

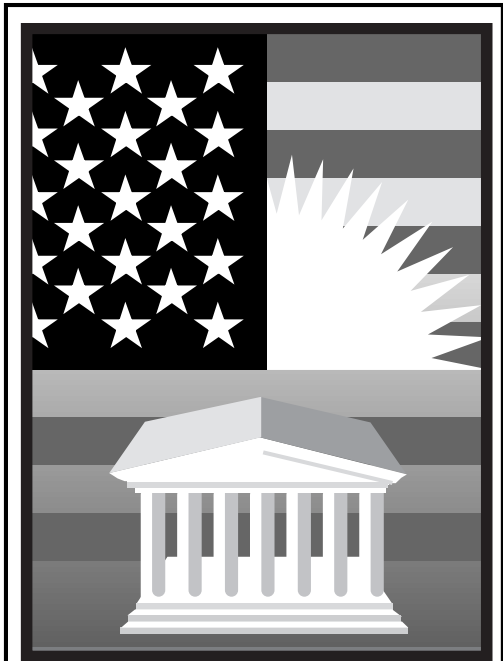


Department of the Treasury
Internal Revenue Service

Publication 4
Cat. No. 46073X

Student's Guide to Federal Income Tax

For use in preparing
1998 Returns



Get forms and other information faster and easier by:
COMPUTER

- World Wide Web • www.irs.ustreas.gov
- FTP • [ftp.irs.ustreas.gov](ftp://ftp.irs.ustreas.gov)
- IRIS at FedWorld • (703) 321-8020

FAX

- From your FAX machine, dial • (703) 368-9694
- See *How To Get More Information* in this publication.

Contents

Introduction	2
Where Do My Tax Dollars Go?	2
How Is My Tax Figured?	2
How Do I Pay My Tax?	3
How Does My Employer Decide How Much To Withhold?	3
What If My Withholding Does Not Match My Tax?	3
Can I Ask My Employer Not To Withhold Tax?	3
Must I File a Return?	4
What Kinds of Income Are Taxable?	5
Pay for Services Performed	5
Self-Employment Income	5
Investment Income	6
Taxable Scholarships and Fellowships	6
Other Income	7
What Can I Deduct on My Return?	7
What Can I Subtract From My Tax?	8
How Do I File a Return?	9
Putting Your Return Together	9
Alternative Filing Methods	10
What Tax Records Should I Keep?	10
When Will I Get My Refund?	10
Sample Tax Forms	10
Form W-4	10
Form 1040EZ	11
Schedule C-EZ	12
How To Get More Information?	12

Important Changes for 1998

Write in your social security number. To protect your privacy, social security numbers (SSNs) are not printed on the peel-off label that comes in the mail with your tax instruction booklet. This means you must enter your SSN in the space provided on your tax form. If you filed a joint return for 1997 and are filing a joint return for 1998 with the same spouse, enter your names and SSNs in the same order as on your 1997 return.

Child tax credit. You may be able to claim a tax credit of up to \$400 (\$500 beginning in 1999) for each of your qualifying children under the age of 17. See *Child tax credit*, later.

Education credits. There are new tax credits for higher education. You cannot claim more than one credit for the same expenses. See *Higher education tax credits*, later.

Interest on student loans. You may be able to deduct up to \$1,000 (\$1,500 for 1999) for interest paid on a qualified student loan. See *Deductible student loan interest*, later.

Introduction

This guide explains the federal income tax laws of particular interest to high school and college students. It will help you decide if income you are receiving (such as wages, tips, interest, or a scholarship or fellowship) is taxable. It will also help you decide if you should have tax taken out of your pay and if you should file an income tax return.

The rules explained in this guide apply to students who are U.S. citizens and unmarried (single). If you are a foreign student studying in the United States, you should see Publication 519, *U.S. Tax Guide for Aliens*.

Useful Items

You may want to see:

Publication

- 501** Exemptions, Standard Deduction, and Filing Information
- 505** Tax Withholding and Estimated Tax
- 508** Educational Expenses
- 520** Scholarships and Fellowships
- 919** Is My Withholding Correct for 1999?
- 970** Tax Benefits for Higher Education

Form (and Instructions)

- 1040EZ** Income Tax Return for Single and Joint Filers With No Dependents
- Schedule C-EZ (Form 1040)** Net Profit From Business (Sole Proprietorship)

See *How To Get More Information*, near the end of this publication for information about getting these publications and forms.

Where Do My Tax Dollars Go?

We pay taxes to help our government raise income (called "revenue") to meet its expenses. The revenue raised by the personal income tax and other federal taxes, such as employment taxes (including social security and Medicare taxes), excise taxes, and estate and gift taxes, is used to provide a wide variety of services to the public. Among these are our national defense, conservation of our natural resources, and aid to public education.

