive activity.

For more information on passive activities, see the Instructions for Form 8582 and Pub. 925.

Parts II and III

Income or Loss From Partnerships, S Corporations, Estates, or Trusts

If you are a member of more than one partnership, a shareholder in more than one S corporation, or a beneficiary of more than one estate or trust, do not report information from more than one entity on the same line.

If you need more space in Parts II and III to list your income or losses, attach a continuation sheet using the same format as shown in Parts II and III. However, be sure to complete the "Totals" columns for lines 31a and 31b, or lines 36a and 36b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Tax Shelter Registration Number. If you are claiming or you are reporting any deduction, loss, credit, or other tax benefit, or reporting income from an interest purchased or otherwise acquired in a tax shelter, you must attach Form 8271, Investor Reporting of Tax Shelter Registration Number, to your return. This reports the tax shelter registration number as well as other information about the tax shelter. There is a penalty if you fail to report this number on your tax return.

Tax Preference Items. If you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of tax preference items and adjustments from these entities on Form 6251, Alternative Minimum Tax—Individuals or Form 8656, Alternative Minimum Tax—Fiduciaries. **Amount(s) From 1987 Schedule(s) K-1.** If you received a 1987 Schedule K-1 (Form 1065, 1120S, or 1041) for a short year, and you did not report all of the short-year income on your 1987 return, you must report 25% of the amounts shown on the short-year 1987 K-1 on the appropriate lines of your 1989 Form 1040 and related schedules. Write "PYA" (prior-year amount) next to the entries.

Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder in an S corporation, use Part II to report your share of the partnership or S corporation income (even if not received) or loss. You should receive a Schedule K-1 from the partnership or the S corporation. Do not attach Schedules K-1 to your return. Keep them for your records. You should also receive a copy of the Partner's or Shareholder's Instructions for

Schedule K-1. If you did not receive these instructions with your Schedule K-1, you can get a copy at most IRS offices. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items.

Special rules apply that limit losses. Please note the following:

- If you have a current year loss or a prior year unallowed loss from a partnership or an S corporation, see the **At-Risk Rules** beginning on page 31 and the **Passive Activity Loss Rules** on page 32.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. If you are subject to the at-risk rules for any activity, use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter the deductible loss, if any, from Form 6198 in Part II, column (j), of Schedule E.

- If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (g), for that activity. But if you are a general partner or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity, and you meet ALL 3 of the conditions listed in the instructions for line 24, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (g), and write at the top of Schedule E, "Form 8582 not required because of \$25,000 special allowance."

- If you have passive activity income, complete Part II, column (h), for that activity.

- If you have nonpassive income or loss, complete Part II, columns (i) through (k), as appropriate.

If you are treating items on your tax return differently from the way the partnership or S corporation reported them on its return, you may have to file Form 8082, Notice of Inconsistent Treatment or Amended Return.

Limits on Section 179 Deductions. The maximum you can deduct on your return for recovery property (section 179) is \$10,000. For example, if you received a Schedule K-1 allocating \$1,000 of section 179 expense to you, the maximum amount you can deduct from other sources that have qualifying section 179 expenses is \$9,000. This limit is reduced if the total cost of the section 179 property is more than \$200,000. Your deduction is also limited to the total taxable income from all your trades or businesses. See Form 4562 and Pub. 534 for details.

If you are claiming a section 179 deduction from a nonpassive activity, enter the allowable deduction in Part II, column (j).

Partnerships

If you have other partnership items relating to a passive activity, or income or loss from any publicly traded partnership, see the Form 8582 instructions before entering them on your return.

If you have other partnership items, such as depletion, from a nonpassive activity, show each item on a separate line in Part II. Show unreimbursed partnership expenses

from nonpassive activities on a separate line in column (i) of Part II. Unreimbursed expenses that are itemized deductions are entered on Schedule A (Form 1040). Report allowable interest expense paid or incurred from debt-financed acquisition in Part II, or on Schedule A, depending on the type of expenditure to which the interest is allocated. See Pub. 545 for details.

If you claimed a credit for Federal tax on gasoline or other fuels on your 1988 Form 1040 (based on information received from the partnership), enter as income in column (h) or column (k), whichever applies, the amount of the credit claimed in 1988.

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on Schedule SE (Form 1040). Enter the amount from Schedule K-1 (Form 1065), line 14a, on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

If you have losses or deductions from a prior year that you could not deduct because of the at-risk or basis rules, and the amounts are now deductible, do not combine the prior-year amounts with any current-year amounts to arrive at a net figure to report on Schedule E. Instead, report on separate lines on Schedule E prior-year amounts and current-year amounts.

S Corporations

Your share of the net income is NOT subject to self-employment tax. Distributions of prior-year accumulated earnings and profits of S corporations are dividends and are reported on Schedule B (Form 1040). For details, see Pub. 589, Tax Information on S Corporations.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 545.

As a shareholder in an S corporation, your share of the corporation's aggregate losses and deductions (combined income, losses, and deductions) is limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of the basis limitation may be carried forward and deducted in a later year subject to the basis limitation for that year. If you are claiming a deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See Pub. 589 for more information.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules explained on pages 31 and 32, respectively.

If you have losses or deductions from a prior year that you could not deduct because of the basis, at-risk, or passive activity loss limitations, and the amounts are now deductible, do not combine the prior-year amounts with any current-year amounts to arrive at a net figure to report on Schedule E. Instead, report the prior-year amounts and the current-year amounts on separate lines of Schedule E.

Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a Schedule K-1 (Form 1041) from the fiduciary. Do not attach that schedule to your return. Keep it for your records. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1.

Caution: Future regulations will explain how to determine whether you should show amounts reported to you on Schedule K-1 (Form 1041) as amounts from passive activities.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 12a), write "ES payment claimed" and the amount on the dotted line next to line 39. Do not include this amount in the total on line 39. Instead, enter the amount on Form 1040, line 57.

A U.S. person who transferred property to a foreign trust may have to include in income the income received by the trust as a result of the transferred property if, during 1989, the trust had a U.S. beneficiary. For more information, get Form 3520-A, Annual Return of Foreign Trust With U.S. Beneficiaries.

Part IV

Income or Loss From REMICs
If you are a residual holder of a Real Estate Mortgage Investment Conduit (REMIC), use Part IV to report your total share of the REMIC's taxable income or loss for each quarter included in your tax year. You should receive Schedule Q (Form 1066) and instructions from the REMIC for each quarter. Do not attach the schedule(s) to your return. Keep them for your records.

REMIC income or loss reported on Schedule E is not income or loss from a passive activity.

Note: If you are a regular holder of a REMIC, do not use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.

If you are a residual holder in more than one REMIC, attach a continuation sheet using the same format as shown in Part IV. Enter the totals of columns (d) and (e) on line 41 of Schedule E. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

If you are treating REMIC items on your tax return differently from the way the REMIC reported them on its return, you may have to file Form 8082.

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c, in Part IV, column (c). This is the smallest amount of taxable income you may report on Form 1040, line 37, for 1989. If the taxable income you would show on Form 1040, line 37, is smaller than the total reported in column (c), you must enter the amount from column (c) on Form 1040, line 37. Write "Q" on the dotted line next to line 37 on Form 1040.

Caution: Do not include the amount shown in column (c) in the total on line 41 of Schedule E.

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b, in Part IV, column (e). If you itemize your deductions on Schedule A (Form 1040), include this amount on line 21.

Part V

Summary of Parts I through IV

Include any windfall profit tax credit or refund received in 1989 in the total on line 42 if you deducted the tax withheld in 1988 on Schedule E and received a tax benefit for it on your 1988 tax return. On the dotted line next to this total, write "OWPT" and show the amount.

Part VI

Reconciliation of Farming and Fishing Income

Enter on line 43 your total share of gross farming and fishing income as shown on Form 4835, line 7; Schedule K-1 (Form 1065), line 14b; Schedule K-1 (Form 1120S), line 20; and Schedule K-1 (Form 1041), line 12.

You will not be charged a penalty for underpayment of estimated tax if you meet the following tests:

1. Your gross farming or fishing income for 1988 or 1989 is at least two-thirds of your gross income, and
2. You file your 1989 tax return and pay the tax due by March 1, 1990.

Instructions for

Schedule C

Profit or Loss From Business

A Change You Should Note

Business Use of Home Telephone. Beginning in 1989, the base rate (including taxes) of the first telephone line into your residence is a nondeductible personal expense.

Purpose

If you operated a business or practiced a profession as a sole proprietorship, complete Schedule C. If you had more than one business, or if you and your spouse had separate businesses, you must complete a Schedule C for each business. Farmers should use Schedule F.

Filers of Form 1041. Do not complete the block labeled "Social security number." Instead, enter your employer identification number on line D.

Other Schedules and Forms

You May Have To File

Schedule A to deduct interest, taxes, and casualty losses not related to your business. Schedule SE to pay social security self-employment tax on income from any trade or business.

Form 4562 to claim depreciation or amortization of assets.

Form 4684 to report a casualty or theft involving trade or business, or income producing property.

Form 4797 to report sales, exchanges, and involuntary conversions (other than casualty or theft) of trade or business property.

Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.

Information Returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For more information, get Pub. 937, Business Reporting.

If you received cash of more than \$10,000 in one or more related transactions in the course of your trade or business, you may have to file Form 8300.

Additional Information

Get Pub. 334, Tax Guide for Small Business, for more details on business income and expenses.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line B

Enter on this line the 4-digit code that identifies your principal business or professional activity. See page 2 of Schedule C for the list of codes.

Line C

Use your home address only if you actually conducted the business from your home. Show a street address instead of a box number.

Line D

You don't need an employer ID number unless you had a Keogh plan or were required to file an employment, excise, fiduciary, or alcohol, tobacco, and firearms tax return.

Line E

Your inventories can be valued at:

- cost
- cost or market value, whichever is lower, or
- any other method approved by the Commissioner of Internal Revenue.

Line F

You must use the cash method on your return unless you kept account books. If you kept such books, you can use the cash method or the accrual method. For long-term contracts entered into after February 28, 1986, special rules apply. See Internal Revenue Code section 460 for details. The method used must clearly reflect your income.

To change your accounting method (including treatment of inventories), you must usually first get permission from IRS. In general, file Form 3115 within the first 180 days of the tax year in which you want to make the change.

If you use the cash method, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Also show amounts actually paid during the year for deductible expenses. Income is constructively received when it is credited to your account or set aside for you to use.

If you use the accrual method, report income when you earn it and deduct expenses when you incur them, even if you do not pay them during the tax year.

Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. Get Pub. 538, Accounting Periods and Methods.

Line H

Business Use of Your Home

Within certain limits, you may deduct business expenses that apply to a part of your home only if that part is exclusively used on a regular basis:

1. as your principal place of business for any of your trades or businesses; or
2. as a place of business used by your patients, clients, or customers to meet or deal with you in the normal course of your trade or business; or
3. in connection with your trade or business if it is a separate structure that is not attached to your home.

You may also deduct expenses that apply to space within your home if it is the only fixed location of your trade or business. The space must be used on a regular basis to store inventory from your trade or business of selling products at retail or wholesale.

If you use space in your home on a regular basis in your trade or business of providing day care service, you may be able to deduct the business expenses even though you use the same space for nonbusiness purposes.

Limit on Deductions. Certain expenses for the business use of your home are limited to the gross income from the business use minus the total of the following deductions.

1. The business part of your deductible mortgage interest, real estate taxes, and casualty losses.
2. Your other business deductions, such as wages and supplies, that are not related to the business use of the home.

The expenses to which the limit applies, and the order in which they must be deducted, are listed below.

- Your expenses for the business use of your home, other than those listed in 1 above, that are related to the use of the home itself. These include maintenance, utilities, and insurance.
- Depreciation.

Generally, any amount you cannot deduct for 1989 because of this limit may be taken into account for 1990. Get Pub. 587 for details. Also get Pub. 936, Limits on Home Mortgage Interest Deduction, to see how much interest you can deduct.

Line 1

Material Participation

For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 1989 if you meet any of the following tests:

1. You participated in the activity for more than 500 hours during the tax year.
2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who do not own any interest in the activity) for the tax year.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who do not own any interest in the activity.

4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities during the year for more than 500 hours. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you do not materially participate in the activity under tests 1, 2, 3, 5, 6, or 7.

5. You materially participated in the activity for any 5 (whether or not consecutive) of the prior 10 tax years.

6. The activity is a personal service activity in which you materially participated for any 3 (whether or not consecutive) prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person besides yourself—

- a. received compensation for performing management services in connection with the activity, or
- b. spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

If you meet any of the above tests, check the "Yes" box on line 1.

If you do not meet any of the above tests, check the "No" box on line 1. This business is a passive activity. If you have a loss from this business, see **Limit on Losses**, on this page. If you have a profit from this business activity but have losses from other passive activities or you have prior year unallowed passive activity losses, see the Instructions for Form 8582, Passive Activity Loss Limitations.

Exception for Oil and Gas. If you are filing Schedule C to report income and deductions from an oil or gas well in which

you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box on line 1. The activity of owning the working interest is not a passive activity regardless of your participation in the activity.

Limit on Losses. If you checked the "No" box on line 1 and you have a loss from this business, you must use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 30. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, get Pub. 925, Passive Activity and At-Risk Rules.

Line J

Tax Shelter. If you claim or report any deduction, loss, credit, other tax benefit, or income on Schedule C from an interest purchased or otherwise acquired in a tax shelter required to be registered, you must check the box on line J, and file Form 8271.

Part I Income (Lines 1 through 7)

Line 1

Enter gross receipts or sales from your business. Be sure to include on this line amounts you received in your trade or business as shown on Form(s) 1099-MISC.

Installment Sales. Generally, for sales after December 31, 1987, the installment method may not be used to report income from the sale of: (1) personal property regularly sold under the installment method; or (2) real property held for resale to customers. But the installment method may be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See Internal Revenue Code section 453(c)(2)(B) for details. If you make this election, include the interest on Form 1040, line 39. Also write "453(c)(3)" and the amount of the interest on the dotted line to the left of line 39.

Any gain not yet recognized from an installment sale after February 28, 1986, of property listed in (1) or (2) above must generally be included in income over a period not to exceed 4 years. The rules of Revenue Procedure 84-74, 1984-2 C.B. 736, are used to figure the amount to include each year, except that the adjustment must be included in income at a rate no slower than the rate of contraction of your dealer installment obligations.

If you use the installment method, attach a schedule to your return. Show separately for 1989 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 2

Enter on line 2 such items as returned sales, rebates, and allowances from the sales price.

Line 6

In certain situations, you must report as income on line 6 any credit or refund of overpaid windfall profit tax received in 1989 for tax year 1988, based on overwithholding or the net income limitation. In general, the

credit or refund you received is income to the extent you deducted windfall profit tax withheld in 1988 on Schedule C, and received a tax benefit for the deduction on your 1988 tax return.

Also report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 1989, credit for Federal tax on gasoline or other fuel claimed on your 1988 Form 1040, and other kinds of miscellaneous business income. Include on line 6 amounts you received in your trade or business as shown on Form(s) 1099-PATR.

If you have listed property that you placed in service after June 18, 1984, and the business use percentage decreased to 50% or less in 1989, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use Form 4797 to figure the recapture.

Part II Expenses (Lines 8 through 28)

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers, must be capitalized. Reduce the amounts on lines 8-28 by amounts capitalized. For more details, see Pub. 538.

Exception for Creative Property. If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For more details, including a list of qualifying creative property, see Pub. 538. **Caution:** If you capitalized your expenses on your 1987 return but did not file an amended return by October 16, 1989, to use the exception to that return, you must continue to treat those expenses as capitalized expenses.

Line 9

Caution: Cash method taxpayers cannot take a bad debt deduction unless the amount was previously included in income. Include debts and partial debts arising from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected.

Note: If you used the reserve method prior to 1987 to figure your bad debts, any balance you had in the reserve account at

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the end of 1986 must be included in your income ratably over a 4-year period. For more details, get Pub. 535, Business Expenses.

Line 10

You can deduct the actual cost of running your car or truck, or take the standard mileage rate. You must use actual costs if you use more than one vehicle in your business. If you deduct actual costs, show depreciation on line 13.

Note: If you claim any car expenses (actual costs or the standard mileage rate), you must complete Part III of Form 4562, Depreciation and Amortization.

The standard mileage rate is 25½ cents a mile up to 15,000 miles for 1989, and 11 cents for each mile after that. Add to this amount your parking fees and tolls.

For cars and trucks that have been fully depreciated; the rate is 11 cents a mile.

If you use the standard rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. For details, get Pub. 917, Business Use of a Car.

Note: If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax. Get Form 2290, Heavy Vehicle Use Tax Return, to see if you owe this tax.

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach Form T. See Pub. 535 for details.

Line 13

You can deduct an amount each year for assets you buy to use in your business. The deduction for depreciation does not apply to stock in trade, inventories, land, and personal assets. You may also choose under section 179 to expense part of the cost of certain depreciable property you bought in 1989 for use in your business. Figure your depreciation deduction, including the section 179 expense deduction, on Form 4562.

The depreciation deduction for cars, including any section 179 deduction, is limited. For example, if you used your car 100% for business, and placed the car in service in 1989, your deduction is limited to \$2,660. The allowable amounts are further limited if your business use is less than 100%. If you claim depreciation for any cars or other listed property, you must complete Part III of Form 4562. See the Instructions for Form 4562 and Pub. 534 for details.

If you have listed property (such as a car or light truck) that you placed in service after June 18, 1984, and the business use percentage of the property decreased to 50% or less during 1989, you may have to recapture excess depreciation, including any section 179 expense deduction. Get Form 4797 and its instructions for details.

If you took an investment credit on property that you dispose of before the end of its class life or life years, the business use percentage decreases, or the property use otherwise changes so that it no longer qualifies, you may have to refigure the

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credit. Get Form 4255, Recapture of Investment Credit, for details.

Line 14

Deduct contributions that are not an incidental part of a pension or profit-sharing plan included on line 20. Also include contributions to insurance, health, and welfare programs.

Note: You may be able to deduct part of the amount paid for health insurance for you and your family even if you don't itemize your deductions. See the Instructions for Form 1040, line 26.

Lines 17a and 17b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, personal interest, home mortgage interest, and investment interest are all treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the right place of your return (or capitalized) and gets the proper tax treatment. These rules could affect how much interest you deduct on Schedule C.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See Pub. 535 and Pub. 545 for details.

If you paid interest on a debt secured by your main home, and any of the proceeds from that debt were used in connection with your trade or business, see Pub. 545 to figure the amount that is deductible on Schedule C.

If you paid interest that applies to future years, deduct for 1989 only the part that applies to 1989.

If you have a mortgage on real property used in your business (other than your main home), enter on line 17a the interest you paid for 1989 to banks or other financial institutions for which you received a Form 1098, Mortgage Interest Statement. (If you didn't receive a Form 1098, enter the interest on line 17b.)

If you paid \$600 or more of mortgage interest, you should receive Form 1098, or similar statement, showing the total interest received from you during 1989. You should receive this statement by January 31, 1990. If you paid more mortgage interest to financial institutions than is shown on Form 1098, or similar statement, get Pub. 545 to see if you can deduct the additional interest. If you can, enter the amount on line 17a. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 17a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, report the interest on line 17b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin, next to line 17b, write "See attached."

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on Schedule A. For details, get Pub. 550, Investment Income and Expenses.

Line 20

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 27, not on Schedule C.

Generally, you must file one of the following forms if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C/R, or 5500EZ.—Complete the applicable form for each plan with less than 100 participants.

There is a penalty for failure to timely file these forms.

For more information, get Pub. 560, Self-Employed Retirement Plans.

Line 22

Deduct the cost of repairs including labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property. They are chargeable to capital accounts or to the depreciation reserve, depending on how depreciation is charged on your books.

Line 24

You can deduct the following taxes:

- Real estate and personal property taxes on business assets.
 - Social security taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid.
 - Federal highway use tax.
- Do not deduct:**
- Federal income taxes.
 - Estate and gift taxes.
 - Taxes assessed to pay for improvements, such as paving and sewers.
 - Taxes on your home or personal property.
 - State and local sales taxes (treat instead as part of the cost of the property).
 - Other taxes not related to your business.

Lines 25a through 25d

You may deduct only 80% of your business-related meal and entertainment expenses, including meals incurred while traveling away from home on business. This rule also applies to meal and entertainment expenses for which you reimburse your employees, but only if you do not treat the reimbursement as wages subject to withholding.

Business meal expenses are deductible only if they are: (1) directly related to or associated with the active conduct of your trade or business; (2) not lavish or extravagant; and (3) incurred while you or your employee is present at the meal.

There are exceptions to these rules as well as other rules that apply to sky-box rentals, tickets to entertainment events, and luxury water travel. Get Pub. 463.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Note: You may be able to deduct the expense if the amount is treated as compensation and reported on Form W-2 for an employee or Form 1099-MISC for an independent contractor. See Pub. 463.

Foreign Conventions. Generally, you cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is reasonable for the meeting to be held outside the North American area or Jamaica as within it. These rules apply to both employers and employees. See Pub. 463.

Line 25b. Enter your total meal and entertainment expense.

Line 25c. Figure how much of the amount on line 25b is subject to the 80% limit. Then, multiply that amount by 20% (.20) and enter the result on line 25c.

Line 26. Deduct only utility expenses incurred for your trade or business.

Beginning in 1989, if you use your home phone for business, do not deduct the base rate (including taxes) of the first telephone line into your residence. It is a nondeductible personal expense.

Line 27. Enter the total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year less any jobs credit you claimed on Form 5398. Do not include amounts paid to yourself.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

Line 28. Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living and family expenses. List the type and amount of each expense separately. Enter one total in the line 28 entry space.

Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 1989. If any loss from this activity was not allowed last year because of the passive loss limitations, see the instructions for Form 8582.

Amortization. Use Form 4562 to figure your amortization deduction. Include on line 28 of Schedule C the amount from Form 4562, Part II.

You may amortize:

- The cost of pollution-control facilities.
- The cost to rehabilitate qualified low-income housing if the rehabilitation began before 1987. If it began after 1985, you may be able to take a tax credit. Get Pub. 535 and Form 8586, Low-Income Housing Credit, for more details. Also, see Pub. 925 for information on the passive activity loss rules as they apply to low-income housing.

- Amounts paid for research and experiments.
- Amounts paid before 1987 for trademarks and trade names.
- Certain business startup costs.
- Qualified reforestation and reforestation costs.

You can deduct up to \$35,000 of costs paid or incurred in 1989 to remove architectural or transportation barriers to the handicapped and elderly. See Pub. 535.

You can depreciate your leasehold improvement costs for leased business property. See Pub. 535.

In general, you may not amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business. See Pub. 535.

Line 30. If you have a loss, the amount of loss you can deduct this year may be limited. Go on to lines 31a and 31b before entering your loss on line 30. If you answered "No" to Question 1 on Schedule C, also see Form 8582. Enter the net profit or deductible loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2 (or Form 1041, line 5).

Lines 31a and 31b. At-Risk Rules. Deductions for losses by persons who are engaged in a trade or business or an activity for the production of income, including the holding of real property, are limited to the amount they have at risk in the business.

If (1) you have a loss from any activity that you engaged in as a trade or business or for the production of income, including the holding of real property placed in service after December 31, 1986, and (2) you have amounts for which you are not at risk in the activity, use Form 6198, At-Risk Limitations, to determine the allowable loss.

Check Box 31b if you have amounts for which you are not at risk for this business, such as the following:

1. Nonrecourse loans used to finance your business, to acquire property used in your business, or to acquire your interest in the business, unless they are secured by property not used in your business or by certain real property used in an activity of holding real property; or
2. Amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
3. Loans from someone who has an interest in your business, other than as a creditor, or who is related, under section 465(b)(3)(C), to a person (other than yourself) having such an interest; or
4. Amounts contributed to your business, or to your interest in the business that are covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or
- loans from a person described in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this

business, check Box 31a and enter your loss on line 30 unless you answered "No" to Question 1. In this case, you must complete Form 8582 to figure your allowable loss to enter on line 30.

If you checked Box 31b, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 30. But if you answered "No" to Question 1, your loss may be further limited. See Form 8582. If your at-risk amount is zero or less, enter zero on line 30. Be sure to attach Form 6198 to your return. If you checked Box 31b and you fail to attach Form 6198, processing of your tax return may be delayed.

If, in addition to the amount that you report on Schedule C, you dispose of an asset used in an activity to which the at-risk rules apply and you have amounts in the activity for which you are not at risk, see the instructions for Form 6198.

Any loss from this business not allowed for 1989 because of the at-risk rules is treated as a deduction allocable to the business in 1990. For more details, see the instructions for Form 6198 and Pub. 925.

Part III. Cost of Goods Sold and/or Operations. Certain direct and indirect expenses must be capitalized or included in inventory. See the instructions for Part II.

Cost of Goods Sold. If you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, merchandise inventories must be taken into account at the beginning and end of your tax year.

Cost of Operations (Inventories Not an Income-Producing Factor). If the amount on line 4 includes the cost of operations, complete lines 32 through 39 as appropriate.

Instructions for Schedule SE Social Security Self-Employment Tax

Purpose

If you are subject to self-employment tax, use Schedule SE to figure any tax due on net earnings from self-employment. You may also have to pay this tax on wages you were paid as an employee of an electing church or qualified church-controlled organization. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are. It applies even if you are already getting social security benefits.

Additional Information. Get Pub. 533, Self-Employment Tax, for more details.

Note: Schedule SE has two sections: Section A, Short Schedule SE, and Section B, Long Schedule SE.

Who Must File Schedule SE. You must file Schedule SE if both a and b below apply to you:

- a. You were self-employed, and your net earnings from your business were \$400 or more (or you had wages of \$100 or more as an employee of an electing church or organization controlled by a church), AND
- b. You did not have wages (including tips), other than Medicare qualified government wages, of \$48,000 or more that were subject to social security tax or railroad retirement tax.

Who Can File Schedule SE. Even if you are not required to file Schedule SE, it may be to your benefit to file it and use the "optional method" in Section B.