The social security tax pays for old age, survivor, and disability pension payments when you become eligible for them. The Medicare tax pays for basic Medicare insurance coverage. Both employees and employers pay these taxes.

How Is My Tax Figured?

You are responsible for reporting your income to the Internal Revenue Service (IRS) and figuring the tax due on it. You do this by filing an income tax return each year you meet the filing requirements. The IRS provides tax forms, instructions, and publications to help you. These forms, instructions, and publications are based on the tax laws passed by Congress that are contained in the Internal Revenue Code.

Taxable income. Wages, tips, and other fees you receive for work you do, all count as income for tax purposes. Investment income, such as interest on your savings account and dividends, also counts as income for tax purposes.

The law allows you to subtract certain amounts from your income before you figure the tax due on it. These include the **personal exemption** (if you are entitled to claim one) and the **standard deduction** (or itemized deductions if you can itemize). These amounts are explained later. What remains is your **taxable income**.

Tax rates. Your tax is a percentage of your **taxable income**. There are five tax rates, 15%, 28%, 31%, 36%, and 39.6%. Assuming you are single and your taxable income is not more than \$25,350 for 1998, your tax is the amount of your taxable income times 15% (.15).

The 28% rate applies to taxable income over \$25,350 but not over \$61,400, and the higher rates apply to taxable income over \$61,400.

Computing tax. Generally, if your taxable income is less than \$100,000, you do not compute the tax yourself. Instead, the math has been done for you in the Tax Table that is included in the instructions to the tax form.

You use the Tax Table unless one of the following is true:

- 1) Your taxable income is \$100,000 or more. In that case, use Tax Rate Schedule X.
- 2) You have a net capital gain. In that case, you figure your tax on Part IV of Schedule D, which enables you to use the maximum tax rates on a net capital gain.

Maximum tax rates on net capital gain. For 1998 the maximum rate on a net capital gain may be 10%, 20%, 25%, or 28%, depending on the situation.

You may have a net capital gain if you sold stock or other property during the year. If you need details, see Publication 550, *Investment Income and Expenses*.

How Do I Pay My Tax?

Federal income tax is collected on a “pay-as-you-go” system. This means you must pay tax on the income you earn at the time you receive it. There are two ways to pay your tax. You can have tax withheld from your wages, and you can make estimated tax payments on income that is not subject to withholding.

Withholding on wages. Usually your employer “withholds” or takes out tax from your paycheck and deposits it in a federal bank. By the end of the year, you should have paid all or almost all of the income tax due on your income for the year. If you haven't and you owe more money, you can be subject to a penalty for failure to pay estimated tax. To avoid these results, you can have additional tax withheld during the year. That way, you probably will not have to pay more when you file your return.

Estimated tax payments. If you work for yourself, you won't have an employer to withhold tax from your self-employment income. Also, tax is not usually withheld from other kinds of income such as interest and dividends. Therefore, you may need to make estimated tax payments on these kinds of income.

Generally, the law requires you to pay estimated tax for 1999 if you expect to owe \$1,000 or more when you file your return, unless the amount you will have withheld is at least:

- 1) 90% of the tax to be shown on your 1999 income tax return, or
- 2) 100% of the tax shown on your 1998 income tax return.

If you need to make estimated tax payments, get **Form 1040-ES, Estimated Tax for Individuals**. It has a worksheet and instructions that will help you estimate your income tax for the coming year and figure how much estimated tax you need to pay. Usually you divide the amount you need to pay for the year by four and make four equal payments of tax. These are due on April 15, June 15, September 15, and January 15. If the due date falls on a Saturday, Sunday, or legal holiday, the payment will be on time if it is made on the next day that is not a Saturday, Sunday, or legal holiday. See Publication 505, *Tax Withholding and Estimated Tax*, for more information.

How Does My Employer Decide How Much To Withhold?

Your employer generally uses information received from you to figure how much of your pay to withhold for federal income tax. When you get a job, one of the first things your employer will do is ask you to complete **Form W-4, Employee's Withholding Allowance Certificate**. The form and its worksheets will help you decide

how many **withholding allowances** to claim. Each allowance you claim lowers the amount of tax withheld.

An example of a filled-in Form W-4 appears at the end of this publication.

Claiming withholding allowances. Generally, you should claim all the allowances you are entitled to. That way your withholding will come as close to your actual tax liability as possible. For many students, this will be just one allowance. You can claim zero allowances if you want more tax withheld.



If you work for more than one employer at a time, you will be asked to complete a Form W-4 by each employer. If, after reading the Form W-4 worksheet, you decide you are entitled to claim one allowance, claim one allowance at the higher paying job and zero allowances at your other job. Do not claim the same withholding allowances at both jobs because not enough tax will be withheld during the year.

Additional amount. You want to have enough tax withheld so you won't have to make estimated tax payments, as explained earlier. For example, if you have interest and dividend income, in addition to claiming zero withholding allowances, you can ask your employer to withhold an additional amount from your pay so that enough tax will be withheld to cover that income. Otherwise, you may be charged an estimated tax penalty for not paying enough tax during the year.