Note: Using the optional method may give you the benefits described below, but it will also increase your self-employment tax.

How can the optional method help you? 1. Social security coverage.—The optional method may give you credit toward your social security coverage even though you have a loss or low income from self-employment.

2. Earned income credit.—Depending on your circumstances, using the optional method may qualify you to claim the earned income credit or give you a larger credit. This could happen if your SE earnings by not using the optional method are less than \$1,600. Figure the earned income credit with and without using the optional method to see if the optional method will benefit you.

3. Child and dependent care credit.—The optional method may also help you if your SE earnings are less than \$1,600 and you want to increase your net SE earnings to qualify for the child and dependent care credit.

Who Is Subject to Self-Employment Tax?

Self-Employed Persons. You are subject to SE tax if you had net earnings from being self-employed. If you are in business for yourself, or you are a farmer, for example, you are self-employed.

Your share of certain partnership income and guaranteed payments are subject to SE tax. Read the instructions for Partnerships on page 39.

Employees of Churches and Church Organizations. If you were an employee of a church or qualified church-controlled organization that has in effect a certificate electing exemption from employer social security taxes, you may be subject to SE tax on your wages. This applies if the wages were \$100 or more from any one church or church-controlled organization. See line B at the top of the long SE. If you also have Medicare qualified government wages, you must use the worksheet on page 39.

U.S. Citizens Employed by Foreign Governments or International Organizations. You are subject to SE tax if you are a U.S. citizen employed:

- in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, or the Virgin Islands;

- by a foreign government; and
- in certain cases, by a wholly-owned instrumentality of a foreign government or by an international organization under the International Organizations Immunities Act. Report income from this employment on Schedule SE (Section A or B), line 2. If you are employed by a foreign government or an international organization in a country other than those listed, you are not subject to this tax.

U.S. Citizens or Resident Aliens Living Outside the United States. If you are a self-employed U.S. citizen or resident alien living outside the United States, in most cases you are subject to SE tax. You may reduce your foreign earnings from self-employment by the deduction for certain foreign housing costs. But you may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Coverage for Overseas Missionaries. You may figure net earnings from self-employment as if you were in the United States if:

- You are a U.S. citizen; and
- You were a minister (but not a Christian Science practitioner) or a member of a religious order serving outside the United States; and
- You are not exempt from SE tax because you filed Form 4361, Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners. Get Pub. 517 for more details.

Who Is Not Subject to Self-Employment Tax?

Members of the Clergy and Certain Religious Orders and Sects. In most cases you are subject to SE tax on net earnings you get as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But you will not be subject to the tax on those net earnings if you filed Form 4361 and IRS approved you as exempt from the tax. In this case, if you have no other income subject to SE tax, write "Exempt—Form 4361" on Form 1040, line 48. However, if you have other earnings of \$400 or more subject to SE tax, see line A at the top of the long SE. Note: If you have ever filed Form 2031 to elect social security coverage on your earnings as a minister, you cannot change that election now.

If you have conscientious objections to social security insurance because of your belief in the teachings of a recognized religious sect of which you are a member, you are not subject to the tax if you get IRS approval by filing Form 4029, Application for Exemption From Social Security Taxes and Waiver of Benefits. In this case, do not file Schedule SE. Instead, write "Exempt—Form 4029" on Form 1040, line 48. Note: Do not file Form 4029 for wages you get from a church or church-controlled organization that has chosen to treat its employees as self-employed.

General Information

Fiscal Year Filers. If your tax year is a fiscal year, you must use the tax rate and earnings base that apply at the time the fiscal year begins. The tax or earnings base for a fiscal

year that overlaps the date of a rate or earnings base change is not prorated. More Than One Business. If you farmed and had at least one other business or you had two or more businesses, your net earnings from self-employment are the combined net earnings from all your businesses. If you had a loss in one business, it reduces the income from another. Figure the combined SE tax on one Schedule SE.

Joint Returns. Show the name of the spouse with SE income on Schedule SE. If both spouses have SE income, each must file a separate Schedule SE. If one spouse qualifies to use the short SE, and the other has to use the long SE, both can use one Schedule SE. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Then enter the combined SE tax on Form 1040, line 48.

Community Income. In most cases, if any of the income from a business, (including farming) is community income, all of the income from that business is SE earnings of the spouse who carried on the business. The identity of the spouse who carried on the business is determined by the facts in each case. If you and your spouse are partners in a partnership, see Partnerships, on page 39.

If you and your spouse have community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also attach Schedule(s) C and/or Schedule(s) F. Caution: Community income included on Schedule(s) C or F must be divided for income tax purposes on the basis of the community property laws.

Specific Instructions

Read the top of page 1 of Schedule SE to see if you can use Section A, Short Schedule SE, or if you must use Section B, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the instructions below to see what to include as net earnings and how to fill in lines 1 and 2 of either the short or long SE.

Name of Self-Employed Person. Enter the name and social security number of the self-employed person as it appears on that person's social security card.

Net Earnings From Self-Employment

What is included in net SE earnings? In most cases, net earnings include your net profit from a farm or nonfarm business. If you are a partner in a partnership, see the instructions on page 39.

Do not report on lines 1 and 2 any net income or expense not included in figuring net SE earnings. If you are a partner, reduce lines 1 and 2 for any deduction for recovery property (section 179), oil or gas depletion, or unreimbursed partnership expenses. You must attach a statement to explain why you are not including certain items of income or expense.

If you deposited earnings into a capital construction fund set up under the Merchant Marine Act of 1936, get Pub. 595.

If you are a duly ordained minister who is an employee of a church and you are subject to SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. They are deducted from your SE earnings in figuring SE tax. However, special rules apply. Get Pub. 517.

Partnerships

If you are a general partner, include in your total net earnings your share of partnership income or loss from the trade or business. Also include any guaranteed payments your partnership paid you for your personal services. If you are a limited partner, include only guaranteed payments. Line 14a of Schedule K-1 (Form 1065) should show net earnings for either general or limited partners.

If your partnership is engaged solely in the operation of a group investment program, earnings from the operation are not SE earnings for either the general or limited partner.

If you are married and both you and your spouse are partners in a partnership, each of you is subject to SE tax on your own share of partnership income. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes.

SE income belongs to the person who is the member of the partnership and cannot be treated as SE income by the nonmember spouse. This applies even in community property states.

If a partner in an ongoing partnership dies, that member's share of partnership ordinary income or loss for the year must be included in the partner's net SE earnings.

Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or the proceeds from them). This is true even if you had another person ("agent") doing the actual work or management for you. Report your net earnings for income tax purposes on Schedule F (Form 1040) and for SE tax purposes on Schedule SE. For more details, get Pub. 225, Farmer's Tax Guide.

Other Income Included in Net Earnings From Self-Employment

- Rental income from a farm, if as landlord, you participated materially in the production or management of the production of farm products on this land. This income is farm earnings. (To determine whether you participated materially in farm management or production, do not consider the activities of any agent who acted for you.) The material participation tests are explained in Pub. 225.

- Cash or a payment in kind from the Department of Agriculture for being in a land diversion program.
- Payments for the use of rooms or other space when you also provided substantial services. Examples are hotel rooms, boarding houses, and tourist camps, or homes.
- Payments for space in parking lots, trailer parks, warehouses, or storage garages.
- Income from the retail sale of newspapers and magazines if you were 18 or older and kept the profits.

- Income as a crew member of a fishing vessel with a crew of normally less than 10 people. Get Pub. 595.

- Fees as a state or local government employee if you were paid only on a fee basis and the job was not covered under a Federal-State social security coverage agreement.

- Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

- The rental value of a home or an allowance for a home furnished to you as a minister or a member of a religious order. Get Pub. 517.

- The value of meals and lodging given to you for the convenience of your employer if you are a minister or member of a religious order. Get Pub. 17.

- Fees and other payments received by you as a director of a corporation for services as a director.

Note: Director's earnings are treated as received when the services are performed, regardless of when paid, for SE tax purposes.

- Recapture amounts under sections 179 and 280F that you included in gross income because the business use of the property dropped to 50% or less. Do not include amounts you recaptured on the disposal order. Get Pub. 4797, Sales of Business Property.

- Fiduciaries' fees you received as a professional fiduciary. This may also apply to fees you got as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's business, or the management of an estate that required extensive management activities over a long period of time.

- Option and commodity dealers engaged in trading section 1256 contracts, see section 1402(i) to figure net SE earnings.

Income Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained earlier under Other Income Included in Net Earnings From Self-Employment) or as an employee or employee representative under the railroad retirement system.

- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.

- Income from real estate rentals (including rentals paid in crop shares), if you did not get the income in the course of a trade or business as a real estate dealer. This includes cash and crop shares received from a tenant or sharefarmer. You should report this income on Schedule E, Part I.

- Dividends on shares of stock and interest on bonds, notes, etc., if you did not get the income in the course of your trade or business as a dealer in stocks or securities.

- Gain or loss from:

- the sale or exchange of a capital asset;
- the sale, exchange, involuntary conversion, or other disposition of property unless the property is stock-in-trade or

other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or

- certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

Medicare Qualified Government Employment

Section B, Long Schedule SE, Line 6b Medicare qualified government wages are wages you get as a Federal, state, or local government employee that are subject ONLY to the 1.45% Medicare tax. If you received such wages, do NOT include them as social security wages on Schedule SE, line 5a. Instead, include them on Schedule SE, line 6b. Wages you enter on line 5a are subject to the old-age, survivors, and disability insurance tax as well as the 1.45% Medicare tax.

Note: Also see the Instructions for Form 1040, line 62, to see if you should file Form 4469, Computation of Excess Medicare Tax Credit.

Figure your SE tax using the rate on line 8 of Section B if you do not have to use the worksheet below. Do not reduce the rate by the Medicare tax rate. But you must use the worksheet to figure your SE tax and skip lines 7 and 8 of Section B if:

- you had Medicare qualified government wages as explained above; and
- the total of the amounts on lines 3a, 3b, 5c, 6b, and 6c of Schedule SE is more than \$48,000.

Worksheet—(Keep for your records)

- Enter total of lines 3a, 3b, and 6c from Schedule SE 1. _____
- Enter line 6a from Schedule SE 2. _____
- Enter your Medicare qualified government wages from line 6b of Schedule SE. If line 6a is zero, stop here; you do not owe SE tax 3. _____
- Subtract line 3 from line 2. (If zero or less, enter -0-) 4. _____
- Multiply the smaller of line 1 or line 2 by .1051 5. _____
- Multiply the smaller of line 1 or line 4 by .0251 6. _____
- Add lines 5 and 6. Enter the total on line 9 of Schedule SE and on Form 1040, line 48 7. _____

Optional Methods

Optional Method for FARM Income

Was your gross farm income for the year \$2,400 or less? If it was, you can report two-thirds of your gross farm income instead of your actual net earnings from farming on line 3a of Part I and line 11 of Part II.

If your gross farm income was more than \$2,400, and your net farm profits were less than \$1,600, you can report \$1,600 on line 3a of Part I and line 11 of Part II.

If you can use this method, it can increase or decrease your net SE farm earnings, even if the farming business resulted in a loss. There is no limit on how many times you can use this method. If you use this method, you must apply it to all farm earnings from self-employment for the year.

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You may change the method after you file your return. For example, you can change from the regular method to the optional or from the optional to the regular.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payment plus your share of the gross income after it is reduced by all guaranteed payments of the partnership. If you are a limited partner, include only guaranteed payments.

Optional Method for NONFARM Income

Were your net nonfarm profits less than \$1,600 and also less than two-thirds of your gross nonfarm income? If they were, you may use this method if you are regularly self-employed or regularly a partner. You meet this requirement if you had actual net earnings from self-employment of \$400 or more in at least 2 of the 3 years just before the year for which you use this nonfarm method. The net earnings of \$400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of the income or loss from any of your partnerships.

You may report on line 3b of Part I and line 13 of Part II two-thirds of your gross nonfarm income, up to \$1,600 as your net earnings, but you may not report less than your actual net earnings from nonfarm self-employment.

For a nonfarm partnership, see **Optional Method for Farm Income** on page 39 for details on how to figure your share of gross income.

The limit for the optional method for nonfarm self-employment is five years. The five years do not have to be one after another.

Using Both Optional Methods

Did you have both nonfarm and farm income? If you did, you may use the nonfarm optional method if:

- your actual net earnings from nonfarm self-employment were less than \$1,600, and
- your net nonfarm profits were less than two-thirds of your gross nonfarm income.

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm income, but you cannot report less than your actual net earnings from nonfarm SE income alone. If you use both methods to figure net earnings, you cannot report more than \$1,600 of net SE earnings.

Line 11

Enter the smaller of:

- two-thirds (⅔) of the total gross income from all Schedules F, line 11, and Schedules K-1 (Form 1065), line 14b; or
- \$1,600.

Line 13

Enter the smallest of:

- \$1,600; or
- two-thirds (⅔) of the total gross income from all Schedules C, line 7, plus your distributive share of gross income from all nonfarm partnerships, Schedules K-1 (Form 1065), line 14c; or
- the amount on line 12 if you also had farm income and elect the farm optional method.

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Instructions for Schedule F

Farm Income and Expenses

Changes You Should Note

- Beginning in 1989, the base rate (including taxes) of the first telephone line into your residence is a nondeductible personal expense.

- Beginning in 1989, expenses incurred to raise animals are exempt from the capitalization rules. If you previously elected to deduct these expenses, or used the simplified method of capitalizing the cost of raising certain cattle, you may revoke that election. See the instructions for line G.

Purpose

Use Schedule F to report farm income and expenses. File it with Forms 1040, 1041, or 1065.

Additional Information. Pub. 225, Farmer's Tax Guide, has samples of filled-in forms and schedules, and lists important dates that apply to farmers. It also contains information about payments under the Disaster Assistance Acts of 1988 and 1989. **Files of Forms 1041 and 1065.** Do not complete the block labeled "Social security number (SSN)." Instead, enter your Employer identification number on line D.

If you had to make estimated tax payments in 1989 and you underpaid your estimated tax, you will not be charged a penalty if:

- your gross farming or fishing income for 1988 or 1989 is at least two-thirds of your gross income, AND
- you file your 1989 tax return and pay the tax due by March 1, 1990.

For more details, see Pub. 225.

Do not report the following income on Schedule F:

- Rent based on farm production or crop shares if you did not materially participate (for self-employment tax purposes) in the management or operation of the farm and the activity is a rental activity for purposes of the passive activity loss and credit limitations. Report this income on Form 4835 and Schedule E (Form 1040). It is not subject to self-employment tax. See Pub. 225.

- Rent from pasture land that is based on a flat charge. Report this income in Part I of Schedule E. But report on line 10 of Schedule F pasture income received from taking care of someone else's livestock.

- Sales, exchanges, or involuntary conversions (other than casualties or thefts) of certain farm property. Report this income on Form 4797.

- Sales of livestock held for draft, breeding, sport, or dairy purposes. Report this income on Form 4797.

Use Form 4684 to report a casualty or theft involving farm business property, including livestock held for draft, breeding, sport, or dairy purposes.

See Pub. 225 for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.

Filing Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For more information, get Pub. 937, Business Reporting.

In addition, if you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file Form 8300.

Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 15 major agricultural activity codes listed in Part IV on page 2 of Schedule F. The code you select should represent the major farm activity from which you derive the largest amount of your income. Field crop pertains to the production of grains, such as wheat, rice, feed corn, soybeans, barley, rye, and lentils; and nongrains such as cotton, tobacco, sugar, and Irish potatoes. Animal specialty includes the raising of pets or laboratory animals, such as dogs, cats, bees, and snakes.

Line C

Under the cash method, include all income in the year you actually get it. Generally, deduct expenses when you pay them. If you use the cash method, check the box labeled "Cash." Complete Parts I and II of Schedule F.

Under the accrual method, include income in the year you earn it. It does not matter when you get it. Deduct expenses when you incur them. If you use the accrual method, check the box labeled "Accrual." Complete Parts II, III, and line 11 of Schedule F.

Other rules apply that determine the timing of deductions based on economic performance. Get Pub. 538, Accounting Periods and Methods, for details.

Farming syndicates cannot use the cash method of accounting. A farming syndicate may be a partnership, any other noncorporate group, or an S corporation if:

- the interests in the business have ever been for sale in a way that would require registration with any Federal or state agency; or
- more than 35% of the loss during any tax year is spread between limited partners or limited entrepreneurs. (A limited partner is one who can lose only the amount invested in the partnership; a limited entrepreneur is a person who does not take any active part in managing the business.)

Line D

You need an employer ID number only if you had a Keogh plan, or were required to file an employment, excise, fiduciary, partnership, or alcohol, tobacco, or firearms tax return.

Line E

You can elect to include Commodity Credit Corporation loan proceeds as income in the year you received them instead of reporting as income the proceeds from the sale of the commodities in the year sold or in the year of forfeiture. If you made this election and reported these loan proceeds as income in a prior year, check the "Yes" box on line E. Otherwise, check "No." For information on how to make this election, see the instructions for lines 7a-7c.

Line F**Material Participation**

See the Instructions for Schedule C (Form 1040), line I, for the definition of material participation for purposes of the passive activity rules.

If you meet any of the material participation tests described in the line I instructions for Schedule C, check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if the real property used in the activity meets the estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see **Limit on Losses**, below. If you have a profit from this business activity but have losses from other passive activities or prior-year unallowed passive activity losses, see the instructions for Form 8582, **Passive Activity Loss Limitations**.

Limit on Losses. If you checked the "No" box on line F and you have a loss from this business, you must use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, get Pub. 925, **Passive Activity and At-Risk Rules**.

Line G

Capitalization rules apply if you produce real or tangible personal property or acquire property for resale. (See **Exceptions** below.) This means that certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. But in some cases, you may be able to elect to currently deduct certain preproductive period expenses rather than capitalize them. See **Election To Deduct Certain Preproductive Period Expenses**, on this page.

Exceptions. These rules generally do NOT apply to:

1. expenses incurred after 1988 to raise any animals,

2. expenses of producing any plant that has a preproductive period of 2 years or less, or
3. expenses of replanting certain crops if they were lost or damaged by reason of disease, drought, or other casualty.

Note: Exceptions 1 and 2 above do not apply to tax shelters, farm syndicates, or partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.

Election To Deduct Certain Preproductive Period Expenses. If the preproductive period of any plant you produce is more than 2 years, you may elect to currently deduct the expenses rather than capitalize them. But you may not make this election for the costs of planting or growing citrus or almond groves that are incurred before the close of the fourth tax year beginning with the tax year you plant them in their permanent grove.

Note: This election may not be made by tax shelters, farm syndicates, or partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.

If you elect to currently deduct your preproductive period expenses for plants, you will have to recapture these costs as ordinary income when you dispose of this property, and the alternative depreciation rules apply to property placed in service in any tax year your election is in effect. You must make this election in the first tax year after 1986 during which you engage in a farming business involving the production of property subject to the capitalization rules. Except as explained below, you may not revoke this election without the consent of IRS.

For more information, see Pub. 225.

Which Box Should I Check? If you are revoking a prior election you made for animals (see below) and you do not have any preproductive period expenses, check the "Does Not Apply" box on line G. Also check the "Does Not Apply" box if you do not, or did not, have preproductive period expenses or if you are not eligible to make the election.

Check the "Yes" box if you are electing to currently deduct your preproductive period expenses. Also check the "Yes" box if you made this election in a prior year.

Check the "No" box if you are capitalizing your preproductive period expenses. Also check the "No" box if you chose to capitalize them in a prior year.

Caution: If you are eligible to make this election but you do not check any of the boxes on line G and you deduct these expenses, you will be treated as if you checked the "Yes" box.

Revocation of Prior Election for Animals. If you previously elected to deduct preproductive period expenses for animals or if you elected the simplified (safe-harbor) method of capitalizing the costs of raising female beef or dairy cattle, you may revoke that election for your first tax year beginning after 1988 without the consent of IRS. To do so, write "Prior Election for Animals Revoked" in the space below line G.

Even if you revoke your election to deduct preproductive period expenses for animals, you must continue to apply the alternative depreciation rules to property placed in service while your election was in effect.

Also, the expenses you previously elected to deduct will have to be recaptured as ordinary income when you dispose of the animals. If you are revoking your election to use the simplified method of capitalizing the costs of raising female beef or dairy cattle, you must continue to amortize the costs capitalized in tax years beginning before 1989.

Part I**Farm Income—Cash Method**

In Part I show income received for items listed on lines 1 through 10. Count both the cash actually or constructively received and the fair market value of goods or other property received for these items.

Income is constructively received when it is credited to your account or set aside for you to use.

If you ran the farm yourself and received rents based on farm production or crop shares, report these rents as income on line 4.

Sales of Livestock Because of Drought. If you sold livestock because of a drought, you can count the income from the sale in the year after the drought, instead of the year of the sale. You can do this IF:

- your main business is farming, AND
- you can show that you sold the livestock only because of the drought, AND
- your area qualified for Federal aid.

Information Returns

If you received information returns (Forms 1099 or CCC-182) showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the chart below to determine where to report the income on Schedule F. Include the Form 1099 or CCC-182 amounts with any other income reported on that line.

Information return	Where to report
Form 1099-PATR	Line 5a
Form 1099-A	Line 7b
Form 1099-MISC	Line 8a
(for crop insurance)	Line 8a
Forms 1099-G or CCC-182	Line 8a
(for disaster payments)	Line 8a
Forms 1099-G or CCC-182	Line 6a
(for other payments)	Line 6a

You may also receive Form 1099-MISC for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

Lines 1 and 2

On line 1 show amounts received from sales of livestock and other items bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

Line 4

Show amounts received from sales of livestock, produce, grains, and other products you raised.

Lines 5a and 5b

If you received distributions from a cooperative in 1989, you should receive Form 1099-PATR, **Taxable Distributions**

Received From Cooperatives. On line 5a show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends received in cash, and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances received from a marketing cooperative. If you get per-unit retains in cash, show the amount of cash. If you get qualified per-unit retain certificates, show the stated dollar amount of the certificate.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 6a and 6b

Enter on line 6a the TOTAL of the following amounts. These are government payments you received, usually reported to you on Form 1099-G. You may also receive Form CCC-182 from the Department of Agriculture showing the amounts and types of payments made to you.

- Price support payments.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).
- Face value of commodity credit certificates (often called "generic" or "PIK" certificates).

On line 6b report only the taxable amount. For example, if you qualify to exclude payments received under certain cost-sharing conservation programs (see Pub. 225), do not include these payments on line 6b.

Lines 7a through 7c

Commodity Credit Corporation (CCC) Loans. Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you receive them, instead of the year you sell the crop. If you make this election for made the election in a prior year, report loan proceeds you received in 1989 on line 7a and attach a statement to your return showing the details of the loan(s).

If you made the election in a prior year to report loan proceeds as income, be sure you checked the "Yes" box on line E. Otherwise check "No." See the instructions for line E.

What If I Forfeited a CCC Loan? Include the full amount forfeited on line 7b, even if you reported the loan proceeds as income.

If you did not elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you did elect to report the loan proceeds as income, you generally will not

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have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

What If I Repaid a CCC Loan With CCC Certificates? Include on line 7b the amount of any CCC loan you repaid with certificates, even if you reported the loan proceeds as income.

If you did not elect to report the CCC loan proceeds as income, include on line 7c the amount of the loan you repaid with the certificates minus your basis in those certificates. Your basis in certificates is the face value of the certificates you included as income, or the amount you paid for them.

If you did elect to report the loan proceeds as income, do not include the amount of the loan you repaid with the certificates on line 7c.

For more information on the tax consequences of electing to report CCC loan proceeds as income, forfeiting CCC loans, and repaying CCC loans with certificates, see Pub. 225.

Lines 8a through 8d

In general, you must report crop insurance proceeds in the year you receive them. Payments you received under Title II of the Disaster Assistance Act of 1988 or Title I of the Disaster Assistance Act of 1989, like payments received under the Agriculture Act of 1949 (as amended) are treated as crop insurance proceeds. However, if 1989 was the year of damage, you may elect to include these proceeds in income next year. To make this election, check the box on line 8c and attach a statement to your return. See Pub. 225 for what you must include in your statement.

Enter on line 8a the TOTAL crop insurance proceeds you received in 1989, even if you elect to include them in income next year.

Enter on line 8b the taxable amount of the proceeds you received in 1989. Do not include proceeds you elect to include in income next year.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1988 and elected to include in income in 1989.

Line 9

Enter on this line the income you received for custom hire (machine work).

Line 10

Use this line to report income not shown on lines 1 through 9. For example, include the following income items on line 10:

- Illegal Federal irrigation subsidies, see Pub. 225.
- Barter income.
- Income from discharge of indebtedness. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. However, certain solvent farmers may exclude from income discharged qualified farm indebtedness. For information on whether you must include in income any discharge of indebtedness, see Pub. 225.
- State gasoline or fuel tax refund you got in 1989.

- The amount of credit for Federal tax on gasoline or other fuel claimed on your 1988 Form 1040.

- The amount of credit for alcohol used as a fuel that was entered on Form 6478.

Report the sale of commodity futures contracts on this line if they were made to protect you from price changes. These are a form of business insurance and are considered hedges. Enter any profit on line 10. If you had a loss in a closed futures contract, show it as a minus amount.

Caution: For property acquired and hedging positions established, you must clearly identify on your books and records that the transaction was a hedging transaction.

Purchase or sales contracts are not true hedges if they offset losses that already occurred. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, report the profit or loss on this line. Report it on Form 6781.

Part II**Farm Expenses**

Note: Certain costs must be capitalized if you produced real or tangible personal property, or acquired property held for resale. Special rules apply to the capitalization of interest and certain farm costs. See the instructions for line G for more details.

Do not reduce your deductions on lines 12-34a by the preproductive period expenses you are required to capitalize. Instead, enter the total amount capitalized in parentheses on line 34e. See **Preproductive Period Expenses** under the instructions for lines 34a through 34e on page 44 for more details.

Do not deduct:

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Loss of inventory.
- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Prepaid Farming Expenses. Generally, if you use the cash method of accounting, and your prepaid expenses are more than 50% of your other deductible farming expenses, your expenses for feed, seed, fertilizer, and other similar farm supplies are deductible only in the year in which you actually use them. The cost of poultry bought for use in the business must be spread over the lesser of 12 months or the useful life of the poultry. The cost of poultry bought for resale is deductible in the year in which the poultry is sold or otherwise disposed of. For an exception to this rule and additional information on prepaid expenses, see Pub. 225.

Line 11

Amounts you spent to conserve soil or water, or to prevent erosion of your land can be deducted only if the expenses are consistent with a conservation plan approved by the Soil Conservation Service (SCS) of the Department of Agriculture for

Line 14

Amounts you spent to conserve soil or water, or to prevent erosion of your land can be deducted only if the expenses are consistent with a conservation plan approved by the Soil Conservation Service (SCS) of the Department of Agriculture for

the area in which your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You must attach Form 8645, Soil and Water Conservation Plan Certification, to your return if you claim this deduction.

Do not deduct expenses you pay or incur to drain or fill wetlands or to prepare land for center pivot irrigation systems.

Do not deduct more than 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, carry the excess over to following years. Attach a copy of the original Form 8645 to your return for each carryover year you claim the deduction.

Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment). Do not include amounts paid for rental or lease of equipment that you operated yourself; report those amounts on line 26a.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture, or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You may also choose under section 179 to expense a portion of the cost of certain depreciable property you bought in 1989 for use in your business. Figure your depreciation deduction, including the section 179 expense deduction, on Form 4562, Depreciation and Amortization. Enter on line 16 of Schedule F the amount from Form 4562, Part I.

The depreciation deduction for cars, including any section 179 deduction, is limited. For example, if you used your car 100% for business and placed the car in service in 1989, your deduction is limited to \$2,560. The allowable amounts are further limited if your business use is less than 100%. In general, for cars or other "listed property," you may not take a section 179 deduction if the property is used 50% or less in your trade or business. If you claim depreciation for any listed property, you must complete Part III of Form 4562. See the Instructions for Form 4562 and Pub. 534, Depreciation, for details.

If you have listed property (such as a car or light truck) that you placed in service after June 18, 1984, for which you claimed a depreciation deduction, and the business use percentage of the property decreased to 50% or less during 1989, you may have to recapture excess depreciation, including any section 179 expense deduction. Get Form 4797 and its instructions for details.

If you took an investment credit on property that you disposed of before the end of its class life or life years, or the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. Get Form 4255, Recapture of Investment Credit, for details.

Line 17

Enter any amounts you paid to programs for your employees that are not a part of the plans on line 25. Examples are insurance, health, and welfare programs. Do not include here amounts paid for yourself or your family.

Line 18

Generally, you cannot currently deduct expenses for feed to be consumed by your livestock in a later tax year. See Prepaid Farming Expenses, earlier.

Line 20

Do not include as freight paid the cost of transportation incurred in purchasing livestock held for resale. Instead, add these costs to the cost of the livestock, and deduct them when the livestock are sold.

Line 22

Enter only the amount of premiums for fire, storm, crop, and theft insurance for this year for your farm business assets. Do not include insurance on personal assets, or medical, health, or disability insurance on yourself or your family.

Note: You may be able to deduct part of the amount paid for health insurance for you and your family even if you don't itemize your deductions. See the Instructions for Form 1040, line 26.

Lines 23a and 23b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, personal interest, home mortgage interest, and investment interest are all treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the right place of your return and gets the right tax treatment. These rules could affect how much interest you deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. Get Pub. 535, Business Expenses, and Pub. 545, Interest Expense, for details.

If you paid interest on a debt secured by your main home, and any of the proceeds from that debt were used in your farming business, see Pub. 545 to figure the amount that is deductible on Schedule F.

If you have a mortgage on your real property used in your farming business (other than your main home), enter on line 23a the interest you paid for 1989 to banks or other financial institutions.

Note: If the recipient was not a financial institution or you did not receive a Form 1098, Mortgage Interest Statement, from the recipient, report your mortgage interest on line 23b.

If you paid \$600 or more of interest on this mortgage, you should receive Form 1098 or similar statement. It shows the total interest received from you during 1989. You should receive this statement by January 31, 1990. If you paid more mortgage interest to financial institutions than is shown on Form 1098, or similar statement, see Pub. 545 to see if you can deduct the additional interest. If you can, enter the amount on line 23a. Attach a

statement to your return explaining the difference and write "See attached" in the left margin next to line 23a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, report the interest on line 23b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the left margin, next to line 23b, write "See attached."

On line 23b, enter the interest on other loans related to this farm. Do not deduct interest you prepaid in 1989 for years after 1989. Include only the part that applies to 1989.

Line 24

Enter amounts you paid for farm labor less the amount of any jobs credit you claimed on Form 5884. Get Pub. 572, General Business Credit, for information on the jobs credit.

Count the cost of boarding farm labor but not the value of any products they used from the farm. Count only what you paid household help to care for farm laborers. Do not count the value of your own or your family's labor.

Caution: If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts you depreciated or deducted elsewhere.

Line 25

Enter what you paid to pension, profit-sharing, or annuity plans for your employees. If the plan included you as an owner-employee, see the instructions for Schedule C, line 20. Enter the amount you paid for yourself on Form 1040, line 27.

Lines 26a and 26b

Enter on line 26a what you paid to rent or lease machinery and equipment. Enter on line 26b amounts paid to rent or lease other items, such as pasture or farm land.

Line 27

Enter what you paid for repairs and upkeep of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or small cost, such as shovels and rakes.

Do not deduct repairs or upkeep on your home.

Line 31

You may deduct the following taxes:

- Real estate and personal property taxes on farm business assets.
- Social security taxes you paid to match what you are required to withhold from farm employees' wages and any Federal unemployment tax paid.
- Federal highway use tax.

Do not deduct:

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal property.

• State and local sales taxes (treat them as part of the cost of the property).

• Other taxes not related to the farm business.

Line 32

Enter what you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

Beginning in 1989, if you use your home phone for business, you cannot deduct the base rate (including taxes) of the first telephone line into your residence. It is a nondeductible personal expense.

Lines 34a through 34e

Enter expenses not listed on another line, such as:

- Office supplies.
- Advertising.
- Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules. This is treated as a deduction allocable to this activity in 1989.
- Amortization of qualifying forestation and reforestation costs over an 84-month period.
- Amortization of certain business startup costs over a period of at least 60 months.

Use Form 4562 to figure your amortization deduction. Include on line 34 of Schedule F the amount of the deduction from Form 4562, Part II. For more information on amortization, get Pub. 535.

• Bad debts: include debts and partial debts arising from sales that were included in income and are definitely known to be worthless. *Caution: Cash method taxpayers cannot take a bad debt deduction unless the amount was previously included in income.*

If you later collect a debt that you deducted as a bad debt, include it as income in the year you collect it.

Note: If you used the reserve method prior to 1987 to figure your bad debts, any balance you had in the reserve account at the end of 1986 must be included in your income ratably over a 4-year period.

For more details, see Pub. 535.

• Car and truck expenses. You can deduct the actual cost of running your car or truck, or take the standard mileage rate.

Note: If you claim any car or truck expenses (actual costs or the standard mileage rate), you must complete Part III of Form 4562.

The standard rate is 25½ cents a mile up to 15,000 miles for 1989, and 11 cents a mile for each mile after that. If you use more than one vehicle for business, you must use the actual cost. If you use the vehicle for both personal and farm purposes, use only the miles (or costs) that apply to farming.

For vehicles that have been fully depreciated, the rate is 11 cents a mile.

If you use the standard rate, the vehicle is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate.

For details, get Pub. 917, Business Use of a Car.

Note: If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway use tax. Get Form 2290, Heavy Vehicle Use Tax Return, to see if you owe this tax.

Preproductive Period Expenses. Enter in parentheses on line 34e, preproductive period expenses that are capitalized. If you had preproductive period expenses in 1989 and you checked the "No" box on line G of Schedule F because you decided to capitalize these expenses, you MUST enter the total of these expenses in parentheses on line 34e and write "263A" in the space to the left of the total.

You should not have a "263A" entry on line 34e if any of the following applies:

- You checked the "No" box on line G, but did not have any preproductive period expenses in 1989.
- You made the election on line G to currently deduct your preproductive period expenses (you checked the "Yes" box), or
- You checked the "Does Not Apply" box on line G.

If you entered an amount in parentheses on line 34e because you have preproductive period expenses you are capitalizing, subtract the amount on line 34e from the total of lines 12 through 34d. Enter the result on line 35.

For more information, see the instructions for line G and Pub. 225.

Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to lines 37a and 37b before entering your loss on line 36. If you answered "No" to Question F on Schedule F, also see Form 8582. Enter the net profit or deductible loss here and on Form 1040, line 19, and Schedule SE, line 1 (or Form 1041, line 5). Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5.

Lines 37a and 37b

At-Risk Rules

Deductions for losses by persons who are engaged in a trade or business or an activity for the production of income, including the holding of real property, are limited to the amount they have at risk in the business.

If (1) you have a loss from any farming activity that you engaged in as a trade or business or for the production of income, including the holding of real property placed in service after December 31, 1986, and (2) you have amounts for which you are not at risk in the activity, use Form 6198, At-Risk Limitations, to determine the allowable loss.

Check Box 37b if you have amounts for which you are not at risk for this farm, such as the following:

- 1. Nonrecourse loans used to finance the activity, or to acquire property used in the activity, unless they are secured by property not used in the activity or by certain real property; or

2. Amounts protected against loss by a guarantee, stop-loss agreement, or similar arrangement; or

3. Loans from someone who has an interest in the activity, other than as a creditor, or who is related, under section 465(b)(3)(C), to a person (other than yourself) having such an interest; or

4. Amounts contributed to the activity, or to your interest in the activity that are covered by:

- nonrecourse loans or protected against loss by a guarantee, stop-loss agreement, or similar arrangement, or
- loans from a person described in 3 above.

If you do not have any of these kinds of amounts for which you are not at risk in this business, check Box 37a and enter your loss on line 36 unless you answered "No" to Question F. In this case, you must complete Form 8582 to figure your allowable loss to enter on line 36.

If you checked Box 37b, get Form 6198 to determine the amount of your deductible loss and enter that amount on line 36. But if you answered "No" to Question F, your loss may be further limited. See Form 8582. If your at-risk amount is zero or less, enter zero on line 36. Be sure to attach Form 6198 to your return. If you checked Box 37b and you fail to attach Form 6198, processing of your tax return may be delayed.

If, in addition to the amount that you report on Schedule F, you sell or otherwise dispose of an asset used in an activity to which the at-risk rules apply and you have amounts in the activity for which you are not at risk, see the Instructions for Form 6198.

Any loss from this activity not allowed for 1989 because of the at-risk rules is treated as a deduction allocable to the activity in 1990.

For more details, get Pub. 925, Passive Activity and At-Risk Rules. Also see the Instructions for Form 6198.

Part III

Farm Income—Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must inventory your animals and crops if you use this method. Get Pub. 538, Accounting Periods and Methods, for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

Line 38

Enter the amount you got from the sales of livestock, produce, grains, and other products you raised.

Lines 39a through 44

See instructions for Part I, lines 5a-7c, 9, and 10.

1989 Tax Table

Use if your taxable income is less than \$50,000. If \$50,000 or more, use the Tax Rate Schedules.

Example: Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 37 of Form 1040 is \$25,300. First, they find the \$25,300-\$25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$3,799. This is the tax amount they must write on line 38 of their return.

At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your tax is—					
25,200	25,250	4,652	3,784	5,051	3,833
25,250	25,300	4,666	3,791	5,065	3,847
25,300	25,350	4,680	3,799	5,079	3,861
25,350	25,400	4,694	3,806	5,093	3,875

If line 37 (taxable income) is—		And you are—					If line 37 (taxable income) is—		And you are—					If line 37 (taxable income) is—		And you are—					
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
Your tax is—																					
\$0	\$5	\$0	\$0	\$0	\$0	1,400	1,425	212	212	212	2,700	2,725	407	407	407	407					
5	15	2	2	2	2	1,425	1,450	216	216	216	2,725	2,750	411	411	411	411					
15	25	3	3	3	3	1,450	1,475	219	219	219	2,750	2,775	414	414	414	414					
25	50	6	6	6	6	1,475	1,500	223	223	223	2,775	2,800	418	418	418	418					
50	75	9	9	9	9	1,500	1,525	227	227	227	2,800	2,825	422	422	422	422					
75	100	13	13	13	13	1,525	1,550	231	231	231	2,825	2,850	426	426	426	426					
100	125	17	17	17	17	1,550	1,575	234	234	234	2,850	2,875	429	429	429	429					
125	150	21	21	21	21	1,575	1,600	238	238	238	2,875	2,900	433	433	433	433					
150	175	24	24	24	24	1,600	1,625	242	242	242	2,900	2,925	437	437	437	437					
175	200	28	28	28	28	1,625	1,650	246	246	246	2,925	2,950	441	441	441	441					
200	225	32	32	32	32	1,650	1,675	249	249	249	2,950	2,975	444	444	444	444					
225	250	36	36	36	36	1,675	1,700	253	253	253	2,975	3,000	448	448	448	448					
250	275	39	39	39	39	1,700	1,725	257	257	257	3,000										
275	300	43	43	43	43	1,725	1,750	261	261	261	3,000	3,050	454	454	454	454					
300	325	47	47	47	47	1,750	1,775	264	264	264	3,050	3,100	461	461	461	461					
325	350	51	51	51	51	1,775	1,800	268	268	268	3,100	3,150	469	469	469	469					
350	375	54	54	54	54	1,800	1,825	272	272	272	3,150	3,200	476	476	476	476					
375	400	58	58	58	58	1,825	1,850	276	276	276	3,200	3,250	484	484	484	484					
400	425	62	62	62	62	1,850	1,875	279	279	279	3,250	3,300	491	491	491	491					
425	450	66	66	66	66	1,875	1,900	283	283	283	3,300	3,350	499	499	499	499					
450	475	69	69	69	69	1,900	1,925	287	287	287	3,350	3,400	506	506	506	506					
475	500	73	73	73	73	1,925	1,950	291	291	291	3,400	3,450	514	514	514	514					
500	525	77	77	77	77	1,950	1,975	294	294	294	3,450	3,500	521	521	521	521					
525	550	81	81	81	81	1,975	2,000	298	298	298	3,500	3,550	529	529	529	529					
550	575	84	84	84	84	2,000					3,550	3,600	536	536	536	536					
575	600	88	88	88	88	2,000					3,600	3,650	544	544	544	544					
600	625	92	92	92	92	2,025	2,050	302	302	302	3,650	3,700	551	551	551	551					
625	650	96	96	96	96	2,050	2,075	306	306	306	3,700	3,750	559	559	559	559					
650	675	99	99	99	99	2,075	2,100	309	309	309	3,750	3,800	566	566	566	566					
675	700	103	103	103	103	2,100	2,125	313	313	313	3,800	3,850	574	574	574	574					
700	725	107	107	107	107	2,125	2,150	317	317	317	3,850	3,900	581	581	581	581					
725	750	111	111	111	111	2,150	2,175	321	321	321	3,900	3,950	589	589	589	589					
750	775	114	114	114	114	2,175	2,200	324	324	324	3,950	4,000	596	596	596	596					
775	800	118	118	118	118	2,200	2,225	328	328	328	4,000	4,050	604	604	604	604					
800	825	122	122	122	122	2,225	2,250	332	332	332	4,050	4,100	611	611	611	611					
825	850	126	126	126	126	2,250	2,275	336	336	336	4,100	4,150	619	619	619	619					
850	875	129	129	129	129	2,275	2,300	340	340	340	4,150	4,200	626	626	626	626					
875	900	133	133	133	133	2,300	2,325	344	344	344	4,200	4,250	634	634	634	634					
900	925	137	137	137	137	2,325	2,350	348	348	348	4,250	4,300	641	641	641	641					
925	950	141	141	141	141	2,350	2,375	352	352	352	4,300	4,350	649	649	649	649					
950	975	144	144	144	144	2,375	2,400	356	356	356	4,350	4,400	656	656	656	656					
975	1,000	148	148	148	148	2,400	2,425	360	360	360	4,400	4,450	664	664	664	664					
1,000	1,025	152	152	152	152	2,425	2,450	364	364	364	4,450	4,500	671	671	671	671					
1,025	1,050	156	156	156	156	2,450	2,475	368	368	368	4,500	4,550	679	679	679	679					
1,050	1,075	159	159	159	159	2,475	2,500	373	373	373	4,550	4,600	686	686	686	686					
1,075	1,100	163	163	163	163	2,500	2,525	377	377	377	4,600	4,650	694	694	694	694					
1,100	1,125	167	167	167	167	2,525	2,550	381	381	381	4,650	4,700	701	701	701	701					
1,125	1,150	171	171	171	171	2,550	2,575	384	384	384	4,700	4,750	709	709	709	709					
1,150	1,175	174	174	174	174	2,575	2,600	388	388	388	4,750	4,800	716	716	716	716					
1,175	1,200	178	178	178	178	2,600	2,625	392	392	392	4,800	4,850	724	724	724	724					
1,200	1,225	182	182	182	182	2,625	2,650	396	396	396	4,850	4,900	731	731	731	731					
1,225	1,250	186	186	186	186	2,650	2,675	399	399	399	4,900	4,950	739	739	739	739					
1,250	1,275	189	189	189	189	2,675	2,700	403	403	403	4,950	5,000	746	746	746	746					
1,275	1,300	193	193	193	193	2,700					5,000										
1,300	1,325	197	197	197	197	2,725	2,750	407	407	407	5,000										
1,325	1,350	201	201	201	201																
1,350	1,375	204	204	204	204																
1,375	1,400	208	208	208	208																

* This column must also be used by a qualifying widow(er). Continued on next page

1989 Tax Table—Continued

If line 37 (taxable income) is—		And you are—					If line 37 (taxable income) is—		And you are—					If line 37 (taxable income) is—		And you are—				
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household					

1989 Tax Table—Continued

If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—				If line 37 (taxable income) is—		And you are—											
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household		
		Your tax is—						Your tax is—						Your tax is—											
32,000		6,556	4,944	6,955	5,737	35,000		7,396	5,784	7,795	6,577	38,000		8,236	6,624	8,665	7,417								
32,050	32,100	6,570	4,958	6,969	5,751	35,050	35,100	7,410	5,798	7,809	6,591	38,050	38,100	8,250	6,638	8,682	7,431								
32,100	32,150	6,584	4,972	6,983	5,765	35,100	35,150	7,424	5,812	7,823	6,605	38,100	38,150	8,264	6,652	8,698	7,445								
32,150	32,200	6,598	4,986	6,997	5,779	35,150	35,200	7,438	5,826	7,837	6,619	38,150	38,200	8,278	6,666	8,715	7,459								
32,200	32,250	6,612	5,000	7,011	5,793	35,200	35,250	7,452	5,840	7,851	6,633	38,200	38,250	8,292	6,680	8,731	7,473								
32,250	32,300	6,626	5,014	7,025	5,807	35,250	35,300	7,466	5,854	7,865	6,647	38,250	38,300	8,306	6,694	8,748	7,487								
32,300	32,350	6,640	5,028	7,039	5,821	35,300	35,350	7,480	5,868	7,879	6,661	38,300	38,350	8,320	6,708	8,764	7,501								
32,350	32,400	6,654	5,042	7,053	5,835	35,350	35,400	7,494	5,882	7,893	6,675	38,350	38,400	8,334	6,722	8,781	7,515								
32,400	32,450	6,668	5,056	7,067	5,849	35,400	35,450	7,508	5,896	7,907	6,689	38,400	38,450	8,348	6,736	8,797	7,529								
32,450	32,500	6,682	5,070	7,081	5,863	35,450	35,500	7,522	5,910	7,921	6,703	38,450	38,500	8,362	6,750	8,814	7,543								
32,500	32,550	6,696	5,084	7,095	5,877	35,500	35,550	7,536	5,924	7,935	6,717	38,500	38,550	8,376	6,764	8,830	7,557								
32,550	32,600	6,710	5,098	7,109	5,891	35,550	35,600	7,550	5,938	7,949	6,731	38,550	38,600	8,390	6,778	8,847	7,571								
32,600	32,650	6,724	5,112	7,123	5,905	35,600	35,650	7,564	5,952	7,963	6,745	38,600	38,650	8,404	6,792	8,863	7,585								
32,650	32,700	6,738	5,126	7,137	5,919	35,650	35,700	7,578	5,966	7,977	6,759	38,650	38,700	8,418	6,806	8,880	7,599								
32,700	32,750	6,752	5,140	7,151	5,933	35,700	35,750	7,592	5,980	7,991	6,773	38,700	38,750	8,432	6,820	8,896	7,613								
32,750	32,800	6,766	5,154	7,165	5,947	35,750	35,800	7,606	5,994	8,005	6,787	38,750	38,800	8,446	6,834	8,913	7,627								
32,800	32,850	6,780	5,168	7,179	5,961	35,800	35,850	7,620	6,008	8,019	6,801	38,800	38,850	8,460	6,848	8,929	7,641								
32,850	32,900	6,794	5,182	7,193	5,975	35,850	35,900	7,634	6,022	8,033	6,815	38,850	38,900	8,474	6,862	8,946	7,655								
32,900	32,950	6,808	5,196	7,207	5,989	35,900	35,950	7,648	6,036	8,047	6,829	38,900	38,950	8,488	6,876	8,962	7,669								
32,950	33,000	6,822	5,210	7,221	6,003	35,950	36,000	7,662	6,050	8,061	6,843	38,950	39,000	8,502	6,890	8,979	7,683								
33,000		6,836	5,224	7,235	6,017	36,000		7,676	6,064	8,075	6,857	39,000		8,516	6,904	8,995	7,697								
33,050	33,100	6,850	5,238	7,249	6,031	36,050	36,100	7,690	6,078	8,089	6,871	39,050	39,100	8,530	6,918	9,012	7,711								
33,100	33,150	6,864	5,252	7,263	6,045	36,100	36,150	7,704	6,092	8,103	6,885	39,100	39,150	8,544	6,932	9,028	7,725								
33,150	33,200	6,878	5,266	7,277	6,059	36,150	36,200	7,718	6,106	8,117	6,899	39,150	39,200	8,558	6,946	9,045	7,739								
33,200	33,250	6,892	5,280	7,291	6,073	36,200	36,250	7,732	6,120	8,131	6,913	39,200	39,250	8,572	6,960	9,061	7,753								
33,250	33,300	6,906	5,294	7,305	6,087	36,250	36,300	7,746	6,134	8,145	6,927	39,250	39,300	8,586	6,974	9,078	7,767								
33,300	33,350	6,920	5,308	7,319	6,101	36,300	36,350	7,760	6,148	8,159	6,941	39,300	39,350	8,600	6,988	9,094	7,781								
33,350	33,400	6,934	5,322	7,333	6,115	36,350	36,400	7,774	6,162	8,173	6,955	39,350	39,400	8,614	7,002	9,111	7,795								
33,400	33,450	6,948	5,336	7,347	6,129	36,400	36,450	7,788	6,176	8,187	6,969	39,400	39,450	8,628	7,016	9,127	7,809								
33,450	33,500	6,962	5,350	7,361	6,143	36,450	36,500	7,802	6,190	8,201	6,983	39,450	39,500	8,642	7,030	9,144	7,823								
33,500	33,550	6,976	5,364	7,375	6,157	36,500	36,550	7,816	6,204	8,215	6,997	39,500	39,550	8,656	7,044	9,160	7,837								
33,550	33,600	6,990	5,378	7,389	6,171	36,550	36,600	7,830	6,218	8,229	7,011	39,550	39,600	8,670	7,058	9,177	7,851								
33,600	33,650	7,004	5,392	7,403	6,185	36,600	36,650	7,844	6,232	8,243	7,025	39,600	39,650	8,684	7,072	9,193	7,865								
33,650	33,700	7,018	5,406	7,417	6,199	36,650	36,700	7,858	6,246	8,257	7,039	39,650	39,700	8,698	7,086	9,210	7,879								
33,700	33,750	7,032	5,420	7,431	6,213	36,700	36,750	7,872	6,260	8,271	7,053	39,700	39,750	8,712	7,100	9,226	7,893								
33,750	33,800	7,046	5,434	7,445	6,227	36,750	36,800	7,886	6,274	8,285	7,067	39,750	39,800	8,726	7,114	9,243	7,907								
33,800	33,850	7,060	5,448	7,459	6,241	36,800	36,850	7,900	6,288	8,299	7,081	39,800	39,850	8,740	7,128	9,259	7,921								
33,850	33,900	7,074	5,462	7,473	6,255	36,850	36,900	7,914	6,302	8,313	7,095	39,850	39,900	8,754	7,142	9,276	7,935								
33,900	33,950	7,088	5,476	7,487	6,269	36,900	36,950	7,928	6,316	8,327	7,109	39,900	39,950	8,768	7,156	9,292	7,949								
33,950	34,000	7,102	5,490	7,501	6,283	36,950	37,000	7,942	6,330	8,341	7,123	39,950	40,000	8,782	7,170	9,309	7,963								
34,000		7,116	5,504	7,515	6,297	37,000		7,956	6,344	8,355	7,137	40,000		8,796	7,184	9,325	7,977								
34,050	34,100	7,130	5,518	7,529	6,311	37,050	37,100	7,970	6,358	8,369	7,151	40,050	40,100	8,810	7,198	9,342	7,991								
34,100	34,150	7,144	5,532	7,543	6,325	37,100	37,150	7,984	6,372	8,383	7,165	40,100	40,150	8,824	7,212	9,358	8,005								
34,150	34,200	7,158	5,546	7,557	6,339	37,150	37,200	7,998	6,386	8,397	7,179	40,150	40,200	8,838	7,226	9,375	8,019								
34,200	34,250	7,172	5,560	7,571	6,353	37,200	37,250	8,012	6,400	8,411	7,193	40,200	40,250	8,852	7,240	9,391	8,033								
34,250	34,300	7,186	5,574	7,585	6,367	37,250	37,300	8,026	6,414	8,425	7,207	40,250	40,300	8,866	7,254	9,408	8,047								
34,300	34,350	7,200	5,588	7,599	6,381	37,300	37,350	8,040	6,428	8,439	7,221	40,300	40,350	8,880	7,268	9,424	8,061								
34,350	34,400	7,214	5,602	7,613	6,395	37,350	37,400	8,054	6,442	8,453	7,235	40,350	40,400	8,894	7,282	9,441	8,075								
34,400	34,450	7,228	5,616	7,627	6,409	37,400	37,450	8,068	6,456	8,467	7,249	40,400	40,450	8,908	7,296	9,457	8,089								
34,450	34,500	7,242	5,630	7,641	6,423	37,450	37,500	8,082	6,470	8,481	7,263	40,450	40,500	8,922	7,310	9,474	8,103								
34,500	34,550	7,256	5,644	7,655	6,437	37,500	37,550	8,096	6,484	8,500	7,277	40,500	40,550	8,936	7,324	9,490	8,117								
34,550	34,600	7,270	5,658	7,669	6,451	37,550	37,600	8,110	6,498	8,517	7,291	40,550	40,600	8,950	7,338	9,507	8,131								
34,600	34,650	7,284	5,672	7,683	6,4																				

1989 Tax Rate Schedules

Caution: Use ONLY if your taxable income (Form 1040, line 37) is \$50,000 or more. If less, use the Tax Table.

Schedule X—Use if your filing status is Single

Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$18,550	15%	\$0
18,550	44,900	\$2,782.50 + 28%	18,550
44,900	93,130	10,160.50 + 33%	44,900
93,130		Use Worksheet below to figure your tax.	

Schedule Y-1—Use if your filing status is Married filing jointly or Qualifying widow(er)

Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$30,950	15%	\$0
30,950	74,850	\$4,642.50 + 28%	30,950
74,850	155,320	16,934.50 + 33%	74,850
155,320		Use Worksheet below to figure your tax.	

Schedule Z—Use if your filing status is Head of household

Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$24,850	15%	\$0
24,850	64,200	\$3,727.50 + 28%	24,850
64,200	128,810	14,745.50 + 33%	64,200
128,810		Use Worksheet below to figure your tax.	

Schedule Y-2—Use if your filing status is Married filing separately

Over—	But not over—	Enter on Form 1040, line 38	of the amount over—
\$0	\$15,475	15%	\$0
15,475	37,425	\$2,321.25 + 28%	15,475
37,425	117,895	8,467.25 + 33%	37,425
117,895		Use Worksheet below to figure your tax.	

Worksheet (Keep for your records)

- If your filing status is:
 - Single, enter \$26,076.40
 - Head of household, enter \$36,066.80
 - Married filing jointly or Qualifying widow(er), enter \$43,489.60
 - Married filing separately, enter \$35,022.35
- Enter your taxable income from Form 1040, line 37
- If your filing status is:
 - Single, enter \$93,130
 - Head of household, enter \$128,810
 - Married filing jointly or Qualifying widow(er), enter \$155,320
 - Married filing separately, enter \$117,895
- Subtract line 3 from line 2. Enter the result. (If the result is zero or less, use the schedule above for your filing status to figure your tax. DO NOT use this worksheet.)
- Multiply the amount on line 4 by 28% (.28). Enter the result
- Multiply the amount on line 4 by 5% (.05). Enter the result
- Multiply \$560 by the number of exemptions claimed on Form 1040, line 6c. (If married filing separately, see the Note below.) Enter the result
- Compare the amounts on lines 6 and 7. Enter the smaller of the two amounts here
- Tax. Add lines 1, 5, and 8. Enter the total here and on Form 1040, line 38

Note: If married filing separately and you did not claim an exemption for your spouse, multiply \$560 by the number of exemptions claimed on Form 1040, line 6c. Add \$560 to the result and enter the total on line 7 above.

1989 Earned Income Credit Table

Caution: This Is Not A Tax Table

To find your earned income credit: Read down the column titled "If line 3 or 4 of the worksheet is—" and find the appropriate amount from the Earned Income Credit Worksheet on page 20. Read across to the right and find the amount of the earned income credit. Enter that amount on line 5 or 6 of the worksheet, whichever applies.

If line 3 or 4 of the worksheet is—			If line 3 or 4 of the worksheet is—			If line 3 or 4 of the worksheet is—			If line 3 or 4 of the worksheet is—			If line 3 or 4 of the worksheet is—		
At least	But less than	Your earned income credit is—	At least	But less than	Your earned income credit is—	At least	But less than	Your earned income credit is—	At least	But less than	Your earned income credit is—	At least	But less than	Your earned income credit is—
\$1	\$25	\$2	\$1,600	\$1,625	\$226	\$3,200	\$3,225	\$450	\$4,800	\$4,825	\$674	\$6,400	\$6,425	\$898
25	50	5	1,625	1,650	229	3,225	3,250	453	4,825	4,850	677	6,425	6,450	901
50	75	9	1,650	1,675	233	3,250	3,275	457	4,850	4,875	681	6,450	6,475	905
75	100	12	1,675	1,700	236	3,275	3,300	460	4,875	4,900	684	6,475	6,500	908
100	125	16	1,700	1,725	240	3,300	3,325	464	4,900	4,925	688	6,500	10,250	910
125	150	19	1,725	1,750	243	3,325	3,350	467	4,925	4,950	691	10,250	10,275	908
150	175	23	1,750	1,775	247	3,350	3,375	471	4,950	4,975	695	10,275	10,300	905
175	200	26	1,775	1,800	250	3,375	3,400	474	4,975	5,000	698	10,300	10,325	903
200	225	30	1,800	1,825	254	3,400	3,425	478	5,000	5,025	702	10,325	10,350	900
225	250	33	1,825	1,850	257	3,425	3,450	481	5,025	5,050	705	10,350	10,375	898
250	275	37	1,850	1,875	261	3,450	3,475	485	5,050	5,075	709	10,375	10,400	895
275	300	40	1,875	1,900	264	3,475	3,500	488	5,075	5,100	712	10,400	10,425	893
300	325	44	1,900	1,925	268	3,500	3,525	492	5,100	5,125	716	10,425	10,450	890
325	350	47	1,925	1,950	271	3,525	3,550	495	5,125	5,150	719	10,450	10,475	888
350	375	51	1,950	1,975	275	3,550	3,575	499	5,150	5,175	723	10,475	10,500	885
375	400	54	1,975	2,000	278	3,575	3,600	502	5,175	5,200	726	10,500	10,525	883
400	425	58	2,000	2,025	282	3,600	3,625	506	5,200	5,225	730	10,525	10,550	880
425	450	61	2,025	2,050	285	3,625	3,650	509	5,225	5,250	733	10,550	10,575	878
450	475	65	2,050	2,075	289	3,650	3,675	513	5,250	5,275	737	10,575	10,600	875
475	500	68	2,075	2,100	292	3,675	3,700	516	5,275	5,300	740	10,600	10,625	873
500	525	72	2,100	2,125	296	3,700	3,725	520	5,300	5,325	744	10,625	10,650	870
525	550	75	2,125	2,150	299	3,725	3,750	523	5,325	5,350	747	10,650	10,675	868
550	575	79	2,150	2,175	303	3,750	3,775	527	5,350	5,375	751	10,675	10,700	865
575	600	82	2,175	2,200	306	3,775	3,800	530	5,375	5,400	754	10,700	10,725	863
600	625	86	2,200	2,225	310	3,800	3,825	534	5,400	5,425	758	10,725	10,750	860
625	650	89	2,225	2,250	313	3,825	3,850	537	5,425	5,450	761	10,750	10,775	858
650	675	93	2,250	2,275	317	3,850	3,875	541	5,450	5,475	765	10,775	10,800	855
675	700	96	2,275	2,300	320	3,875	3,900	544	5,475	5,500	768	10,800	10,825	853
700	725	100	2,300	2,325	324	3,900	3,925	548	5,500	5,525	772	10,825	10,850	850
725	750	103	2,325	2,350	327	3,925	3,950	551	5,525	5,550	775	10,850	10,875	848
750	775	107	2,350	2,375	331	3,950	3,975	555	5,550	5,575	779	10,875	10,900	845
775	800	110	2,375	2,400	334	3,975	4,000	558	5,575	5,600	782	10,900	10,925	843
800	825	114	2,400	2,425	338	4,000	4,025	562	5,600	5,625	786	10,925	10,950	840
825	850	117	2,425	2,450	341	4,025	4,050	565	5,625	5,650	789	10,950	10,975	838
850	875	121	2,450	2,475	345	4,050	4,075	569	5,650	5,675	793	10,975	11,000	835
875	900	124	2,475	2,500	348	4,075	4,100	572	5,675	5,700	796	11,000	11,025	833
900	925	128	2,500	2,525	352	4,100	4,125	576	5,700	5,725	800	11,025	11,050	830
925	950	131	2,525	2,550	355	4,125	4,150	579	5,725	5,750	803	11,050	11,075	828
950	975	135	2,550	2,575	359	4,150	4,175	583	5,750	5,775	807	11,075	11,100	825
975	1,000	138	2,575	2,600	362	4,175	4,200	586	5,775	5,800	810	11,100	11,125	823
1,000	1,025	142	2,600	2,625	366	4,200	4,225	590	5,800	5,825	814	11,125	11,150	820
1,025	1,050	145	2,625	2,650	369	4,225	4,250	593	5,825	5,850	817	11,150	11,175	818
1,050	1,075	149	2,650	2,675	373	4,250	4,275	597	5,850	5,875	821	11,175	11,200	815
1,075	1,100	152	2,675	2,700	376	4,275	4,300	600	5,875	5,900	824	11,200	11,225	813
1,100	1,125	156	2,700	2,725	380	4,300	4,325	604	5,900	5,925	828	11,225	11,250	810
1,125	1,150	159	2,725	2,750	383	4,325	4,350	607	5,925	5,950	831	11,250	11,275	808
1,150	1,175	163	2,750	2,775	387	4,350	4,375	611	5,950	5,975	835	11,275	11,300	805
1,175	1,200	166	2,775	2,800	390	4,375	4,400	614	5,975	6,000	838	11,300	11,325	803
1,200	1,225	170	2,800	2,825	394	4,400	4,425	618	6,000	6,025	842	11,325	11,350	800
1,225	1,250	173	2,825	2,850	397	4,425	4,450	621	6,025	6,050	845	11,350	11,375	798
1,250	1,275	177	2,850	2,875	401	4,450	4,475	625	6,050	6,075	849	11,375	11,400	795
1,275	1,300	180	2,875	2,900	404	4,475	4,500	628	6,075	6,100	852	11,400	11,425	793
1,300	1,325	184	2,900	2,925	408	4,500	4,525	632	6,100	6,125	856	11,425	11,450	790
1,325	1,350	187	2,925	2,950	411	4,525	4,550	635	6,125	6,150	859	11,450	11,475	788
1,350	1,375	191	2,950	2,975	415	4,550	4,575	639	6,150	6,175	863	11,475	11,500	785
1,375	1,400	194	2,975	3,000	418	4,575	4,600	642	6,175	6,200	866	11,500	11,525	783
1,400	1,425	198	3,000	3,025	422	4,600	4,625	646	6,200	6,225	870	11,525	11,550	780
1,425	1,450	201	3,025	3,050	425	4,625	4,650	649	6,225	6,250	873	11,550	11,575	778
1,450	1,475	205	3,050	3,075	429	4,650	4,675	653	6,250	6,275	877	11,575	11,600	775
1,475	1,500	208	3,075	3,100	432	4,675	4,700	656	6,275	6,300	880	11,6		

1989 Earned Income Credit Table (continued)

If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—					
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than				
\$11,725	\$11,750	\$760	\$13,325	\$13,350	\$600	\$14,925	\$14,950	\$440	\$16,525	\$16,550	\$280	\$18,125	\$18,150	\$120												
11,750	11,775	758	13,350	13,375	598	14,950	14,975	438	16,550	16,575	278	18,150	18,175	118												
11,775	11,800	755	13,375	13,400	595	14,975	15,000	435	16,575	16,600	275	18,175	18,200	115												
11,800	11,825	753	13,400	13,425	593	15,000	15,025	433	16,600	16,625	273	18,200	18,225	113												
11,825	11,850	750	13,425	13,450	590	15,025	15,050	430	16,625	16,650	270	18,225	18,250	110												
11,850	11,875	748	13,450	13,475	588	15,050	15,075	428	16,650	16,675	268	18,250	18,275	108												
11,875	11,900	745	13,475	13,500	585	15,075	15,100	425	16,675	16,700	265	18,275	18,300	105												
11,900	11,925	743	13,500	13,525	583	15,100	15,125	423	16,700	16,725	263	18,300	18,325	103												
11,925	11,950	740	13,525	13,550	580	15,125	15,150	420	16,725	16,750	260	18,325	18,350	100												
11,950	11,975	738	13,550	13,575	578	15,150	15,175	418	16,750	16,775	258	18,350	18,375	98												
11,975	12,000	735	13,575	13,600	575	15,175	15,200	415	16,775	16,800	255	18,375	18,400	95												
12,000	12,025	733	13,600	13,625	573	15,200	15,225	413	16,800	16,825	253	18,400	18,425	93												
12,025	12,050	730	13,625	13,650	570	15,225	15,250	410	16,825	16,850	250	18,425	18,450	90												
12,050	12,075	728	13,650	13,675	568	15,250	15,275	408	16,850	16,875	248	18,450	18,475	88												
12,075	12,100	725	13,675	13,700	565	15,275	15,300	405	16,875	16,900	245	18,475	18,500	85												
12,100	12,125	723	13,700	13,725	563	15,300	15,325	403	16,900	16,925	243	18,500	18,525	83												
12,125	12,150	720	13,725	13,750	560	15,325	15,350	400	16,925	16,950	240	18,525	18,550	80												
12,150	12,175	718	13,750	13,775	558	15,350	15,375	398	16,950	16,975	238	18,550	18,575	78												
12,175	12,200	715	13,775	13,800	555	15,375	15,400	395	16,975	17,000	235	18,575	18,600	75												
12,200	12,225	713	13,800	13,825	553	15,400	15,425	393	17,000	17,025	233	18,600	18,625	73												
12,225	12,250	710	13,825	13,850	550	15,425	15,450	390	17,025	17,050	230	18,625	18,650	70												
12,250	12,275	708	13,850	13,875	548	15,450	15,475	388	17,050	17,075	228	18,650	18,675	68												
12,275	12,300	705	13,875	13,900	545	15,475	15,500	385	17,075	17,100	225	18,675	18,700	65												
12,300	12,325	703	13,900	13,925	543	15,500	15,525	383	17,100	17,125	223	18,700	18,725	63												
12,325	12,350	700	13,925	13,950	540	15,525	15,550	380	17,125	17,150	220	18,725	18,750	60												
12,350	12,375	698	13,950	13,975	538	15,550	15,575	378	17,150	17,175	218	18,750	18,775	58												
12,375	12,400	695	13,975	14,000	535	15,575	15,600	375	17,175	17,200	215	18,775	18,800	55												
12,400	12,425	693	14,000	14,025	533	15,600	15,625	373	17,200	17,225	213	18,800	18,825	53												
12,425	12,450	690	14,025	14,050	530	15,625	15,650	370	17,225	17,250	210	18,825	18,850	50												
12,450	12,475	688	14,050	14,075	528	15,650	15,675	368	17,250	17,275	208	18,850	18,875	48												
12,475	12,500	685	14,075	14,100	525	15,675	15,700	365	17,275	17,300	205	18,875	18,900	45												
12,500	12,525	683	14,100	14,125	523	15,700	15,725	363	17,300	17,325	203	18,900	18,925	43												
12,525	12,550	680	14,125	14,150	520	15,725	15,750	360	17,325	17,350	200	18,925	18,950	40												
12,550	12,575	678	14,150	14,175	518	15,750	15,775	358	17,350	17,375	198	18,950	18,975	38												
12,575	12,600	675	14,175	14,200	515	15,775	15,800	355	17,375	17,400	195	18,975	19,000	35												
12,600	12,625	673	14,200	14,225	513	15,800	15,825	353	17,400	17,425	193	19,000	19,025	33												
12,625	12,650	670	14,225	14,250	510	15,825	15,850	350	17,425	17,450	190	19,025	19,050	30												
12,650	12,675	668	14,250	14,275	508	15,850	15,875	348	17,450	17,475	188	19,050	19,075	28												
12,675	12,700	665	14,275	14,300	505	15,875	15,900	345	17,475	17,500	185	19,075	19,100	25												
12,700	12,725	663	14,300	14,325	503	15,900	15,925	343	17,500	17,525	183	19,100	19,125	23												
12,725	12,750	660	14,325	14,350	500	15,925	15,950	340	17,525	17,550	180	19,125	19,150	20												
12,750	12,775	658	14,350	14,375	498	15,950	15,975	338	17,550	17,575	178	19,150	19,175	18												
12,775	12,800	655	14,375	14,400	495	15,975	16,000	335	17,575	17,600	175	19,175	19,200	15												
12,800	12,825	653	14,400	14,425	493	16,000	16,025	333	17,600	17,625	173	19,200	19,225	13												
12,825	12,850	650	14,425	14,450	490	16,025	16,050	330	17,625	17,650	170	19,225	19,250	10												
12,850	12,875	648	14,450	14,475	488	16,050	16,075	328	17,650	17,675	168	19,250	19,275	8												
12,875	12,900	645	14,475	14,500	485	16,075	16,100	325	17,675	17,700	165	19,275	19,300	5												
12,900	12,925	643	14,500	14,525	483	16,100	16,125	323	17,700	17,725	163	19,300	19,325	3												
12,925	12,950	640	14,525	14,550	480	16,125	16,150	320	17,725	17,750	160	19,325	19,340	1												
12,950	12,975	638	14,550	14,575	478	16,150	16,175	318	17,750	17,775	158															
12,975	13,000	635	14,575	14,600	475	16,175	16,200	315	17,775	17,800	155															
13,000	13,025	633	14,600	14,625	473	16,200	16,225	313	17,800	17,825	153															
13,025	13,050	630	14,625	14,650	470	16,225	16,250	310	17,825	17,850	150															
13,050	13,075	628	14,650	14,675	468	16,250	16,275	308	17,850	17,875	148															
13,075	13,100	625	14,675	14,700	465	16,275	16,300	305	17,875	17,900	145															
13,100	13,125	623	14,700	14,725	463	16,300	16,325	303	17,900	17,925	143															
13,125	13,150	620	14,725	14,750	460	16,325	16,350	300	17,925	17,950	140															

Tele-Tax Topic Numbers and Subjects

Topic No.	Subject
IRS Procedures and Services	
101	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
102	Tax assistance for handicapped individuals and the hearing impaired
103	Small business tax education—Tax help for small businesses
104	Problem resolution program—Help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
106	Examination procedures and how to prepare for an audit
107	The collection process
108	Tax fraud—How to report
109	Types of organizations that qualify for tax exempt status
110	Organizations—How to apply for exempt status
111	Examination appeal rights
112	Electronic filing
113	Special enrollment examination to practice before IRS
114	Power of attorney information
999	Local information
Filing Requirements, Filing Status, Exemptions	
151	Who must file?
152	Which form—1040, 1040A, or 1040EZ?
153	When, where, and how to file
154	What is your filing status?
155	Dependents
156	Estimated tax
157	Amended returns
158	Decedents
Types of Income	
201	Wages and salaries
202	Tips
203	Interest received
204	Dividends
205	Refund of state and local taxes
206	Alimony received
207	Business income
208	Sole proprietorship
209	Capital gains and losses
210	Pensions and annuities
211	Pensions—The general rule and the simplified general rule
212	Lump-sum distributions
213	Rental income and expenses
214	Renting vacation property/Renting to relatives
215	Royalties
216	Farming and fishing income
217	Earnings for clergy
218	Unemployment compensation
219	Gambling income and expenses
220	Bartering income
221	Scholarships, fellowships, and grants
222	Nontaxable income
223	Social security and equivalent railroad retirement benefits
224	401(k) plans
225	Passive activities—Losses/credits
226	Supplemental Medicare premium
227	Taxability of railroad retirement benefits
Adjustments to Income	
251	Individual retirement arrangements (IRAs)
252	Alimony paid
253	Bad debt deduction
254	Tax shelters

Topic No.	Subject
Itemized Deductions	
301	Should I itemize?
302	Medical and dental expenses
303	Taxes
304	Moving expenses
305	Interest expense
306	Contributions
307	Casualty losses
308	Miscellaneous expenses
309	Business use of home
310	Business use of car
311	Business travel expenses
312	Business entertainment expenses
313	Educational expenses
314	Employee business expenses
Tax Computation	
351	Tax and credits figured by IRS
352	Self-employment tax
353	Five-year averaging for lump-sum distributions
354	Alternative minimum tax
355	Gift tax
356	Estate tax
357	Standard deduction
358	Tax on a child's investment income
Tax Credits	
401	Child care credit
402	Earned income credit
403	Credit for the elderly or the disabled
General Information	
451	Substitute tax forms
452	Highlights of 1989 tax changes
453	Refunds—How long they should take
454	Copy of your tax return—How to get one
455	Forms/Publications—How to order
456	Tax shelter registration
457	Extensions for time to file your tax return
458	Form W-2—What to do if not received
459	Penalty for underpayment of estimated tax
460	Recordkeeping
461	How to choose a tax preparer
462	Failure to pay child/spousal support and other Federal obligations
463	Withholding on interest and dividends
464	Highway use tax
465	Checklist/Common errors when preparing your tax return
466	Withholding on pensions and annuities
467	Foreign currency transactions
IRS Notices and Letters	
501	Notices—What to do
502	Notice of underreported income—CP 2000
503	IRS notices and bills/Penalty and interest charges
Basis of Assets, Depreciation, Sale of Assets	
551	Sale of your home—General
552	Sale of your home—How to report gain
553	Sale of your home—Exclusion of gain, age 55 and over
554	Basis of assets
555	Depreciation
556	Installment sales

Topic No.	Subject
Employer Tax Information	
601	Social security withholding rates
602	Form W-2—Where, when and how to file
603	Form W-4—Employee's Withholding Allowance Certificate
604	Federal tax deposits—General
605	Employer identification number—How to apply
606	Form 942—Employer's Quarterly Tax Return for Household Employees
607	Form 941—Deposit requirements
608	Form 941—Employer's Quarterly Federal Tax Return
609	Form 940—Deposit requirements
610	Form 940/EZ—Employer's Annual Federal Unemployment Tax Return
611	Targeted jobs credit
612	Tips—Withholding and reporting
Magnetic Media Information	
651	Who must file/originals and corrections
652	Acceptable media/Locating a third party to prepare your files
653	Applications, forms, and information
654	Waivers, extensions, and format deviations
655	Test files and combined Federal/state filing
Tax Information for Allens and U.S. Citizens Living Abroad	
701	Resident and nonresident aliens
702	Dual-status alien
703	Alien tax clearance
704	Foreign earned income exclusion—General
705	Foreign earned income exclusion—Who qualifies?
706	Foreign earned income exclusion—What qualifies?
707	Foreign tax credit
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751	Who must file?
752	Which form to use?
753	What is your filing status?
754	Earned income credit
755	Highlights of 1989 tax changes
756	Forms and publications—How to order
757	Alien tax clearance
758	Refunds—How long they should take
759	IRS help available—Volunteer tax assistance programs, toll-free telephone, walk-in assistance, and outreach program
760	Social security and equivalent railroad retirement benefits
761	Supplemental Medicare premium
Tax Information for Puerto Rico Residents	
851	Who must file a U.S. income tax return in Puerto Rico
852	Deductions and credits for Puerto Rico filers
853	Federal employment taxes in Puerto Rico
854	Tax assistance for residents of Puerto Rico

Topic numbers are effective January 1, 1990.

Call IRS With Your Tax Question

If the instructions to the tax forms and our free tax publications have not answered your question, please call us TOLL-FREE. "Toll-Free" is a telephone call for which you pay only local charges.

CHOOSING THE RIGHT NUMBER: Use only the number listed below for your area. Use a local city number only if it is not a long distance call for you. **Please do not dial "1-800" when using a local city number.**

BEFORE YOU CALL: Remember that good communication is a two-way process. IRS representatives care about the quality of the service we provide to you, our customer. You can help us provide accurate, complete answers to your tax questions by having the following information available:

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

BEFORE YOU HANG UP: If you do not fully understand the answer you receive, or you feel our representative may not fully understand your question, our representative needs to know this. He or she will be happy to take the additional time required to be sure we have answered your question fully and in the manner which is most helpful to you.

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

ALABAMA 1-800-424-1040	DISTRICT OF COLUMBIA 488-3100	KANSAS 1-800-424-1040
ALASKA Anchorage, 561-7484 Elsewhere, 1-800-424-1040	FLORIDA Jacksonville, 354-1760 Elsewhere, 1-800-424-1040	KENTUCKY 1-800-424-1040
ARIZONA Phoenix, 257-1233 Elsewhere, 1-800-424-1040	GEORGIA Atlanta, 522-0050 Elsewhere, 1-800-424-1040	LOUISIANA 1-800-424-1040
ARKANSAS 1-800-424-1040	HAWAII Oahu, 541-1040 Elsewhere, 1-800-424-1040	MAINE 1-800-424-1040
CALIFORNIA Please call the telephone number shown in the white pages of your local telephone directory under U.S. Government, Internal Revenue Service, Federal Tax Assistance.	IDAHO 1-800-424-1040	MARYLAND Baltimore, 962-2590 Montgomery County, 488-3100 Prince George's County, 488-3100
COLORADO Denver, 825-7041 Elsewhere, 1-800-424-1040	ILLINOIS Chicago, 435-1040 In area code 708, 1-312-435-1040 Elsewhere, 1-800-424-1040	MASSACHUSETTS Boston, 523-1040 Elsewhere, 1-800-424-1040
CONNECTICUT 1-800-424-1040	INDIANA Indianapolis, 226-5477 Elsewhere, 1-800-424-1040	MICHIGAN Detroit, 237-0800 Elsewhere, 1-800-424-1040
DELAWARE 1-800-424-1040	IOWA Des Moines, 283-0523 Elsewhere, 1-800-424-1040	MINNESOTA Minneapolis, 291-1422 St. Paul, 291-1422 Elsewhere, 1-800-424-1040

Need Additional Forms or Publications?

If you do not have any tax questions and you only need tax forms and publications, you can—

- Visit your local IRS office.
- Visit a participating bank or post office for Forms 1040, 1040A, 1040EZ and Schedules A&B and their related instructions.
- Visit a participating library, which stocks a wider variety of forms and publications.
- Use the handy order blank on the next to the last page of the instructions. You should receive the items you order within 2 weeks from the time you mail your request.
- Call our toll-free "Forms Only" number (1-800-424-FORM (3676)). The hours of operation during the filing season are 8:00 A.M. to 5:00 P.M. (weekdays) and 9:00 A.M. to 3:00 P.M. (Saturdays). For callers in Alaska and Hawaii the hours are Pacific Standard Time. You should receive your order within 7 to 10 work days after you call.

MISSISSIPPI 1-800-424-1040	SOUTH CAROLINA 1-800-424-1040
MISSOURI St. Louis, 342-1040 Elsewhere, 1-800-424-1040	SOUTH DAKOTA 1-800-424-1040
MONTANA 1-800-424-1040	TENNESSEE Nashville, 259-4601 Elsewhere, 1-800-424-1040
NEBRASKA Omaha, 422-1500 Elsewhere, 1-800-424-1040	TEXAS Dallas, 742-2440 Ft. Worth, 263-9229 Houston, 965-0440 Elsewhere, 1-800-424-1040
NEVADA 1-800-424-1040	UTAH 1-800-424-1040
NEW HAMPSHIRE 1-800-424-1040	VERMONT 1-800-424-1040
NEW JERSEY Newark, 622-0600 Elsewhere, 1-800-424-1040	VIRGINIA Bailey's Crossroads, 557-9230 Richmond, 649-2361 Elsewhere, 1-800-424-1040
NEW MEXICO 1-800-424-1040	WASHINGTON Seattle, 442-1040 Elsewhere, 1-800-424-1040
NEW YORK Bronx, 732-0100 Brooklyn, 596-3770 Buffalo, 855-3955 Manhattan, 732-0100 Nassau, 222-1131 Queens, 596-3770 Rockland County, 997-1510 Staten Island, 596-3770 Suffolk, 997-1510 Elsewhere, 1-800-424-1040	WEST VIRGINIA 1-800-424-1040
NORTH CAROLINA 1-800-424-1040	WISCONSIN Milwaukee, 271-3780 Elsewhere, 1-800-424-1040
NORTH DAKOTA 1-800-424-1040	WYOMING 1-800-424-1040

Telephone Assistance Services for Deaf Taxpayers Who Have Access to TV / Telephone—TTY Equipment.

Indiana residents, 1-800-382-4059
Elsewhere in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico, 1-800-428-4732

Hours of Operation
8:00 A.M. to 6:45 P.M. EST (Jan. 1–April 16)
8:00 A.M. to 4:30 P.M. EST (April 17–Dec. 31)

Notes

How To Get Forms

Generally, we mail forms and schedules directly to you based on what seems to be right for you. Schedules and forms you may need are listed below. Also see the list of related publications.

You can order the following items from IRS or get them at many participating banks, post offices, or libraries:

Form 1040, U.S. Individual Income Tax Return
Instructions for Form 1040

Form 1040A
Instructions for Form 1040A

Form 1040EZ
Instructions for Form 1040EZ

Schedule A for itemized deductions

Schedule B for interest income if more than \$400; for dividends and other distributions on stock if more than \$400; and for answering the Foreign Accounts or Foreign Trusts questions

You can photocopy the following items (as well as those listed above) at many participating libraries or order them from IRS:

Schedule 2 (Form 1040A), Supplemental Medicare Premium for Form 1040A Filers

Schedule C, Profit or Loss From Business

Schedule D, Capital Gains and Losses

Schedule E, Supplemental Income and Loss

Schedule F, Farm Income and Expenses

Schedule R, Credit for the Elderly or the Disabled

Schedule SE, Social Security Self-Employment Tax

Form 1040-ES, Estimated Tax for Individuals

Form 2106, Employee Business Expenses

Form 2119, Sale of Your Home

Form 2210, Underpayment of Estimated Tax by Individuals and Fiduciaries

Form 2441, Child and Dependent Care Expenses

Form 3468, Computation of Investment Credit

Form 3903, Moving Expenses

Form 4562, Depreciation and Amortization

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

Form 8283, Noncash Charitable Contributions

Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents

Form 8582, Passive Activity Loss Limitations

Form 8606, Nondeductible IRA Contributions, IRA Basis, and Nontaxable IRA Distributions

Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000

Form 8808, Supplemental Medicare Premium

How To Get Publications

The following publications can be ordered from IRS or you can read or photocopy them at many participating libraries:

1 Your Rights as a Taxpayer

2 The ABC's of Income Tax

17 Your Federal Income Tax

463 Travel, Entertainment, and Gift Expenses

501 Exemptions, Standard Deduction, and Filing Information

502 Medical and Dental Expenses

504 Tax Information for Divorced or Separated Individuals

505 Tax Withholding and Estimated Tax

508 Educational Expenses

521 Moving Expenses

523 Tax Information on Selling Your Home

524 Credit for the Elderly or the Disabled

525 Taxable and Nontaxable Income

527 Residential Rental Property (Including Rental of Vacation Houses)

529 Miscellaneous Deductions

545 Interest Expense

553 Highlights of 1989 Tax Changes

554 Tax Information for Older Americans

910 Guide to Free Tax Services

917 Business Use of a Car

929 Tax Rules for Children and Dependents

Other publications and forms referred to in the instructions are also available without cost from the "Forms Distribution Center" for your state. See Publication 910 for a complete list of available publications.

Where To Send Your Order for Free Forms and Publications

Please send your order to the "Forms Distribution Center" for your state.

- Alabama—P.O. Box 9903, Bloomington, IL 61799
- Alaska—Rancho Cordova, CA 95743-0001
- Arizona—Rancho Cordova, CA 95743-0001
- Arkansas—P.O. Box 9903, Bloomington, IL 61799
- California—Rancho Cordova, CA 95743-0001
- Colorado—Rancho Cordova, CA 95743-0001
- Connecticut—P.O. Box 25866, Richmond, VA 23289
- Delaware—P.O. Box 25866, Richmond, VA 23289
- District of Columbia—P.O. Box 25866, Richmond, VA 23289
- Florida—P.O. Box 25866, Richmond, VA 23289
- Georgia—P.O. Box 25866, Richmond, VA 23289
- Hawaii—Rancho Cordova, CA 95743-0001
- Idaho—Rancho Cordova, CA 95743-0001
- Illinois—P.O. Box 9903, Bloomington, IL 61799
- Indiana—P.O. Box 9903, Bloomington, IL 61799
- Iowa—P.O. Box 9903, Bloomington, IL 61799
- Kansas—P.O. Box 9903, Bloomington, IL 61799
- Kentucky—P.O. Box 9903, Bloomington, IL 61799
- Louisiana—P.O. Box 9903, Bloomington, IL 61799
- Maine—P.O. Box 25866, Richmond, VA 23289
- Maryland—P.O. Box 25866, Richmond, VA 23289
- Massachusetts—P.O. Box 25866, Richmond, VA 23289
- Michigan—P.O. Box 9903, Bloomington, IL 61799
- Minnesota—P.O. Box 9903, Bloomington, IL 61799
- Mississippi—P.O. Box 9903, Bloomington, IL 61799
- Missouri—P.O. Box 9903, Bloomington, IL 61799
- Montana—Rancho Cordova, CA 95743-0001
- Nebraska—P.O. Box 9903, Bloomington, IL 61799
- Nevada—Rancho Cordova, CA 95743-0001
- New Hampshire—P.O. Box 25866, Richmond, VA 23289
- New Jersey—P.O. Box 25866, Richmond, VA 23289
- New Mexico—Rancho Cordova, CA 95743-0001
- New York—P.O. Box 25866, Richmond, VA 23289.

- North Carolina—P.O. Box 25866, Richmond, VA 23289
- North Dakota—P.O. Box 9903, Bloomington, IL 61799
- Ohio—P.O. Box 9903, Bloomington, IL 61799
- Oklahoma—P.O. Box 9903, Bloomington, IL 61799
- Oregon—Rancho Cordova, CA 95743-0001
- Pennsylvania—P.O. Box 25866, Richmond, VA 23289
- Rhode Island—P.O. Box 25866, Richmond, VA 23289
- South Carolina—P.O. Box 25866, Richmond, VA 23289
- South Dakota—P.O. Box 9903, Bloomington, IL 61799
- Tennessee—P.O. Box 9903, Bloomington, IL 61799
- Texas—P.O. Box 9903, Bloomington, IL 61799
- Utah—Rancho Cordova, CA 95743-0001
- Vermont—P.O. Box 25866, Richmond, VA 23289
- Virginia—P.O. Box 25866, Richmond, VA 23289
- Washington—Rancho Cordova, CA 95743-0001
- West Virginia—P.O. Box 25866, Richmond, VA 23289
- Wisconsin—P.O. Box 9903, Bloomington, IL 61799
- Wyoming—Rancho Cordova, CA 95743-0001

Foreign Addresses—Taxpayers with mailing addresses in foreign countries should send the order blank to either: Forms Distribution Center, P.O. Box 25866, Richmond, VA 23289; or Forms Distribution Center, Rancho Cordova, CA 95743-0001, whichever is closer. Send letter requests for other forms and publications to: Forms Distribution Center, P.O. Box 25866, Richmond, VA 23289.

Puerto Rico—Forms Distribution Center, P.O. Box 25866, Richmond, VA 23289.

Virgin Islands—V. I. Bureau of Internal Revenue, Lockhardt's Garden No. 1A, Charlotte Amalie, St. Thomas, VI 00802.

Order Blank—We will send you 2 copies of each form and 1 copy of each set of instructions or publication you circle. Please cut the order blank on the dotted line and be sure to print or type your name and address accurately on the other side. This will be the label used to return material to you. Enclose the order blank in your own envelope and address your envelope to the IRS address shown above for your state. To help reduce waste, please order only the items you think you will need to prepare your return. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional items you need. Be sure to allow 2 weeks to receive your order.

Detach at This Line

U.S. GOVERNMENT PRINTING OFFICE: 1989-245-084

Order Blank

Circle Desired Forms, Instructions, and Publications

1040	Schedule C (1040)	1040-ES (1990)	3903 & Instructions	8615	Pub. 504	Pub. 527	Pub. 929
Instructions for 1040 & Schedules	Schedule D (1040)	1040X & Instructions	4562 & Instructions	8808 & Instructions	Pub. 505	Pub. 529	
1040A	Schedule D-1 (1040)	2106 & Instructions	4868	Pub. 1	Pub. 508	Pub. 545	
Schedule 2 (1040A)	Schedule E (1040)	2119 & Instructions	8283 & Instructions	Pub. 2	Pub. 521	Pub. 553	
1040EZ	Schedule F (1040)	2210 & Instructions	8332	Pub. 463	Pub. 523	Pub. 554	
1040A & 1040EZ Instructions	Schedule R (1040) & Instructions	2441 & Instructions	8582 & Instructions	Pub. 501	Pub. 524	Pub. 910	
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Print or type your name and address on this label. It will be used to speed your order for forms to you.

Name _____

Number, street, and apt. number _____

City, town or post office, state, and ZIP code _____

Save Time! Participating libraries have IRS tax forms available for copying and reference sets of Tax Information Publications. Also, participating banks, post offices, and libraries stock Forms 1040, 1040A, 1040EZ, their Instructions, and Schedules A&B.

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U.S. Government Printing Office: 1989-245-085

Step 1 Label

Use IRS label. Otherwise, please print or type.

Form with fields for name, address, and social security numbers.

Your social security no.
Spouse's social security no.

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Presidential Election Campaign Fund

Do you want \$1 to go to this fund?
If joint return, does your spouse want \$1 to go to this fund?

Step 2 Check your filing status

- 1 Single
2 Married filing joint return
3 Married filing separate return
4 Head of household
5 Qualifying widow(er)

Step 3 Figure your exemptions

Table with columns for dependents, spouse, and other exemptions.

If more than 7 dependents, see page 20.

Attach Copy B of Form(s) W-2 here.

Step 4 Figure your total income

- 7 Wages, salaries, tips, etc.
8a Taxable interest income
8b Tax-exempt interest income
9 Dividends
10 Unemployment compensation
11 Add lines 7, 8a, 9, and 10.

Attach check or money order here.

Step 5 Figure your adjusted gross income

- 12a Your IRA deduction
12b Spouse's IRA deduction
12c Add lines 12a and 12b.
13 Subtract line 12c from line 11.

Step 6

- 14 Enter the amount from line 13.
15a Check if: You were 65 or older, Blind, Spouse was 65 or older, Blind
15b If someone (such as your parent) can claim you as a dependent, check here.
15c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, see page 29 and check here.
16 Enter your standard deduction.
17 Subtract line 16 from line 14.
18 Multiply \$2,000 by the total number of exemptions claimed on line 6e.
19 Subtract line 18 from line 17. This is your taxable income.

Step 7

- Figure your tax, credits, supplemental Medicare premium, and payments (including advance EIC payments)
20 Find the tax on the amount on line 19.
21 Credit for child and dependent care expenses.
22 Subtract line 21 from line 20.
23 Supplemental Medicare premium.
24 Add lines 22 and 23.
25a Total Federal income tax withheld.
25b Earned income credit.
26 Add lines 25a and 25b.
27 If line 26 is more than line 24, subtract line 24 from line 26.

Step 8

- Figure your refund or amount you owe
28 If line 24 is more than line 26, subtract line 26 from line 24.

Step 9

- Sign your return
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.
Your signature Date Your occupation
Spouse's signature Date Spouse's occupation
Preparer's signature Date Preparer's social security no.
Firm's name (or yours if self-employed) Employer identification no.
Address and ZIP code Check if self-employed

1989 Schedule 1 (Form 1040A)

OMB No. 1545-0085

Name(s) shown on Form 1040A

Your social security number

You MUST complete and attach Schedule 1 to Form 1040A only if you:

- Claim the credit for child and dependent care expenses (complete **Part I**)
- Received employer-provided dependent care benefits (complete **Part I**)
- Have over \$400 of taxable interest income (complete **Part II**)
- Have over \$400 of dividend income (complete **Part III**)

Part I Child and dependent care expenses (see page 32 of the instructions)

- If you are claiming the child and dependent care credit, complete lines 1 through 12 below. But if you received employer-provided dependent care benefits, first complete lines 13 through 20 on the back.
- If you are not claiming the credit but you received employer-provided dependent care benefits, only complete lines 1 and 2, below, and lines 13 through 20 on the back.

Note: If you paid cash wages of \$50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get Form 942 for details.

1 Persons or organizations who provided the care. You MUST complete lines 1 and 2. (See page 33.)

a. Name	b. Address (number, street, city, state, and ZIP code)	c. Identification number (SSN or EIN)	d. Amount paid (see instructions)

(If you need more space, attach schedule.)

2 Add the amounts in column d of line 1 and enter the total. 2

3 Enter the number of qualifying persons who were cared for in 1989. You must have shared the same home with the qualifying person(s). (See the instructions for the definition of a qualifying person.) 3

4 Enter the amount of **qualified** expenses you incurred and actually paid in 1989. See the instructions for the amount to enter. **DO NOT ENTER MORE THAN \$2,400** (\$4,800 if you paid for the care of two or more qualifying persons). 4

Note: See the instructions to find out which expenses qualify.

5 Enter the **excluded** benefits, if any, from line 19 on the back. 5

6 Subtract line 5 from line 4. Enter the result. If line 5 is equal to or more than line 4, **STOP HERE**; you cannot claim the credit. 6

7 You must enter your **earned income**. (See page 34 of the instructions for the definition of earned income.) 7

8 If you are married filing a joint return, you must enter your spouse's earned income. (If spouse was a full-time student or disabled, see the instructions for the amount to enter.) 8

9 If you are married filing a joint return, compare the amounts on lines 7 and 8. Enter the **smaller** of the two amounts here. 9

10 If you are married filing a joint return, compare the amounts on lines 6 and 9. Enter the **smaller** of the two amounts here. 10

• All others, compare the amounts on lines 6 and 7. Enter the **smaller** of the two amounts here.

11 Enter the decimal amount from the table below that applies to the amount on Form 1040A, line 14. 11

If line 14 is:	Decimal amount is:	If line 14 is:	Decimal amount is:
		But not	
		Over—over—	
\$0—10,000	.30	\$20,000—22,000	.24
10,000—12,000	.29	22,000—24,000	.23
12,000—14,000	.28	24,000—26,000	.22
14,000—16,000	.27	26,000—28,000	.21
16,000—18,000	.26	28,000	.20
18,000—20,000	.25		

12 Multiply the amount on line 10 by the decimal amount on line 11. Enter the result here and on Form 1040A, line 21. 12 =

1989 Schedule 1 (Form 1040A)

OMB No. 1545-0085

Name(s) shown on Form 1040A. (Do not complete if shown on other side.)

Your social security number

Part I (continued)

Complete lines 13 through 20 only if you received employer-provided dependent care benefits. Be sure to also complete lines 1 and 2 of Part I.

13 Enter the total amount of employer-provided dependent care benefits you received for 1989. (This amount should be separately shown on your W-2 form(s) and labeled as "DCB.") **DO NOT** include amounts that were reported to you as wages in Box 10 of Form(s) W-2. 13

14 Enter the total amount of **qualified** expenses incurred in 1989 for the care of a qualifying person. (See page 34 of the instructions.) 14

15 Compare the amounts on lines 13 and 14. Enter the **smaller** of the two amounts here. 15

16 You must enter your **earned income**. (See page 34 of the instructions for the definition of earned income.) 16

17 If you were married at the end of 1989, you must enter your spouse's earned income. (If your spouse was a full-time student or disabled, see page 34 of the instructions for the amount to enter.) 17

18 If you were married at the end of 1989, compare the amounts on lines 16 and 17 and enter the **smaller** of the two amounts here.
• If you were **unmarried**, enter the amount from line 16 here. 18

Note: If you are also claiming the child and dependent care credit, first fill in Form 1040A through line 20. Then complete lines 3-12 of Part I.

19 Excluded benefits. Enter here the **smallest** of the following:
• The amount from line 15, or
• The amount from line 18, or
• \$5,000 (\$2,500 if married filing a separate return). 19

20 Taxable benefits. Subtract line 19 from line 13. Enter the result. (If zero or less, enter -0-) Include this amount in the total on Form 1040A, line 7. In the space to the left of line 7, write "DCB." 20

Part II

Interest income (see page 24 of the instructions)

Complete this part and attach Schedule 1 to Form 1040A if you received over \$400 in taxable interest.

Note: If you received a Form 1099-INT or Form 1099-OLD from a brokerage firm, enter the firm's name and the total interest shown on that form.

1 List name of payer Amount

1	Amount

2 Add amounts on line 1. Enter the total here and on Form 1040A, line 8a. 2

Part III

Dividend income (see page 24 of the instructions)

Complete this part and attach Schedule 1 to Form 1040A if you received over \$400 in dividends.

Note: If you received a Form 1099-DIV from a brokerage firm, enter the firm's name and the total dividends shown on that form.

1 List name of payer Amount

1	Amount

2 Add amounts on line 1. Enter the total here and on Form 1040A, line 9. 2

Department of the Treasury - Internal Revenue Service
Form 1040EZ **Income Tax Return for Single Filers With No Dependents (O) 1989**

Name & address Use the IRS mailing label. If you don't have one, please print. Please print your numbers like this:

Print your name above (first, initial, last)

9 8 7 6 5 4 3 2 1 0

Home address (number and street). (If you have a P.O. box, see back.) Apt. no.

Your social security number

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

Instructions are on the back. Also, see the Form 1040A/1040EZ booklet, especially the checklist on page 14.

Presidential Election Campaign Fund Do you want \$1 to go to this fund? Yes No Note: Checking "Yes" will not change your tax or reduce your refund.

Report your income

1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).) **1**

Attach Copy B of Form(s) W-2 here.

2 Taxable interest income of \$400 or less. If the total is more than \$400, you cannot use Form 1040EZ. **2**

3 Add line 1 and line 2. This is your **adjusted gross income**. **3**

Note: You must check Yes or No.

4 Can your parents (or someone else) claim you on their return?
 Yes. Do worksheet on back; enter amount from line E here.
 No. Enter 5,100. This is the total of your standard deduction and personal exemption. **4**

5 Subtract line 4 from line 3. If line 4 is larger than line 3, enter 0. This is your **taxable income**. **5**

Figure your tax

6 Enter your Federal income tax withheld from Box 9 of your W-2 form(s). **6**

7 Tax. Use the amount on line 5 to look up your tax in the tax table on pages 41-46 of the Form 1040A/1040EZ booklet. Use the single column in the table. Enter the tax from the table on this line. **7**

Refund or amount you owe

8 If line 6 is larger than line 7, subtract line 7 from line 6. This is your **refund**. **8**

Attach tax payment here.

9 If line 7 is larger than line 6, subtract line 6 from line 7. This is the **amount you owe**. Attach check or money order for the full amount, payable to "Internal Revenue Service." **9**

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature _____ Date _____

(Keep a copy of this form for your records.)

X _____

1989 Instructions for Form 1040EZ

Use this form if:

- Your filing status is single.
 - You do not claim any dependents.
 - You were under 65 and not blind at the end of 1989.
 - Your taxable income (line 5) is less than \$50,000.
 - You had only wages, salaries, tips, and taxable scholarships or fellowships, and your taxable interest income was \$400 or less. *Caution: If you earned tips (including allocated tips) that are not included in Box 14 of your W-2, you may not be able to use Form 1040EZ. See page 23 in the booklet.*
- If you are not sure about your filing status or dependents, see pages 15 through 20 in the booklet. If you can't use this form, see pages 11 through 13 in the booklet for which form to use.

Completing your return

Please print your numbers inside the boxes. Do not type your numbers. Do not use dollar signs. You may round off cents to whole dollars. To do so, drop amounts under 50 cents and increase amounts that are 50 cents or more. For example, \$129.49 becomes \$129 and \$129.50 becomes \$130. If you round off, do so for all amounts. But if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding and round off only the total.

Name & address

Please use the mailing label we sent you. It can help speed your refund. After you complete your return, put the label in the name and address area. Cross out any errors. Print the right information on the label (including apartment number). If you don't have a label, print your name, address, and social security number. If your post office does not deliver mail to your home and you have a P.O. box, show your P.O. box number instead of your home address.

Presidential campaign fund

Congress set up this fund to help pay for Presidential election costs. If you want \$1 of your tax to go to this fund, check the "Yes" box. If you check "Yes," your tax or refund will not change.

Report your income

Line 1. If you don't get your W-2 by February 15, contact your local IRS office. You must still report your wages, salaries, and tips even if you don't get a W-2 from your employer. Students, if you received a scholarship or fellowship, see page 23 in the booklet.

Line 2. Banks, savings and loans, credit unions, etc., should send you a Form 1099-INT showing the amount of taxable interest paid to you. You must report all your taxable interest even if you don't get a Form 1099-INT. If you had tax-exempt interest, such as on municipal bonds, write "TEI" in the space to the left of line 2. After "TEI," show the amount of your tax-exempt interest in the total on line 2.

Line 4. If you checked "Yes" because someone can claim you as a dependent, fill in this worksheet to figure the amount to enter on line 4.

Standard deduction worksheet for dependents who checked "Yes" on line 4	A. Enter the amount from line 1 on front.	A. _____
	B. Minimum amount.	B. <u>500.00</u>
	C. Compare the amounts on lines A and B above. Enter the LARGER of the two amounts here.	C. _____
	D. Maximum amount.	D. <u>3,100.00</u>
	E. Compare the amounts on lines C and D above. Enter the SMALLER of the two amounts here and on line 4 on front.	E. _____

If you checked "No" because no one can claim you as a dependent, enter 5,100 on line 4. This is the total of your standard deduction (3,100) and personal exemption (2,000).

Figure your tax

Line 6. If you received a Form 1099-INT showing income tax withheld (backup withholding), include the amount in the total on line 6. To the left of line 6, write "Form 1099." If you had two or more employers and had total wages of over \$48,000, see page 35 in the booklet.

If you want IRS to figure your tax, skip lines 7 through 9. Then sign and date your return. If you paid too much tax, we will send you a refund. If you didn't pay enough tax, we will send you a bill. We won't charge you interest or a late payment penalty if you pay within 30 days of the notice date or by April 16, 1990, whichever is later. If you want to figure your own tax, complete the rest of your return.

Amount you owe

Line 9. If you owe tax, attach your check or money order for the full amount. Write your social security number, daytime phone number, and "1989 Form 1040EZ" on your payment.

Sign your return

You must sign and date your return. If you pay someone to prepare your return, that person must sign it and show other information. See page 40 in the booklet.

Mailing your return

Mail your return by April 16, 1990. Use the envelope that came with your booklet. If you don't have that envelope, see page 49 in the booklet for the address.

SCHEDULES A&B (Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

1989 Attachment Sequence No. 07

Department of the Treasury Internal Revenue Service (10)

Attach to Form 1040. See Instructions for Schedules A and B (Form 1040).

Name(s) shown on Form 1040

Your social security number

Form 1040 Schedule A Itemized Deductions. Includes sections for Medical and Dental Expenses, Taxes You Paid, Interest You Paid, Gifts to Charity, Casualty and Theft Losses, Moving Expenses, Job Expenses and Most Other Miscellaneous Deductions, Other Miscellaneous Deductions, and Total Itemized Deductions.

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule A (Form 1040) 1989

Schedules A&B (Form 1040) 1989

OMB No. 1545-0074 Page 2

Name(s) shown on Form 1040. (Do not enter name and social security number if shown on other side.)

Your social security number

Schedule B—Interest and Dividend Income

Attachment Sequence No. 08

Part I Interest Income. If you received more than \$400 in taxable interest income, you must complete Parts I and III. List ALL interest received in Part I. If you received, as a nominee, interest that actually belongs to another person, or you received or paid accrued interest on securities transferred between interest payment dates, see page 27.

Part I Interest Income table. Includes lines 1-3 for interest income from seller-financed mortgages and other interest income.

Part II Dividend Income. If you received more than \$400 in gross dividends and/or other distributions on stock, you must complete Parts II and III. If you received, as a nominee, dividends that actually belong to another person, see page 27.

Part II Dividend Income table. Includes lines 4-9 for dividend income, capital gain distributions, and nontaxable distributions.

Part III Foreign Accounts and Foreign Trusts. Includes lines 10a and 11 for foreign accounts and trusts.

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule B (Form 1040) 1989

U.S. Government Printing Office: 1989-245-143

**SCHEDULE C
(Form 1040)**

**Profit or Loss From Business
(Sole Proprietorship)**

OMB No. 1545-0074

1989
Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (O)

Partnerships, Joint Ventures, Etc., Must File Form 1065.
Attach to Form 1040 or Form 1041. See instructions for Schedule C (Form 1040).

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see Instructions) _____ **B** Principal business code (from page 2) _____

C Business name and address _____ **D** Employer ID number (Net SSN) _____

E Method(s) used to value closing inventory: (1) Cost (2) Lower of cost or market (3) Other (attach explanation) (4) Does not apply (if checked, skip line G)

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____ Yes No

G Was there any change in determining quantities, costs, or valuations between opening and closing inventory? (If "Yes," attach explanation.) _____

H Are you deducting expenses for business use of your home? (If "Yes," see Instructions for limitations.) _____

I Did you "materially participate" in the operation of this business during 1989? (If "No," see Instructions for limitations on losses.) _____

J If this schedule includes a loss, credit, deduction, income, or other tax benefit relating to a tax shelter required to be registered, check here. If you checked this box, you MUST attach Form 8271.

Part I Income

1	Gross receipts or sales	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1. Enter the result here	3	
4	Cost of goods sold and/or operations (from line 39 on page 2)	4	
5	Subtract line 4 from line 3 and enter the gross profit here	5	
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see Instructions)	6	
7	Add lines 5 and 6. This is your gross income	7	

Part II Expenses

8	Advertising	8	
9	Bad debts from sales or services (see Instructions)	9	
10	Car and truck expenses	10	
11	Commissions	11	
12	Depletion	12	
13	Depreciation and section 179 deduction from Form 4562 (not included in Part III)	13	
14	Employee benefit programs (other than on line 20)	14	
15	Freight (not included in Part III)	15	
16	Insurance (other than health)	16	
17	Interest:		
17a	a Mortgage (paid to banks, etc.)	17a	
17b	b Other	17b	
18	Legal and professional services	18	
19	Office expense	19	
20	Pension and profit-sharing plans	20	
21	Rent or lease:		
21a	a Machinery and equipment	21a	
21b	b Other business property	21b	
22	Repairs	22	
23	Supplies (not included in Part III)	23	
24	Taxes	24	
25	Travel, meals, and entertainment:		
25a	a Travel	25a	
25b	b Meals and entertainment	25b	
25c	c Enter 20% of line 25b subject to limitations (see Instructions)	25c	
25d	d Subtract line 25c from line 25b	25d	
26	Utilities (see Instructions)	26	
27	Wages (less jobs credit)	27	
28	Other expenses (list type and amount):	28	
29	Add amounts in columns for lines 8 through 28. These are your total expenses	29	
30	Net profit or (loss). Subtract line 29 from line 7. If a profit, enter here and on Form 1040, line 12, and on Schedule SE, line 2. If a loss, you MUST go on to line 31. (Fiduciaries, see Instructions.)	30	
31	If you have a loss, you MUST check the box that describes your investment in this activity (see Instructions). If you checked 31a, enter the loss on Form 1040, line 12, and Schedule SE, line 2. If you checked 31b, you MUST attach Form 6198.	31a	<input type="checkbox"/> All investment is at risk.
		31b	<input type="checkbox"/> Some investment is not at risk.

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule C (Form 1040) 1989

Schedule C (Form 1040) 1989

Page 2

Part III Cost of Goods Sold and/or Operations (See Instructions.)

32	Inventory at beginning of year. (If different from last year's closing inventory, attach explanation.)	32	
33	Purchases less cost of items withdrawn for personal use	33	
34	Cost of labor. (Do not include salary paid to yourself.)	34	
35	Materials and supplies	35	
36	Other costs	36	
37	Add lines 32 through 36	37	
38	Inventory at end of year	38	
39	Cost of goods sold and/or operations. Subtract line 38 from line 37. Enter the result here and on page 1, line 4.	39	

Part IV Principal Business or Professional Activity Codes (Caution: Codes have been revised. Check your code carefully.)

Locate the major business category that best describes your activity (for example, Retail Trade, Services, etc.). Within the major category, select the activity code that most closely identifies the business or profession that is the principal source of your sales or receipts. Enter this 4-digit code on page 1, line B. (Note: If your principal source of income is from farming activities, you should file Schedule F (Form 1040), Farm Income and Expenses.)

Manufacturing, Including Printing and Publishing	0018 Operative builders (for own account)	Finance, Insurance, Real Estate, and Related Services	7856 Mailing, reproduction, commercial art and photography, and stenographic services
0034 Residential building	0059 Nonresidential building	5520 Real estate agents or brokers	7872 Computer programming, processing, data preparation, and related services
0075 Highway and street construction	0075 Other heavy construction (pipe laying, bridge construction, etc.)	5579 Real estate property managers	7922 Computer repair, maintenance, and leasing
0389 Building trade contractors, including repairs	0232 Plumbing, heating, air conditioning	5710 Subdividers and developers, except cemeteries	7773 Equipment rental and leasing (except computer or automotive services)
0257 Painting and paper hanging	0273 Electrical work	5538 Operators and lessors of buildings, including residential	7914 Investigative and protective services
0299 Masonry, dry wall, stone, tile	0414 Carpentry and flooring	5553 Operators and lessors of other real property	7880 Other business services
0430 Roofing, siding, and sheet metal	0455 Concrete work	5702 Insurance agents or brokers	8110 Personal services
0885 Other building trade contractors (excavation, glazing, etc.)	0885 Other building trade contractors (excavation, glazing, etc.)	5744 Other insurance services	8318 Barber shop (or barber)
		6060 Commodity contracts brokers and dealers, and security and commodity exchanges	8334 Photographic portrait studios
		6130 Investment advisors and services	8532 Funeral services and crematories
		6148 Credit institutions and mortgage bankers	8714 Child day care
		6155 Title abstract offices	8730 Teaching or tutoring
		6277 Other food stores (meat, produce, candy, etc.)	8755 Counseling (except health practitioners)
		3251 Liquor stores	8771 Ministers and chaplains
		3277 Drug stores	6882 Other personal services
			8813 Automotive rental or leasing, without driver
			8839 Parking, except valet
			8953 Automotive repairs, general and specialized
			8896 Other automotive services (wash, towing, etc.)
			9019 TV and audio equipment repair
			9035 Other electrical equipment repair
			9050 Republishers and furniture repair
			2881 Other equipment repair
			9217 Medical and health services
			9217 Offices and clinics of medical doctors (MDs)
			9233 Offices and clinics of dentists
			9258 Osteopathic physicians and surgeons
			9241 Podiatrists
			9274 Chiropractors
			9290 Optometrists
			9415 Registered and practical nurses
			9431 Other health practitioners
			9456 Medical and dental laboratories
			9472 Nursing and personal care facilities
			9886 Other health services
			9857 Amusement and recreational services
			8557 Physical fitness facilities
			9597 Motion picture and video production
			9688 Motion picture and tape distribution and allied services
			9613 Videotape rental
			9639 Motion picture theaters
			9670 Bowling centers
			9696 Income tax preparation, including promoters and managers
			9911 Theatrical performers, musicians, agents, producers, and related services
			9937 Other amusement and recreational services
			8888 Unable to classify

U. S. GPO: 1988-245-107

Individual Returns/1989

115

SCHEDULE D (Form 1040)

Capital Gains and Losses (And Reconciliation of Forms 1099-B)

OMB No. 1545-0074

1989

Attachment Sequence No. 12A

Department of the Treasury Internal Revenue Service (0)

Attach to Form 1040. See Instructions for Schedule D (Form 1040). For more space to list transactions for lines 2a and 9a, get Schedule D-1 (Form 1040).

Name(s) shown on Form 1040

Your social security number

1 Report here the total sales of stocks, bonds, etc., reported for 1989 to you on Form(s) 1099-B or on an equivalent substitute statement(s). If this amount differs from the total of lines 2c and 9c, column (d), attach a statement explaining the difference. See the Instructions for line 1 for examples

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

Table with columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Sales price, (e) Cost or other basis, (f) LOSS, (g) GAIN. Includes rows for 2a Stocks, Bonds, and Other Securities, 2b Amounts from Schedule D-1, 2c Total, 2d Other Transactions, 3 Short-term gain from sale of home, 4 Short-term gain from installment sales, 5 Net short-term gain or (loss) from partnerships, 6 Short-term capital loss carryover, 7 Add all of the transactions on lines 2a, 2b, and 2d and lines 3 through 6 in columns (f) and (g), 8 Net short-term gain or (loss), combine columns (f) and (g) of line 7.

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

Table with columns: (a) Description of property, (b) Date acquired, (c) Date sold, (d) Sales price, (e) Cost or other basis, (f) LOSS, (g) GAIN. Includes rows for 9a Stocks, Bonds, and Other Securities, 9b Amounts from Schedule D-1, 9c Total, 9d Other Transactions, 10 Long-term gain from sale of home, 11 Long-term gain from installment sales, 12 Net long-term gain or (loss) from partnerships, 13 Capital gain distributions, 14 Enter gain from Form 4797, line 7 or 9, 15 Long-term capital loss carryover, 16 Add all of the transactions on lines 9a, 9b, and 9d and lines 10 through 15 in columns (f) and (g), 17 Net long-term gain or (loss), combine columns (f) and (g) of line 16.

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule D (Form 1040) 1989

Schedule D (Form 1040) 1989

Attachment Sequence No. 12A

Page 2

Name(s) shown on Form 1040. (Do not enter name and social security number if shown on other side.)

Your social security number

Part III Summary of Parts I and II

Summary table with rows 18 and 19. Row 18: Combine lines 8 and 17, and enter the net gain or (loss) here. Row 19: If line 18 is a (loss), enter here and as a (loss) on Form 1040, line 13, the smaller of: a The (loss) on line 18; or b (\$3,000) or, if married filing a separate return, (\$1,500). Note: When figuring whether 19a or 19b is smaller, treat both numbers as if they are positive. Go on to Part IV if the loss on line 18 is more than \$3,000 (\$1,500, if married filing a separate return), OR if taxable income on Form 1040, line 37, is zero.

Part IV Figure Your Capital Loss Carryovers From 1989 to 1990

Section A.—Figure Your Carryover Limit

Table with rows 20-24. Row 20: Enter taxable income or loss from Form 1040, line 37. Row 21: Enter the loss shown on line 19. Row 22: Enter the amount shown on Form 1040, line 36. Row 23: Combine lines 20, 21, and 22. Row 24: Enter the smaller of line 21 or line 23.

Section B.—Figure Your Short-Term Capital Loss Carryover (Complete this section only if there is a loss shown on line 8 and line 19. Otherwise, go on to Section C.)

Table with rows 25-29. Row 25: Enter the loss shown on line 8. Row 26: Enter the gain, if any, shown on line 17. Row 27: Enter the amount shown on line 24. Row 28: Add lines 26 and 27. Row 29: Subtract line 28 from line 25. This is your short-term capital loss carryover from 1989 to 1990.

Section C.—Figure Your Long-Term Capital Loss Carryover (Complete this section only if there is a loss shown on line 17 and line 19.)

Table with rows 30-36. Row 30: Enter the loss shown on line 17. Row 31: Enter the gain, if any, shown on line 8. Row 32: Enter the amount shown on line 24. Row 33: Enter the amount, if any, shown on line 25. Row 34: Subtract line 33 from line 32. Row 35: Add lines 31 and 34. Row 36: Subtract line 35 from line 30. This is your long-term capital loss carryover from 1989 to 1990.

Part V Complete This Part Only if You Elect Out of the Installment Method and Report a Note or Other Obligation at Less Than Full Face Value

Table with rows 37-39. Row 37: Check here if you elect out of the installment method. Row 38: Enter the face amount of the note or other obligation. Row 39: Enter the percentage of valuation of the note or other obligation.

Part VI Reconcile Forms 1099-B for Bartering Transactions

Table with rows 40-45. Row 40: Form 1040, line 22. Row 41: Schedule C (Form 1040). Row 42: Schedule D (Form 1040). Row 43: Schedule E (Form 1040). Row 44: Schedule F (Form 1040). Row 45: Other form (identify) (if not taxable, indicate reason—attach additional sheets if necessary). Row 46: Total (add lines 40 through 45). Note: The amount on line 46 should be the same as the total bartering income on all Forms 1099-B and equivalent statements received.

**SCHEDULE E
(Form 1040)**

Supplemental Income and Loss
(From rents, royalties, partnerships, estates, trusts, REMICs, etc.)
▶ Attach to Form 1040 or Form 1041.
▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074

1989
Attachment
Sequence No. **13**

Department of the Treasury
Internal Revenue Service (10)

Name(s) shown on return

Your social security number

Part I Income or Loss From Rentals and Royalties Caution: Your rental loss may be limited. See Instructions.

1 Show the kind and location of rental property:	2 For each rental property listed on line 1, did you or your family use it for personal purposes for more than the greater of 14 days or 10% of the total days rented at fair rental value during the tax year?	Yes	No
A		A	
B		B	
C		C	
		A	
		B	
		C	

	Properties			D Totals (Add columns A, B, and C)
	A	B	C	
4 Rents received	4			4
5 Royalties received	5			5
Rental and Royalty Expenses:				
6 Advertising	6			
7 Auto and travel	7			
8 Cleaning and maintenance	8			
9 Commissions	9			
10 Insurance	10			
11 Legal and other professional fees	11			
12 Mortgage interest paid to banks, etc. (see Instructions)	12			12
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16			
17 Utilities (see Instructions)	17			
18 Wages and salaries	18			
19 Other (list) ▶				
	19			
20 Add lines 6 through 19	20			20
21 Depreciation expense or depletion (see Instructions)	21			21
22 Total expenses. Add lines 20 and 21	22			
23 Income or (loss) from rental or royalty properties. Subtract line 22 from line 4 (rents) or line 5 (royalties). If the result is a (loss), see Instructions to find out if you must file Form 6198	23			
24 Deductible rental loss. Caution: Your rental loss on line 23 may be limited. See Instructions to find out if you must file Form 8582	24			
25 Income. Add rental and royalty income from line 23. Enter the total income here	25			25
26 Losses. Add royalty losses from line 23 and rental losses from line 24. Enter the total losses here	26			26
27 Combine amounts on lines 25 and 26. Enter the net income or (loss) here	27			27
28 Net farm rental income or (loss) from Form 4835. (Also complete line 43 on page 2.)	28			28
29 Total rental and royalty income or (loss). Combine amounts on lines 27 and 28. Enter the result here. If Parts II, III, and IV on page 2 do not apply to you, enter the amount from line 29 on Form 1040, line 18. Otherwise, include the amount from line 29 in the total on line 42 on page 2	29			29

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule E (Form 1040) 1989

Schedule E (Form 1040) 1989

Attachment Sequence No. 13

Page 2

Name(s) shown on return. (Do not enter name and social security number if shown on other side.)

Your social security number

Note: If you report amounts from farming or fishing on Schedule E, you must include your gross income from those activities on line 43 below.

Part II Income or Loss From Partnerships and S Corporations

If you report a loss from an at-risk activity, you MUST check either column (e) or (f) to describe your investment in the activity. See Instructions. If you check column (f), you must attach Form 6198.

30	(a) Name	(b) Enter P for partnership, S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	Investment At Risk? (e) All is (f) Some is at risk
A					
B					
C					
D					
E					

	Passive Income and Loss		Nonpassive Income and Loss		
	(g) Passive loss allowed from Form 8582	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 deduction (see Instructions for limits)	(k) Nonpassive income from Schedule K-1
A					
B					
C					
D					
E					
31a Totals					
b Totals					
32 Add amounts in columns (h) and (k) of line 31a. Enter the total income here					32
33 Add amounts in columns (g), (i), and (j) of line 31b. Enter the total here					33
34 Total partnership and S corporation income or (loss). Combine amounts on lines 32 and 33. Enter the result here and include in the total on line 42 below					34

Part III Income or Loss From Estates and Trusts

35	(a) Name	(b) Employer identification number
A		
B		
C		

	Passive Income and Loss		Nonpassive Income and Loss		
	(c) Passive deduction or loss allowed from Form 8582	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1	
A					
B					
C					
36a Totals					
b Totals					
37 Add amounts in columns (d) and (f) of line 36a. Enter the total income here					37
38 Add amounts in columns (c) and (e) of line 36b. Enter the total here					38
39 Total estate and trust income or (loss). Combine amounts on lines 37 and 38. Enter the result here and include in the total on line 42 below					39

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

40	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see Instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3a
A					
B					
C					
41 Combine amounts in columns (d) and (e) only. Enter the result here and include in the total on line 42 below					41

Part V Summary of Parts I Through IV

42 TOTAL income or (loss). Combine amounts on lines 29, 34, 39, and 41. Enter the result here and on Form 1040, line 18	42
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Part VI Reconciliation of Farming and Fishing Income

43 Farmers and fishermen: Enter your gross farming and fishing income reported in Parts I, II, and III (see Instructions)	43
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U.S. Government Printing Office: 1989-245-175

Individual Returns/1989

SCHEDULE F (Form 1040)

Farm Income and Expenses

OMB No. 1545-0074

Attach to Form 1040, Form 1041, or Form 1065.

1989 Attachment Sequence No. 14

Department of the Treasury Internal Revenue Service (0)

See Instructions for Schedule F (Form 1040).

Name of proprietor Social security number (SSN)

A Principal product, B Agricultural activity code, C Accounting method, D Employer ID number, E Did you make an election...

Part I Farm Income—Cash Method—Complete Parts I and II (Accrual method taxpayers complete Parts II and III, and line 11 of Part I.)

1 Sales of livestock and other items you bought for resale, 2 Cost or other basis of livestock, 3 Subtract line 2 from line 1, 4 Sales of livestock, produce, grains, and other products you raised...

Part II Farm Expenses—Cash and Accrual Method (Do not include personal or living expenses such as taxes, insurance, repairs, etc., on your home.)

12 Breeding fees, 13 Chemicals, 14 Conservation expenses, 15 Custom hire (machine work), 16 Depreciation and section 179 deduction not claimed elsewhere...

For Paperwork Reduction Act Notice, see Form 1040 Instructions. Schedule F (Form 1040) 1989

Schedule F (Form 1040) 1989

Page 2

Part III Farm Income—Accrual Method

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797 and do not include this livestock on line 46 below.

38 Sales of livestock, produce, grains, and other products during year, 39a Total cooperative distributions, 40a Agricultural program payments, 41 Commodity Credit Corporation (CCC) loans...

*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 49 is larger than the amount on line 48, subtract line 48 from line 49. Enter the result on line 50. Add lines 45 and 50. Enter the total on line 51.

Part IV Principal Agricultural Activity Codes

Select one of the following codes and write the 3-digit number on page 1, line B. (Note: If your principal source of income is from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis, you should file Schedule C (Form 1040), Profit or Loss From Business.)

U.S. Government Printing Office: 1989-245-170

**Schedule R
(Form 1040)**

Credit for the Elderly or the Disabled

OMB No. 1545-0074

1989
Attachment
Sequence No. **17**

Department of the Treasury
Internal Revenue Service (D)

▶ For Paperwork Reduction Act Notice, see Form 1040 Instructions.
▶ Attach to Form 1040. ▶ See separate instructions for Schedule R.

Name(s) shown on Form 1040

Your social security number

You may be able to use Schedule R to reduce your tax if by the end of 1989:

- You were 65 or older, OR
 - You were under 65, you retired on permanent and total disability, and you received taxable disability income.
- Even if one of the situations described above applies to you, you must meet other tests to be able to take the credit on Schedule R. See the separate Schedule R Instructions for details.

Note: In most cases IRS can figure this credit for you. See page 16 of the Form 1040 Instructions.

Part I Check the Box That Applies to Your Filing Status and Age (Check only one box)

If your filing status is:		And by the end of 1989:	Check box:
Single*	1	You were 65 or older.	1 <input type="checkbox"/>
	2	You were under 65 and you retired on permanent and total disability. * Includes Head of household and Qualifying widow(er) with dependent child	2 <input type="checkbox"/>
	3	Both spouses were 65 or older.	3 <input type="checkbox"/>
Married filing a joint return	4	Both spouses were under 65, but only one spouse retired on permanent and total disability	4 <input type="checkbox"/>
	5	Both spouses were under 65, and both retired on permanent and total disability	5 <input type="checkbox"/>
Married filing a separate return	6	One spouse was 65 or older, and the other spouse was under 65 and retired on permanent and total disability	6 <input type="checkbox"/>
	7	One spouse was 65 or older, and the other spouse was under 65 and NOT retired on permanent and total disability	7 <input type="checkbox"/>
	8	You were 65 or older, and you did not live with your spouse at any time in 1989.	8 <input type="checkbox"/>
	9	You were under 65, you retired on permanent and total disability, and you did not live with your spouse at any time in 1989.	9 <input type="checkbox"/>

Note: If you checked the box on line 1, 3, 7, or 8, skip Part II and complete Part III on the back. All others, complete Parts II and III.

Part II Statement of Permanent and Total Disability (Complete only if you checked the box on line 2, 4, 5, 6, or 9 above)

- IF: 1 You filed a physician's statement for this disability for 1983 or an earlier year, or you filed a statement for tax years after 1983 and your physician checked Box B on the statement, **AND**
- 2 Due to your continued disabled condition you were unable to engage in any substantial gainful activity in 1989, check this box.
- If you checked this box, you do not have to file another statement for 1989. If you did not check this box, have your physician complete the following statement:

Physician's Statement

I certify that _____
Name of disabled person

was permanently and totally disabled on January 1, 1976, or January 1, 1977, OR was permanently and totally disabled on the date he or she retired. If retired after December 31, 1976, enter the date retired. ▶ _____

Physician: Sign your name on either line A or B below and check the box to the right of your signature.

A The disability has lasted, or can be expected to last, continuously for at least a year. _____ **A**

B There is no reasonable probability that the disabled condition will ever improve. _____ **B**

Physician's name _____ Physician's address _____

Instructions for Statement

Taxpayer
If you retired after December 31, 1976, enter the date you retired in the space provided.

Physician
A person is permanently and totally disabled when:
• He or she cannot engage in any substantial gainful activity because of a physical or mental condition; and

- A physician determines that the disability:
 1. has lasted, or can be expected to last, continuously for at least a year; or
 2. can be expected to lead to death.

(Continued on back)

Schedule R (Form 1040) 1989

Schedule R (Form 1040) 1989

Page 2

Part III Figure the Amount of Your Credit

10	Enter: \$5,000 if you checked the box on line 1, 2, 4, or 7 in Part I, OR \$7,500 if you checked the box on line 3, 5, or 6 in Part I, OR \$3,750 if you checked the box on line 8 or 9 in Part I.	10	
Caution: If you checked the box on line 2, 4, 5, 6, or 9 in Part I, you MUST complete line 11 below. Otherwise, skip line 11 and enter the amount from line 10 on line 12.			
11	Enter on line 11 your taxable disability income (and also your spouse's if you checked the box on line 5 in Part I) that you reported on Form 1040. However, if you checked the box on line 6 in Part I, enter on line 11 the taxable disability income of the spouse who was under age 65 PLUS \$5,000. (For more details on what to include, see the Instructions.)	11	
12	If you completed line 11 above, compare the amounts on lines 10 and 11, and enter the smaller of the two amounts here. Otherwise, enter the amount from line 10	12	
13	Enter the following pensions, annuities, or disability income that you (and your spouse if you file a joint return) received in 1989 (see Instructions):		
	a Nontaxable part of social security benefits; and Nontaxable part of railroad retirement benefits treated as social security.	13a	
	b Nontaxable veterans' pensions; and Any other pension, annuity, or disability benefit that is excluded from income under any other provision of law.	13b	
	c Add lines 13a and 13b. (Even though these income items are not taxable, they must be included to figure your credit.) If you did not receive any of the types of nontaxable income listed on line 13a or 13b, enter -0- on line 13c	13c	
14	Enter the amount from Form 1040, line 32.	14	
15	Enter: \$7,500 if you checked the box on line 1 or 2 in Part I, OR \$10,000 if you checked the box on line 3, 4, 5, 6, or 7 in Part I, OR \$5,000 if you checked the box on line 8 or 9 in Part I.	15	
16	Subtract line 15 from line 14. Enter the result. If line 15 is more than line 14, enter -0-	16	
17	Divide the amount on line 16 by 2. Enter the result	17	
18	Add lines 13c and 17. Enter the total	18	
19	Subtract line 18 from line 12. Enter the result. If the result is zero or less, stop here; you cannot take the credit. Otherwise, go on to line 21.	19	
20	Decimal amount used to figure the credit.	20	x .15
21	Multiply the amount on line 19 by the decimal amount (.15) on line 20. Enter the result here and on Form 1040, line 42. Caution: If you file Schedule C, D, E, or F (Form 1040), your credit may be limited. See the instructions for line 21 for the amount of credit you can claim.	21	

U.S. Government Printing Office: 1989-245-183

**SCHEDULE SE
(Form 1040)**

Social Security Self-Employment Tax

OMB No. 1545-0074

1989
Attachment
Sequence No. 18

Department of the Treasury
Internal Revenue Service (O)

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

Name of person with self-employment income (as shown on social security card)	Social security number of person with self-employment income ▶
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Who Must File Schedule SE

You must file Schedule SE if:

- Your net earnings from self-employment were \$400 or more (or you had wages of \$100 or more from an electing church or church-controlled organization); AND
- Your wages (subject to social security or railroad retirement tax) were less than \$48,000.

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner, AND you filed Form 4361 and received IRS approval not to be taxed on those earnings, DO NOT file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 48.

For more information about Schedule SE, see the Instructions.

Note: Most people can use the short Schedule SE on this page. But, you may have to use the longer Schedule SE that is on the back.

Who MUST Use the Long Schedule SE (Section B)

You must use Section B if ANY of the following applies:

- You choose the "optional method" to figure your self-employment tax (see Section B, Part II);
- You are a minister, member of a religious order, or Christian Science practitioner and you received IRS approval (from Form 4361) not to be taxed on your earnings from these sources, but you owe self-employment tax on other earnings;
- You were an employee of a church or church-controlled organization that chose by law not to pay employer social security taxes;
- You had tip income that is subject to social security tax, but you did not report those tips to your employer; OR
- You were a government employee with wages subject ONLY to the 1.45% Medicare part of the social security tax.

Section A—Short Schedule SE

(Read above to see if you must use the long Schedule SE on the back (Section B).)

1 Net farm profit or (loss) from Schedule F (Form 1040), line 36, and farm partnerships, Schedule K-1 (Form 1065), line 14a	1		
2 Net profit or (loss) from Schedule C (Form 1040), line 30, and Schedule K-1 (Form 1065), line 14a (other than farming). See the Instructions for other income to report	2		
3 Add lines 1 and 2. Enter the total. If the total is less than \$400, do not file this schedule; you do not owe self-employment tax	3		
4 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1989 is	4	\$48,000	00
5 Total social security wages and tips (from Form(s) W-2) and railroad retirement compensation (tier 1)	5		
6 Subtract line 5 from line 4. Enter the result. If the result is zero or less, stop here; you do not owe self-employment tax	6		
7 Enter the smaller of line 3 or line 6	7		
8 Rate of tax	8	x .1302	
9 Self-employment tax. If line 7 is \$48,000, enter \$6,249.60. Otherwise, multiply the amount on line 7 by the decimal amount on line 8 and enter the result. Also enter this amount on Form 1040, line 48	9		

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule SE (Form 1040) 1989

Schedule SE (Form 1040) 1989

Attachment Sequence No. 18

Page 2

Name of person with self-employment income (as shown on social security card)	Social security number of person with self-employment income ▶
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Section B—Long Schedule SE

(Before completing, see if you can use the short Schedule SE on the other side (Section A).)

- A If you are a minister, member of a religious order, or Christian Science practitioner, AND you filed Form 4361, but you had \$400 or more of other earnings subject to self-employment tax, continue with Part I and check here
- B If your only earnings subject to self-employment tax were wages from an electing church or church-controlled organization that is exempt from employer social security taxes and you are not a minister or a member of a religious order, skip lines 1-3b. Enter zero on line 3c and go to line 5a.

Part I Figure Social Security Self-Employment Tax

1 Net farm profit or (loss) from Schedule F (Form 1040), line 36, and farm partnerships, Schedule K-1 (Form 1065), line 14a	1		
2 Net profit or (loss) from Schedule C (Form 1040), line 30, and Schedule K-1 (Form 1065), line 14a (other than farming). See Instructions for other income to report. (Employees of an electing church or church-controlled organization do not enter your Form W-2 wages on this line. See the Instructions.)	2		
3a Enter the amount from line 1 (or, if you elected the farm optional method, from line 11 below)	3a		
3b Enter the amount from line 2 (or, if you elected the nonfarm optional method, from line 13 below)	3b		
3c Add lines 3a and 3b. Enter the total. If the total is less than \$400, do not file this schedule; you do not owe self-employment tax. (Exception: If you were an employee of an electing church or church-controlled organization and the total of lines 3a and 3b is less than \$400, enter zero and complete the rest of this schedule.)	3c		
4 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement tax (tier 1) for 1989 is	4	\$48,000	00
5a Total social security wages and tips (from Form(s) W-2) and railroad retirement compensation (tier 1). Note: Government employees whose wages were subject only to the 1.45% Medicare tax and employees of certain church or church-controlled organizations should not include those wages on this line. See Instructions	5a		
5b Unreported tips subject to social security tax (from Form 4137, line 9) or to railroad retirement tax (tier 1)	5b		
5c Add lines 5a and 5b. Enter the total	5c		
6a Subtract line 5c from line 4. Enter the result. If the result is zero or less, enter zero and stop here; you do not owe self-employment tax	6a		
6b Enter your Medicare qualified government wages. See the Instructions to see if you must use the worksheet in those instructions to figure your self-employment tax	6b		
6c Enter your Form W-2 wages of \$100 or more from an electing church or church-controlled organization	6c		
6d Add lines 6b and 6c. Enter the total	6d		
7 Enter the smaller of line 6a or line 6d	7		
8 Rate of tax	8	x .1302	
9 Self-employment tax. If line 7 is \$48,000, enter \$6,249.60. Otherwise, multiply the amount on line 7 by the decimal amount on line 8 and enter the result. Also enter this amount on Form 1040, line 48	9		

Part II Optional Method To Figure Net Earnings (See "Who Can File Schedule SE" in the Instructions.)

See Instructions for limitations. Generally, you may use this part only if:

- A Your gross farm income¹ was not more than \$2,400; or
- B Your gross farm income² was more than \$2,400 and your net farm profits² were less than \$1,600; or
- C Your net nonfarm profits³ were less than \$1,600 and also less than two-thirds (⅔) of your gross nonfarm income.⁴

Note: If line 2 above is two-thirds (⅔) or more of your gross nonfarm income⁴, or if line 2 is \$1,600 or more, you may not use the optional method.

¹From Schedule F (Form 1040), line 11, and Schedule K-1 (Form 1065), line 14b. ²From Schedule C (Form 1040), line 30, and Schedule K-1 (Form 1065), line 14a.

³From Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), line 14a. ⁴From Schedule C (Form 1040), line 7, and Schedule K-1 (Form 1065), line 14c.

10 Maximum income for optional methods	10	\$1,600	00
11 Farm Optional Method—If you meet test A or B above, enter the smaller of: two-thirds (⅔) of gross farm income from Schedule F (Form 1040), line 11, and farm partnerships, Schedule K-1 (Form 1065), line 14b; or \$1,600. Also enter this amount on line 3a above	11		
12 Subtract line 11 from line 10. Enter the result	12		
13 Nonfarm Optional Method—If you meet test C above, enter the smallest of: two-thirds (⅔) of gross nonfarm income from Schedule C (Form 1040), line 7, and Schedule K-1 (Form 1065), line 14c; or \$1,600; or, if you elected the farm optional method, the amount on line 12. Also enter this amount on line 3b above	13		

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule SE (Form 1040) 1989

U.S. Government Printing Office: 1989-245-119

Form **2441**

Child and Dependent Care Expenses

OMB No. 1545-0068

1989
Attachment
Sequence No. 23

Department of the Treasury
Internal Revenue Service (02)

▶ Attach to Form 1040.
▶ See separate instructions.

Name(s) shown on Form 1040

Your social security number

- If you are claiming the child and dependent care credit, complete Parts I and II below. But if you received employer-provided dependent care benefits, first complete Part III on the back.
- If you are not claiming the credit but you received employer-provided dependent care benefits, only complete Part I, below, and Part III on the back.

Part I Persons or Organizations Who Provided the Care—You must complete this part. (See the instructions. If you need more space, attach a statement.)

1	(a) Name	(b) Address (number, street, city, state, and ZIP code)	(c) Identification number (SSN or EIN)	(d) Amount paid (see instructions)

2 Add the amounts in column (d) of line 1 and enter the total **2**
Note: If you paid cash wages of \$50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get Form 942 for details.

Part II Credit for Child and Dependent Care Expenses

3	Enter the number of qualifying persons who were cared for in 1989. (See the instructions for the definition of qualifying persons.) <i>Caution: To qualify, the person(s) must have shared the same home with you in 1989.</i>	3																																																																
4	Enter the amount of qualified expenses you incurred and actually paid in 1989. Also see the instructions for the definition of qualified expenses. Do not enter more than \$2,400 (\$4,800 if you paid for the care of two or more qualifying persons).	4																																																																
5	Enter the excluded benefits, if any, from line 21 on page 2.	5																																																																
6	Subtract line 5 from line 4 and enter the result. If the result is zero or less, stop here; you cannot claim the credit.	6																																																																
7	You must enter your earned income. (See the instructions for the definition of earned income.)	7																																																																
8	If you are married filing a joint return, you must enter your spouse's earned income. (If your spouse was a full-time student or disabled, see the instructions for the amount to enter.)	8																																																																
9	If you are married filing a joint return, compare the amounts on lines 7 and 8. Enter the smaller of the two amounts here.	9																																																																
10	<ul style="list-style-type: none"> • If you are married filing a joint return, compare the amounts on lines 6 and 9. Enter the smaller of the two amounts here. • All others, compare the amounts on lines 6 and 7. Enter the smaller of the two amounts here. 	10																																																																
11	Enter the decimal amount from the table below that applies to the adjusted gross income on Form 1040, line 32. X	11																																																																
<table border="1"> <thead> <tr> <th colspan="2">If line 32 is:</th> <th colspan="2">Decimal amount is:</th> <th colspan="2">If line 32 is:</th> <th colspan="2">Decimal amount is:</th> </tr> <tr> <th>Over—</th> <th>But not over—</th> <th></th> <th></th> <th>Over—</th> <th>But not over—</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>\$0—</td> <td>10,000</td> <td>.30</td> <td></td> <td>\$20,000—</td> <td>22,000</td> <td>.24</td> <td></td> </tr> <tr> <td>10,000—</td> <td>12,000</td> <td>.29</td> <td></td> <td>22,000—</td> <td>24,000</td> <td>.23</td> <td></td> </tr> <tr> <td>12,000—</td> <td>14,000</td> <td>.28</td> <td></td> <td>24,000—</td> <td>26,000</td> <td>.22</td> <td></td> </tr> <tr> <td>14,000—</td> <td>16,000</td> <td>.27</td> <td></td> <td>26,000—</td> <td>28,000</td> <td>.21</td> <td></td> </tr> <tr> <td>16,000—</td> <td>18,000</td> <td>.26</td> <td></td> <td>28,000</td> <td></td> <td>.20</td> <td></td> </tr> <tr> <td>18,000—</td> <td>20,000</td> <td>.25</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		If line 32 is:		Decimal amount is:		If line 32 is:		Decimal amount is:		Over—	But not over—			Over—	But not over—			\$0—	10,000	.30		\$20,000—	22,000	.24		10,000—	12,000	.29		22,000—	24,000	.23		12,000—	14,000	.28		24,000—	26,000	.22		14,000—	16,000	.27		26,000—	28,000	.21		16,000—	18,000	.26		28,000		.20		18,000—	20,000	.25						
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18,000—	20,000	.25																																																																
12	Multiply the amount on line 10 by the decimal amount on line 11, and enter the result.	12																																																																
13	Multiply any child and dependent care expenses for 1988 that you paid in 1989 by the percentage that applies to the adjusted gross income on your 1988 Form 1040, line 32, or Form 1040A, line 14. Enter the result. (You must complete Part I and attach a statement. See the instructions.)	13																																																																
14	Add the amounts on lines 12 and 13. See the instructions for the amount of credit you can claim.	14																																																																

For Paperwork Reduction Act Notice, see separate instructions.

Form **2441** (1989)

Form 2441 (1989)

Page **2**

Part III Employer-Provided Dependent Care Benefits

Caution: Be sure to also complete Part I on page 1.

15	Enter the total amount of employer-provided dependent care benefits you received for 1989. (This amount should be separately shown on your W-2 forms and labeled as "DCB.") Do not include amounts that were reported to you as wages in Box 10 of Form(s) W-2.	15
16	Enter the total amount of qualified expenses incurred in 1989 for the care of a qualifying person (see the instructions).	16
17	Compare the amounts on lines 15 and 16. Enter the smaller of the two amounts here.	17
18	You must enter your earned income. (See the instructions for lines 7 and 8 for the definition of earned income.)	18
19	If you were married at the end of 1989, you must enter your spouse's earned income. (If your spouse was a full-time student or disabled, see the instructions for lines 7 and 8 for the amount to enter.)	19
20	<ul style="list-style-type: none"> • If you were married at the end of 1989, compare the amounts on lines 18 and 19 and enter the smaller of the two amounts here. • If you were unmarried, enter the amount from line 18 here. 	20
21	Excluded benefits. Enter here the smallest of the following: <ul style="list-style-type: none"> • The amount from line 17, or • The amount from line 20, or • \$5,000 (\$2,500 if married filing a separate return). 	21
22	Taxable benefits. Subtract line 21 from line 15. Enter the result, but not less than zero. Also include this amount in the total on Form 1040, line 7. On the dotted line next to line 7, write "DCB"	22

Note: If you are also claiming the child and dependent care credit, fill in Form 1040 through line 40. Then complete Part II of this form. Be sure to include any amount shown on line 22 above when figuring your earned income in Part II.

U.S. GOVERNMENT PRINTING OFFICE: 1989-245-294

Form **3800**

Department of the Treasury
Internal Revenue Service

General Business Credit

▶ Attach to your tax return.
▶ See separate instructions.

OMB No. 1545-0895

1989
Attachment
Sequence No. 24

Name(s) as shown on return

Identifying number

Part I Tentative Credit

1	Current year investment credit (Form 3468, Part I, line 6)	1	
2	Current year jobs credit (Form 5884, line 4)	2	
3	Current year credit for alcohol used as fuel (Form 6478, line 11)	3	
4	Current year credit for increasing research activities (Form 6765, line 25)	4	
5	Current year low-income housing credit (Form 8586, line 6)	5	
6	Current year general business credit—Add lines 1 through 5	6	
7	Passive activity credits included on lines 1 through 5 (see Instructions)	7	
8	Subtract line 7 from line 6	8	
9	Passive activity credits allowed in 1989 (see Instructions)	9	
10	Carryforward of general business credit, WIN credit or ESOP credit to 1989 (see Instructions)	10	
11	Carryback of general business credit to 1989	11	
12	Tentative general business credit—Add lines 8 through 11	12	

Part II General Business Credit Limitation Based on Amount of Tax

13a	Individuals—Enter amount from Form 1040, line 40	13	
b	Corporations—Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1)		
c	Other filers—Enter regular tax before credits from your return		
14	Credits that reduce regular tax before the general business credit—		
a	Credit for child and dependent care expense (Form 2441)	14a	
b	Credit for the elderly or the disabled (Schedule R, Form 1040)	14b	
c	Foreign tax credit (Form 1116 or Form 1118)	14c	
d	Possessions tax credit (Form 5735)	14d	
e	Mortgage interest credit (Form 8396)	14e	
f	Credit for fuel from a nonconventional source	14f	
g	Orphan drug credit (Form 6765)	14g	
h	Total credits that reduce regular tax before the general business credit. Add lines 14a through 14g and enter here	14h	
15	Net regular tax—Subtract line 14h from line 13	15	
16	Tentative minimum tax:	16	
a	Individuals—Enter amount from Form 6251, line 17		
b	Corporations—Enter amount from Form 4626, line 13		
c	Estates and Trusts—Enter amount from Form 8656, Part III, line 10		
17	Net income tax:	17	
a	Individuals—Add line 15 above and line 19 of Form 6251. Enter the total		
b	Corporations—Add line 15 above and line 13 of Form 4626 less line 15 of Form 4626. Enter the total		
c	Other filers—See instructions		
18	If line 15 is more than \$25,000, enter 25% of the excess	18	
19	Subtract line 16 or line 18, whichever is greater, from line 17. Enter the result. If less than zero, enter zero	19	
20	General business credit—Enter the smaller of line 12 or line 19. Also enter this amount on Form 1040, line 44; Form 1120, Schedule J, line 4e; Form 1120-A, Part I, line 2a; or on the appropriate line of your return. (Individuals, estates, and trusts see instructions if the credit for increasing research activities is claimed. C corporations see instructions if the investment credit is claimed or if you have undergone a post-1986 "ownership change.")	20	

For Paperwork Reduction Act Notice, see page 1 of the separate instructions to this form.

Form **3800** (1989)

Form 3800 (1989)

Page 2

Schedule A Computation of Additional General Business Credit Allowed By Section 38(c)(2)—Only Applicable to C Corporations

1	Enter the portion of the credit shown on line 12, page 1, that is attributable to the regular investment credit under section 46	1	
2	Enter the amount from line 13, Form 4626	2	
3	Multiply the amount on line 2 by 25% (.25)	3	
4	Enter the amount from line 19, page 1	4	
5	Enter the portion of the credit shown on line 12, page 1, that is NOT attributable to the regular investment credit under section 46	5	
6	Subtract line 5 from line 4 (if less than zero, enter zero)	6	
7	Subtract line 6 from line 1 (if less than zero, enter zero)	7	
8	For purposes of this line only, recompute the amount on line 11, Form 4626, by using zero on line 7, Form 4626, and enter the result here	8	
9	Multiply the amount on line 8 by 10% (.10)	9	
10	Enter the amount from line 15, page 1	10	
11	Subtract line 15, Form 4626 from line 13, Form 4626 and enter the result here	11	
12	Add lines 10 and 11	12	
13	Enter the amount from line 20, page 1	13	
14	Subtract line 13 from line 12	14	
15	Subtract line 9 from line 14	15	
16	Enter the smallest of line 3, line 7, or line 15	16	
17	Subtract line 16 from line 2	17	
18	Enter the greater of line 17, above, or line 18, page 1	18	
19	Subtract line 18, above, from line 17, page 1. DO NOT enter more than the amount on line 12, page 1	19	
20	Enter the lesser of line 19, above, or line 15, page 1. Enter this amount also on line 20, page 1, instead of the amount previously computed on that line. Write "Sec. 38(c)(2)" in the margin next to your entry on line 20, page 1	20	
21	If line 19, above, is greater than line 20, above, enter the excess here and on line 14, Form 4626	21	

Form **6251****Alternative Minimum Tax—Individuals**

OMB No. 1545-0227

1989
Attachment
Sequence No. **32**Department of the Treasury
Internal Revenue Service▶ See separate Instructions.
▶ Attach to Form 1040 or Form 1040NR. Estates and trusts, use Form 8656.

Name(s) shown on Form 1040

Your social security number

1	Taxable income from Form 1040, line 37 (can be less than zero)	1	
2	Net operating loss deduction, if any, from Form 1040, line 22. (Enter as a positive amount.)	2	
3	Add lines 1 and 2	3	
4	Adjustments: (See Instructions before completing.)		
a	Standard deduction, if applicable, from Form 1040, line 34	4a	
b	Personal exemption amount from Form 1040, line 36	4b	
c	Medical and dental expense	4c	
d	Miscellaneous itemized deductions from Schedule A (Form 1040), line 24	4d	
e	Taxes from Schedule A (Form 1040), line 8	4e	
f	Refund of taxes	4f	
g	Personal interest from Schedule A (Form 1040), line 12b	4g	
h	Other interest adjustments	4h	
i	Combine lines 4a through 4h	4i	
j	Depreciation of property placed in service after 1986	4j	
k	Circulation and research and experimental expenditures paid or incurred after 1986	4k	
l	Mining exploration and development costs paid or incurred after 1986	4l	
m	Long-term contracts entered into after 2/28/86	4m	
n	Pollution control facilities placed in service after 1986	4n	
o	Installment sales of certain property	4o	
p	Adjusted gain or loss	4p	
q	Certain loss limitations	4q	
r	Tax shelter farm loss	4r	
s	Passive activity loss	4s	
t	Beneficiaries of estates and trusts	4t	
u	Combine lines 4j through 4t	4u	
5	Tax preference items: (See Instructions before completing.)		
a	Appreciated property charitable deduction	5a	
b	Tax-exempt interest from private activity bonds issued after 8/7/86	5b	
c	Depletion	5c	
d	Add lines 5a through 5c	5d	
e	Accelerated depreciation of real property placed in service before 1987	5e	
f	Accelerated depreciation of leased personal property placed in service before 1987	5f	
g	Amortization of certified pollution control facilities placed in service before 1987	5g	
h	Intangible drilling costs	5h	
i	Add lines 5e through 5h	5i	
6	Combine lines 3, 4i, 4u, 5d, and 5i	6	
7	Alternative tax net operating loss deduction. (Do not enter more than 90% of line 6.) See Instructions.	7	
8	Alternative minimum taxable income (subtract line 7 from line 6). If married filing a separate return, see Instructions.	8	
9	Enter: \$40,000 (\$20,000 if married filing separately; \$30,000 if single or head of household)	9	
10	Enter: \$150,000 (\$75,000 if married filing separately; \$112,500 if single or head of household)	10	
11	Subtract line 10 from line 8. If the result is -0- or less, enter -0- here and on line 12 and go to line 13	11	
12	Multiply line 11 by 25% (.25)	12	
13	Subtract line 12 from line 9. If the result is -0- or less, enter -0-. If completing this form for a child under age 14, see the Instructions for the amount to enter on this line	13	
14	Subtract line 13 from line 8. If the result is -0- or less, enter -0- here and on line 19	14	
15	Multiply line 14 by 21% (.21)	15	
16	Alternative minimum tax foreign tax credit. See Instructions	16	
17	Tentative minimum tax (subtract line 16 from line 15)	17	
18	Enter your tax from Form 1040, line 38, minus any foreign tax credit on Form 1040, line 43. If an amount is entered on line 39 of Form 1040, see Instructions	18	
19	Alternative minimum tax (subtract line 18 from line 17). Enter on Form 1040, line 49. If the result is -0- or less, enter -0-. If completing this form for a child under age 14, see the Instructions for the amount to enter	19	

For Paperwork Reduction Act Notice, see separate Instructions.

Form **6251** (1989)

* U.S. GPO: 1989-0-245-358

Form **8582****Passive Activity Loss Limitations**

OMB No. 1545-1008

1989
Attachment
Sequence No. **88**Department of the Treasury
Internal Revenue Service▶ See separate Instructions.
▶ Attach to Form 1040 or Form 1041.

Name(s) shown on return

Identifying number

Part I Computation of 1989 Passive Activity Loss

Caution: See the Instructions for Worksheets 1 and 2 on pages 6 and 7 before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation see Active Participation in a Rental Real Estate Activity in the Instructions.)**Activities acquired before 10-23-86 (Pre-enactment):**

- 1a Activities with net income (from Worksheet 1, Part 1, column (a))
- 1b Activities with net loss (from Worksheet 1, Part 1, column (b))
- 1c Combine lines 1a and 1b

Activities acquired after 10-22-86 (Post-enactment):

- 1d Activities with net income (from Worksheet 1, Part 2, column (a))
- 1e Activities with net loss (from Worksheet 1, Part 2, column (b))
- 1f Combine lines 1d and 1e
- 1g Net income or (loss). Combine lines 1c and 1f.
- 1h Prior year unallowed losses (from Worksheet 1, Parts 1 and 2, column (c))
- 1i Combine lines 1g and 1h

All Other Passive Activities**Activities acquired before 10-23-86 (Pre-enactment):**

- 2a Activities with net income (from Worksheet 2, Part 1, column (a))
- 2b Activities with net loss (from Worksheet 2, Part 1, column (b))
- 2c Combine lines 2a and 2b

Activities acquired after 10-22-86 (Post-enactment):

- 2d Activities with net income (from Worksheet 2, Part 2, column (a))
- 2e Activities with net loss (from Worksheet 2, Part 2, column (b))
- 2f Combine lines 2d and 2e
- 2g Net income or (loss). Combine lines 2c and 2f
- 2h Prior year unallowed losses (from Worksheet 2, Parts 1 and 2, column (c))
- 2i Combine lines 2g and 2h

3 Combine lines 1i and 2i. If the result is net income or -0-, see the Instructions for line 3. If this line and line 1c or line 1i are losses, go to line 4. Otherwise, enter -0- on lines 8 and 9 and go to line 10

Part II Computation of the Special Allowance for Rental Real Estate With Active Participation

Note: Treat all numbers entered in Parts II and III as positive amounts. (See Instructions on page 7 for examples.)

4	Enter the smaller of the loss on line 1i or the loss on line 3. If line 1i is -0- or net income, enter -0- and complete lines 5 through 9	4	
5	Enter \$150,000. If married filing separately, see the Instructions	5	
6	Enter modified adjusted gross income, but not less than -0- (see Instructions)	6	
7	Subtract line 6 from line 5	7	
8	Multiply line 7 by 50% (.5). Do not enter more than \$25,000. If married filing separately, see Instructions	8	
9	Enter the smaller of line 4 or line 8	9	

Part III Computation of Passive Activity Loss Allowed

- 10 Combine lines 1c and 2c. If the result is net income or -0-, skip to line 16. (See Instructions.)
- 11 If line 1c shows income, has no entry, or shows -0-, enter -0-. Otherwise, enter the smaller of line 1c or line 8
- 12 Subtract line 11 from line 10. If line 11 is equal to or greater than line 10, enter -0-
- 13 Subtract line 9 from line 3
- 14 Enter the smaller of line 12 or line 13
- 15 Multiply line 14 by 20% (.2) and enter the result
- 16 Enter the amount from line 9
- 17 **Passive activity loss allowed for 1989.** Add lines 15 and 16
- 18 Add the income, if any, on lines 1a, 1d, 2a, and 2d and enter the total
- 19 **Total losses allowed from all passive activities for 1989.** Add lines 17 and 18. See the Instructions to find out how to report the losses on your tax return

For Paperwork Reduction Act Notice, see separate Instructions.

Form **8582** (1989)

Caution: The worksheets are not required to be filed with your tax return and may be detached before filing Form 8582. Keep a copy of the worksheets for your records.

Worksheet 1—For Form 8582, Lines 1a, 1b, 1d, 1e, and 1h (See Instructions on page 6.)

Table with columns: Name of activity, (a) Net income (line 1a), (b) Net loss (line 1b), (c) Unallowed loss (line 1h), (d) Gain, (e) Loss. Includes sub-section Part 1—Pre-enactment Interests.

Total. Enter on Form 8582, lines 1a and 1b

Part 2—Post-enactment Interests

Table with columns: Name of activity, (a) Net income (line 1d), (b) Net loss (line 1e), (d) Gain, (e) Loss.

Total. Enter on Form 8582, lines 1d, 1e, and 1h

Worksheet 2—For Form 8582, Lines 2a, 2b, 2d, 2e, and 2h (See Instructions on page 7.)

Table with columns: Name of activity, (a) Net income (line 2a), (b) Net loss (line 2b), (c) Unallowed loss (line 2h), (d) Gain, (e) Loss. Includes sub-section Part 1—Pre-enactment Interests.

Total. Enter on Form 8582, lines 2a and 2b

Part 2—Post-enactment Interests

Table with columns: Name of activity, (a) Net income (line 2d), (b) Net loss (line 2e), (d) Gain, (e) Loss.

Total. Enter on Form 8582, lines 2d, 2e, and 2h

Worksheet 3—Use this worksheet if an amount is shown on Form 8582, line 9 (See Instructions on page 8.)

Table with columns: Name of activity, Form or schedule to be reported on, (a) Loss, (b) Ratio, (c) Special allowance, (d) Subtract column (c) from column (a).

Total

Worksheet 4—Allocation of Unallowed Losses (See Instructions on page 8.)

Table with columns: Name of activity, Forms or schedules to be reported on, (a) Loss, (b) Ratio, (c) Unallowed loss.

Total

Worksheet 5—Allowed Losses (See Instructions on page 8.)

Table with columns: Name of activity, Forms or schedules to be reported on, (a) Loss, (b) Unallowed loss, (c) Allowed loss.

Worksheet 6—Activities With Losses Reported on 2 or More Different Forms or Schedules (See Instructions on page 8.)

Table with columns: Name of Activity, (a) Loss, (b) Loss, (c) Ratio, (d) Unallowed loss, (e) Allowed loss. Includes sub-sections for Form or Schedule to be Reported on.

Total

Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000

OMB No. 1545-0998

1989

Attachment Sequence No. 33

Department of the Treasury
Internal Revenue Service

See instructions below and on back.
Attach ONLY to the Child's Form 1040, Form 1040A, or Form 1040NR.

General Instructions

Purpose of Form. For children under age 14, investment income (such as taxable interest and dividends) over \$1,000 is taxed at the parent's rate if the parent's rate is higher than the child's rate.

Do not use this form if the child's investment income is \$1,000 or less. Instead, figure the tax in the normal manner on the child's income tax return. For example, if the child had \$900 of taxable interest income and \$200 of wages, Form 8615 is not required to be completed and the child's tax should be figured on Form 1040A using the Tax Table.

If the child's investment income is more than \$1,000, use this form to see if any of the child's investment income is taxed at the parent's rate and, if so, to figure the

child's tax. For example, if the child had \$1,100 of taxable interest income and \$200 of wages, complete Form 8615 and attach it to the child's Form 1040A.

Investment Income. As used on this form, "investment income" includes all taxable income other than earned income as defined on page 2. It includes income such as taxable interest, dividends, capital gains, rents, royalties, etc. It also includes pension and annuity income and income (other than earned income) received as the beneficiary of a trust.

Who Must File. Generally, Form 8615 must be filed for any child who was under age 14 on January 1, 1990, and who had more than \$1,000 of investment income. If neither parent was alive on December 31,

1989, do not use Form 8615. Instead, figure the child's tax based on his or her own rate.

Note: Beginning in 1989, the parent may be able to elect to report the child's investment income on his or her return. If the parent makes this election, the child will not have to file a return or Form 8615. For more details, see the instructions for Form 1040 or Form 1040A, or get Form 8814, Parent's Election To Report Child's Interest and Dividends.

Additional Information. For more information about the tax on investment income of children, please get Pub. 929, Tax Rules for Children and Dependents.

(Instructions continue on back.)

Child's name shown on return Child's social security number

Parent's name (first, initial, and last). (Caution: See instructions on back before completing.) Parent's social security number

Parent's filing status (check one): Single, Married filing jointly, Married filing separately, Head of household, or Qualifying widow(er)

Enter number of exemptions claimed on parent's return

Step 1 Figure child's net investment income

1 Enter the child's investment income, such as taxable interest and dividend income (see the instructions). (If this amount is \$1,000 or less, stop here; do not file this form.)	1		
2 If the child DID NOT itemize deductions on Schedule A (Form 1040 or Form 1040NR), enter \$1,000. If the child ITEMIZED deductions, see the instructions.	2		
3 Subtract the amount on line 2 from the amount on line 1. Enter the result. (If zero or less, stop here; do not complete the rest of this form but ATTACH it to the child's return.)	3		
4 Enter the child's taxable income (from Form 1040, line 37; Form 1040A, line 19; or Form 1040NR, line 35)	4		
5 Compare the amounts on lines 3 and 4. Enter the smaller of the two amounts here	5		

Step 2 Figure tentative tax based on the tax rate of the parent listed above

6 Enter the parent's taxable income (from Form 1040, line 37; Form 1040A, line 19; Form 1040EZ, line 5; or Form 1040NR, line 35). But if the parent transferred property to a trust, see the instructions	6		
7 Enter the total, if any, of the net investment income from Forms 8615, line 5, of ALL OTHER children of the parent. (Do not include the amount on line 5 above.)	7		
8 Add the amounts on lines 5, 6, and 7. Enter the total	8		
9 Tax on the amount on line 8 based on the parent's filing status	9		
10 Enter the parent's tax (from Form 1040, line 38; Form 1040A, line 20; Form 1040EZ, line 7; or Form 1040NR, line 36)	10		
11 Subtract the amount on line 10 from the amount on line 9. Enter the result. (If no amount is entered on line 7, enter the amount from line 11 on line 13; skip lines 12a and 12b.)	11		
12a Add the amounts on lines 5 and 7. Enter the total	12a		
b Divide the amount on line 5 by the amount on line 12a. Enter the result as a decimal (rounded to two places)	12b		X
13 Multiply the amount on line 11 by the decimal amount on line 12b. Enter the result	13		

Step 3 Figure child's tax

Note: If the amounts on lines 4 and 5 are the same, skip to line 16.

14 Subtract the amount on line 5 from the amount on line 4. Enter the result	14		
15 Tax on the amount on line 14 based on the child's filing status	15		
16 Add the amounts on lines 13 and 15. Enter the total	16		
17 Tax on the amount on line 4 based on the child's filing status	17		
18 Compare the amounts on lines 16 and 17. Enter the larger of the two amounts here and on Form 1040, line 38; Form 1040A, line 20; or Form 1040NR, line 36. Be sure to check the box for "Form 8615"	18		

For Paperwork Reduction Act Notice, see back of form.

Form 8615 (1989)

Paperwork Reduction Act Notice. We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping 13 minutes
- Learning about the law or the form 11 minutes
- Preparing the form 37 minutes
- Copying, assembling, and sending the form to IRS 17 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Line-by-Line Instructions

We have provided specific instructions for most of the lines on the form. Those lines that do not appear in these instructions are self-explanatory.

Parent's Name and Social Security Number. If the child's parents were married to each other and filed a joint return, enter the name and social security number of the parent who is listed first on the joint return. For example, if the father's name is listed first on the return and his social security number is entered in the block labeled "Your social security number," enter his name and social security number in the spaces provided on Form 8615.

If the parents were married but filed separate returns, enter the name and social security number of the parent who had the higher taxable income. If you do not know which parent had the higher taxable income, see Pub. 929.

If the parents were unmarried, treated as unmarried for Federal income tax purposes, or separated either by a divorce or separate maintenance decree, enter the name and social security number of the parent who had custody of the child for most of the year (the custodial parent). **Exception.** If the custodial parent remarried and filed a joint return with his or her spouse, enter the name and social security number of the person who is listed first on the joint return, even if that person is not the child's parent. If the custodial parent and his or her spouse filed separate returns, enter the name and social security number of the person with the higher taxable income, even if that person is not the child's parent.

Incomplete Information for Parent. If a parent or guardian of a child cannot obtain the necessary information to complete Form 8615 before the due date of the child's return, reasonable estimates of the parent's taxable income or filing status and the net investment income of the parent's other children may be made. The appropriate line of Form 8615 must be marked "Estimated." For more information, see Pub. 929.

Line 1. If the child had no earned income (defined below), enter the child's adjusted gross income (from Form 1040, line 32; Form 1040A, line 14; or Form 1040NR, line 31).

If the child had earned income, use the following worksheet to figure the amount to enter on line 1. However, if any of the following applies, use the worksheet in Pub. 929 instead of the one below to figure the amount to enter on Form 8615, line 1:

- The child files Form 2555, Foreign Earned Income.
- The child had a net loss from self-employment.
- The child claims a net operating loss deduction.

Worksheet (keep for your records)

- Enter the amount from the child's Form 1040, line 23; Form 1040A, line 11; or Form 1040NR, line 23, whichever applies
- Enter the child's earned income (defined below) plus any deduction the child claims on Form 1040, line 28, or Form 1040NR, line 27, whichever applies
- Subtract the amount on line 2 from the amount on line 1. Enter the result here and on Form 8615, line 1

Earned Income includes wages, tips, and other payments received for personal services performed. Generally, earned income is the total of the amounts reported on Form 1040, lines 7, 12, and 19; Form 1040A, line 7; or Form 1040NR, lines 8, 13, and 20.

Line 2. If the child itemized deductions on Schedule A (Form 1040 or Form 1040NR), enter on line 2 the greater of:

- \$500 plus the portion of the amount on Schedule A (Form 1040), line 26 (or Schedule A (Form 1040NR), line 10), that is directly connected with the production of the investment income on Form 8615, line 1; OR
- \$1,000.

Line 6. Enter the taxable income shown on the tax return of the parent identified at the top of Form 8615. If the parent's taxable income is less than zero, enter zero on line 6.

If the parent filed a joint return, enter the total taxable income shown on that return even if the parent's spouse is not the child's parent.

Caution: If the parent transferred property to a trust which sold or exchanged the property during the year at a gain, include any gain that was taxed to the trust under Internal Revenue Code section 644 in the amount entered on line 6. Write "Section 644" and the amount on the dotted line next to line 6. Also, see the Caution below line 10.

Line 7. If the individual identified as the parent on this Form 8615 is also identified as the parent on any other Form 8615, add the amounts, if any, from line 5 on each of the other Forms 8615 and enter the total on line 7.

Lines 9, 15, and 17. Figure the tax using the Tax Table or Tax Rate Schedules, whichever applies.

Line 10. Enter the tax shown on the tax return of the parent identified at the top of Form 8615. If the parent filed a joint return, enter the tax shown on that return even if the parent's spouse is not the child's parent.

Caution: If line 6 includes any gain taxed to a trust under Internal Revenue Code section 644, add the tax imposed under section 644(a)(2)(A) to the tax shown on the parent's return. Enter the total on line 10 instead of entering the tax from the parent's return. Write "Section 644" on the dotted line next to line 10.

Line 18. Compare the amounts on lines 16 and 17 and enter the larger of the two amounts on line 18. Be sure to check the box for "Form 8615" on the appropriate line of the child's tax return even if the amount on line 17 is the larger of the two amounts.

Amended Return. If after the child's return is filed, the parent's taxable income is changed or the net investment income of any of the parent's other children is changed, the child's tax must be refigured using the adjusted amounts. If the child's tax is changed as a result of the adjustment(s), file Form 1040X, Amended U.S. Individual Income Tax Return, to correct the child's tax.

Alternative Minimum Tax. A child whose tax is figured on Form 8615 may be subject to the alternative minimum tax. Get Form 6251, Alternative Minimum Tax-Individuals, to see if the child owes this tax.

Individual Returns/1989

Form 8801

Credit For Prior Year Minimum Tax

OMB No. 1545-1073
1989
Attachment Sequence No. 74

Department of the Treasury Internal Revenue Service

Attach to your tax return. See instructions on back.

Part I Computation of Net Minimum Tax on Exclusion Items

Table with 15 rows for Part I. Columns include line number, description of calculation, and a box for the amount. Rows 1-15 cover various tax adjustments and exclusions.

Part II Computation of Allowable Minimum Tax Credit

Table with 12 rows for Part II. Columns include line number, description of calculation, and a box for the amount. Rows 16-25 cover the calculation of the allowable minimum tax credit.

Part III Computation of Minimum Tax Credit Carryforward to 1990

Table with 4 rows for Part III. Columns include line number, description of calculation, and a box for the amount. Rows 26-28 cover the carryforward calculation.

General Instructions

Section references are to the Internal Revenue code. Paperwork Reduction Act Notice. The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 1 hr., 33 min. Learning about the law or the form 1 hr., 6 min. Preparing the form 1 hr., 3 min. Copying, assembling, and sending the form to IRS 17 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you.

Purpose of Form Form 8801 is used to compute the minimum tax credit, if any, for alternative minimum tax (AMT) incurred in prior tax years after 1986. Who Should File Form 8801 should be completed by individuals, corporations, trusts, and estates that: had adjustment and tax preference items in 1988; or had a minimum tax credit carryforward from 1988 to 1989; or

Form 8801 (1989)

Page 2

had a 1987 unallowed nonconventional source fuel credit (See instructions for line 19 of this form); or had a 1988 unallowed nonconventional source fuel credit (See instructions for line 20 of this form). Recordkeeping.—Use Form 8801 each year to see if you have a minimum tax credit and to keep track of any credit carryforward you can use in future years.

Line-by-Line Instructions

The alternative minimum tax is attributable to two types of adjustments and tax preference items—those called "exclusion items" and those called "deferral items." Deferral items are generally adjustments and tax preference items that do not cause a permanent difference in taxable income over a number of years. Exclusion items, on the other hand, cause a permanent difference in taxable income. Line 1.—Form 1041 Filers.—Add any net operating loss deduction on line 15 of the 1988 Form 1041 to the taxable income on line 22 of the 1988 Form 1041 and enter the result on line 1 of this form.

Exclusion items included in adjusted net book income will not be taken into account for purposes of the minimum tax credit. Line 3.—Minimum tax net operating loss deduction.—Your minimum tax credit net operating loss deduction (MTCNOLD) is your net operating loss deduction (NOLD) for 1988 determined under section 172, subject to the following rules: For loss years beginning after 1986, an NOL that has exclusion items is reduced by the amount of those exclusion items (See the instructions for line 2 for a list of exclusion items); and For loss years beginning before 1987, the amount of NOL that may be carried forward to tax years beginning after 1986, is equal to the amount that may be carried from such loss years to the first tax year beginning after 1986 for regular tax purposes. Do not enter on line 3 more than the total of lines 1 and 2. The amount that exceeds the total of lines 1 and 2 is carried forward to be used in a later year.

Line 19.—If line 16 of your 1988 Form 8801 exceeds line 15 of that form, and you also had a 1987 unallowed credit for producing fuel from a nonconventional source that was disallowed solely because of the limitation under section 29(b)(5)(B), make the following computation: Add line 15 of your 1988 Form 8801 to your 1987 unallowed nonconventional source fuel credit. If the result exceeds line 16 of your 1988 Form 8801, enter the excess on line 19 of this form. Line 20.—Enter the unused portion of your 1988 credit for producing fuel from a nonconventional source that was not allowed solely because of the limitation under section 29(b)(5)(B). Line 21.—If line 21 is zero or a negative amount, you do not have a minimum tax credit or a minimum tax credit carryforward. Do not complete the rest of the form. Line 22.—Follow the instructions below and refer to your 1989 income tax return to figure the amount to enter on line 22. Form 1040 Filers.—Subtract from the amount on line 40 the total of any credits shown on lines 41 through 44 and any write-in credits on line 46 for the mortgage interest credit or the credit for fuel produced from a nonconventional source. Enter the result on line 22 of this form.

Parent's Election To Report Child's Interest and Dividends

OMB No. 1545-1128

1989
Attachment
Sequence No. **40**

Department of the Treasury
Internal Revenue Service

▶ See instructions below and on back.
▶ Attach to Parent's Form 1040 or Form 1040NR.

General Instructions

Purpose of Form.—Use this form if you are a parent and choose to report the income of your child on your return. If you do, the child will not have to file a return. You can file this form only if your child:

- Was under age 14 on January 1, 1990;
- Had income only from interest and dividends (including Alaska Permanent Fund dividends);
- Had gross income for 1989 that was more than \$500 but less than \$5,000;

- Had no estimated tax payments for 1989;
- Did not have any overpayment of tax shown on his or her 1988 return applied to the 1989 return; AND
- Had no Federal income tax withheld from his or her income (backup withholding).

The parent(s) must also qualify as explained on page 2 of these instructions. Step 1 is used to figure the amount of the child's income to report on the parent's return. Step 2 is used to figure an additional tax that must be added to the parent's tax.

A separate Form 8814 must be filed for each child whose income the parent chooses to report.

Caution: The Federal income tax on your child's income may be less if you file a tax return for the child instead of making this election. This is because you cannot take certain deductions that your child would be entitled to on his or her own return. For details, see Deductions You May Not Take on page 2.

Name(s) shown on parent's return	Your social security number
Child's name (first, initial, and last)	Child's social security number

(Instructions continue on back.)

Caution: If more than one Form 8814 is attached, check here

Step 1 Figure amount of child's interest and dividend income to report on your return

1a Enter your child's taxable interest income. If this amount is different than the amounts shown on the child's Forms 1099-INT and 1099-OID, see the instructions	1a	
b Enter your child's tax-exempt interest income. Do NOT include this amount on line 1a	1b	
2a Enter your child's gross dividends (including any Alaska Permanent Fund dividends). If none, enter zero on line 2c and go to line 3. If your child received any capital gain distributions or dividends as a nominee, see the instructions.	2a	
b Enter your child's nontaxable distributions (from Form 1099-DIV, Box 1d) included on line 2a	2b	
c Subtract line 2b from line 2a. Enter the result	2c	
3 Add lines 1a and 2c. Enter the total. If the total is \$1,000 or less, skip lines 4 and 5 and go to line 6. If the total is \$5,000 or more, do not file this form. Your child must file his or her own return to report the income	3	
4 Base amount	4	1,000 00
5 Subtract line 4 from line 3. Enter the result. (If filing more than one Form 8814, see the instructions.) Also include this amount in the total on Form 1040, line 22, or Form 1040NR, line 22. In the space next to line 22, write "Form 8814" and show the amount. Go on to line 6.	5	

Step 2 Figure your tax on the first \$1,000 of child's interest and dividend income

6 Amount not taxed	6	500 00
7 Subtract line 6 from line 3. Enter the result. If the result is zero or less, enter zero	7	
8 Tax. • If the amount on line 7 is \$500 or more, enter \$75 here. (Also, see the Note below for where to enter it on your tax return.) • If the amount on line 7 is less than \$500, multiply the amount on line 7 by 15% (.15). Enter the result here. (Also, see the Note below for where to enter it on your tax return.)	8	

Note: Include the amount from line 8 in the tax you enter on Form 1040, line 38, or Form 1040NR, line 36. On Form 1040, also enter the amount from line 8 in the space provided next to line 38. On Form 1040NR, write the amount from line 8 and "Form 8814" on the dotted line next to line 36. (If filing more than one Form 8814, see the instructions.)

For Paperwork Reduction Act Notice, see back of form.

General Instructions (continued)

Parents Who Qualify To Make the Election.—You qualify to make this election if you file Form 1040 or Form 1040NR and any of the following applies to you:

- You and the child's other parent were married to each other and you are filing a joint return for 1989.
- You and the child's other parent were married to each other but you file separate returns for 1989 AND you had the higher taxable income. (If you do not know if you had the higher taxable income, get Pub. 929, Tax Rules for Children and Dependents.)
- You were unmarried, treated as unmarried for Federal income tax purposes, or separated from the child's other parent by a divorce or separate maintenance decree. You must have had custody of your child for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you may make the election on a joint return with your new spouse. But if you and your new spouse (your child's stepparent) do not file a joint return, you qualify to make the election only if you had higher taxable income than your new spouse.

Deductions You May Not Take.—If you elect to report your child's income on your return, you may not reduce that income by any of the following deductions that your child would be entitled to on his or her own return.

- Standard deduction of \$1,250 for a blind child.
- Penalty on early withdrawal of child's savings.
- Itemized deductions (such as child's investment expenses or charitable contributions).

If any of the above applies to your child, you should figure the tax on the child's income as if he or she is filing a return and as if you are electing to report the income on your return to find out which results in the lowest amount of tax.

How To Make the Election.—To make the election, complete and attach Form 8814 to your tax return and file your return by the due date (including extensions).

Additional Information.—For more information about the election, get Pub. 929.

Line-by-Line Instructions

Parent's Name and Social Security Number.—Enter the name(s) shown on your return. If filing a joint return, enter the social security number of the person whose name is shown first on the return.

Line 1a.—Enter ALL taxable interest income received by your child in 1989. If your child received a Form 1099-INT for tax-exempt interest, such as from municipal bonds, write the amount and "Tax-exempt interest" on the dotted line next to line 1a. Be sure to include this interest on line 1b but do not include it in the total for line 1a.

If your child received, as a nominee, interest that actually belongs to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 1a. Do not include amounts received as a nominee in the total for line 1a.

If your child had accrued interest that was paid to the seller of a bond, amortizable bond premium (ABP) allowed as a reduction to interest income, or if any original issue discount (OID) included on line 1a is less than the amount shown on your child's Form 1099-OID, follow the instructions above for nominee interest to see how to report the nontaxable amounts. But, on the dotted line next to line 1a, write the nontaxable amount and "Accrued interest," "ABP adjustment," or "OID adjustment," whichever applies. Do not include any nontaxable amounts in the total for line 1a.

Line 1b.—If your child received any tax-exempt interest income, such as interest on certain state and municipal bonds, enter the total tax-exempt interest on line 1b. Also include any exempt-interest dividends your child received as a shareholder in a mutual fund or other regulated investment company. Do not include this interest on lines 1a or 3.

Note: Line 1b includes tax-exempt interest (or exempt-interest dividends paid by a regulated investment company) from private activity bonds. See **Alternative Minimum Tax**, on this page.

Line 2a.—Enter gross dividends received by your child in 1989, including capital gain distributions and nontaxable distributions. Form 1099-DIV shows gross dividends in Box 1a. Also include dividends your child received through a partnership, an S corporation, or an estate or trust.

If your child received, as a nominee, dividends that actually belong to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 2a. Do not include amounts received as a nominee in the total for line 2a.

If line 2a includes any capital gain distributions (from Form 1099-DIV, Box 1c), and you have gains or losses to report on Schedule D, part or all of your child's capital gain distributions should be reported on your Schedule D instead of on Form 8814, line 5. Before you enter an amount on line 5, see Pub. 929 for details on how to figure the amount to report on your Schedule D.

Line 5.—If you are filing more than one Form 8814, add the amounts from line 5 of ALL your Forms 8814 and include the total on Form 1040, line 22 (or Form 1040NR, line 22).

Be sure to write "Form 8814" and show the total of the line 5 amounts in the space next to line 22 on your return.

Line 8.—If you are filing more than one Form 8814, add the amounts from line 8 of ALL your Forms 8814 and include the total on Form 1040, line 38 (or Form 1040NR, line 36).

On Form 1040, be sure to enter the total of the line 8 amounts in the space provided next to line 38. On Form 1040NR, be sure to write "Form 8814" and the total of the line 8 amounts on the dotted line next to line 36.

Alternative Minimum Tax.—If your child received any tax-exempt interest (or exempt-interest dividends paid by a regulated investment company) from certain private activity bonds, you must take this into account in determining if you owe the alternative minimum tax. Get Form 6251, Alternative Minimum Tax—Individuals, and its instructions for more information.

Foreign Accounts and Foreign Trusts.—If your child had a foreign financial account or was the grantor of, or transferor to, a foreign trust, Part III of Schedule B (Form 1040) would have to be completed and attached to the child's return if he or she was filing a return. If Part III of Schedule B had been completed for your child, would either the question on line 10a or line 11 have been answered "Yes"? If so, you must file Schedule B with your return and answer "Yes" to the question(s). Also complete line 10b if applicable. Write "Form 8814" on the dotted line next to line 10a or line 11, whichever applies, on your Schedule B.

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping 20 minutes
- Learning about the law or the form 8 minutes
- Preparing the form 16 minutes
- Copying, assembling, and sending the form to IRS 35 minutes

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either the IRS or the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

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Interest paid deduction

Change in law	pg 5
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Classified by marital status	2.2
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Interest received

(See Taxable interest received)

Interest, tax-exempt

(See Tax-exempt interest)

Investment interest paid

(See Interest paid deduction)

Itemized deductions
(See Total itemized deductions and also specific type)

Reported on:
Returns with itemized deductions 2.1
Classified by marital status 2.2

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Joint returns of husbands and wives
(See also Marital filing status)
Classified by:
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Sources of income 1.3
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(See also Statutory adjustments)
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Other contributions
(See Contributions deduction)
Other dependents
(See Exemptions)
Other income or loss
Classified by:
Marital status 1.3
Size of adjusted gross income 1.4

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- Reported on:
- Returns with itemized deductions 2.1
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- Other tax credits**
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- Size of adjusted gross income 3.3
- Definition pg 69
- Other taxes deduction**
- (See Taxes paid deduction)
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- (See Contributions deduction)
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- Classified by:
- Size of adjusted gross income 1.4
- Credited to 1989 estimated tax:
- Classified by:
- Size of adjusted gross income 1.4, 3.3
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- Classified by:
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- Definition pg 69
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- Classified by:
- Marital status 1.3
- Size of adjusted gross income 1.4
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- Marital status 1.3
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- Size of adjusted gross income 1.4
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Size of adjusted gross income

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