You probably don't want to have too much withheld either because generally no interest is paid on tax withheld during the year.

What If My Withholding Does Not Match My Tax?

Your withholding probably won't match your tax liability exactly. So when you report your income and figure the tax on your tax return, you will usually find that you either underpaid or overpaid your tax. If you owe, you should pay the balance due when you file your return. If you paid too much, the IRS will issue you a refund after you file your return. You can also request direct deposit of your refund. For more information, see the Form 1040 instructions.

Can I Ask My Employer Not To Withhold Tax?

Do you have a part-time job but are not earning enough to be required to file a tax return? If so, you can ask your employer not to withhold income tax for 1999 by claiming exemption from withholding if **both** of the following are true.

- 1) For 1998 you had a right to a refund of all income tax withheld because you had no tax liability.
- 2) For 1999 you expect a refund of all income tax withheld because you expect to have no tax liability.



Students are not automatically exempt from withholding. You can claim exemption only if both of the above statements are true.

Dependents. You ordinarily will owe tax and cannot claim exemption from withholding for 1999 if someone will be able to claim you as a dependent on his or her tax return for 1999, and **any** of the following are true.

- 1) Your 1999 unearned income will be over \$700.
- 2) Your 1999 earned income will be over \$4,300.
- 3) Your 1999 total income will be more than the larger of:
 - a) \$700, **or**
 - b) Your earned income (up to \$4,050) plus \$250.

Different numbers apply if you are blind. See Publication 505, *Tax Withholding and Estimated Tax*, for more information.

Claiming exemption. You claim exemption from withholding on **Form W-4**. Fill in the identifying information at the top of the form and skip lines 5 and 6. On line 7 write the word "EXEMPT." Then sign and date the form.

Generally, the exemption from withholding expires on February 15 of the year following the year for which you claim exemption. If you remain eligible and want to claim exemption from withholding for that following year, you generally must give your employer a new Form W-4 by February 15 of that year.

If you claimed exemption from withholding but your situation changes (for example, you received a raise in pay or you're working more hours), you have 10 days from the day you reasonably believed you were no longer exempt from tax to give your employer a new Form W-4. You should claim the correct number of withholding allowances on the new form so your employer will withhold the right amount of tax.

Must I File a Return?

Whether you must file a tax return depends on:

- Whether your parent or someone else can claim you as a dependent on his or her tax return (regardless of whether or not that person actually claims you),
- How much income you received, and
- What kind of income you received.

Can you be claimed as a dependent? If more than half of your support for the year is provided by another person, you can generally be claimed as a dependent. That person will usually be your parent (or someone else who is related to you and whose household you are a member of).

Support. This includes amounts spent for food, lodging, clothing, education, medical and dental care, recreation, transportation, and similar necessities. To determine whether you can be claimed as a dependent,

do not include qualified scholarships and fellowships in figuring support if you are a full-time student.

Dependents. If you can be claimed as a dependent, you must file a tax return for 1998, if **any** of the following apply.

- 1) Your **unearned income** was more than \$700 (if not blind).^{**}
- 2) Your **earned income**^{*} was over \$4,250 (if not blind).^{**}
- 3) The total of your unearned and earned income was more than the larger of —
 - a) \$700 (if not blind),^{**} **or**
 - b) Your earned income (up to \$4,000) plus \$250 (if not blind).^{**}

^{*}Includes any part of a taxable scholarship or fellowship grant that you must include in your income, as explained later under *What Kinds of Income are Taxable?*

^{**}Plus \$1,050 if blind.

Under age 14. If you are under age 14 and certain conditions apply, your parent can elect to include your income on his or her return. If your parent makes this election, you do not have to file a return. See Part 2 of Publication 929, *Tax Rules for Children and Dependents*.

Not a dependent. If you cannot be claimed as a dependent by someone else, you must file a return for 1998 if your gross income for the year was \$6,950 or more.

Income from self-employment. Your total earnings from self-employment (gross business income **before** subtracting your business expenses) are counted in your gross income for purposes of the filing requirements discussed earlier.

Example. You earned \$700 from providing typing services on weekends. Your expenses totaled \$325. Your net earnings from self-employment were \$375 (\$700 – \$325). You must count the \$700 (rather than the \$375) in your income when figuring whether you are required to file a return.

Net earnings of \$400 or more. Even if you are not otherwise required to file a return, you must file one if your net earnings from self-employment were \$400 or more. This is because you must pay self-employment tax. See *Self-Employment Income*, later.

Example. During the summer you mowed lawns. You earned \$500 after subtracting your expenses. You must file a tax return and pay self-employment tax because your net earnings were \$400 or more.



If you are not required to file a return, and income tax was withheld from your pay because you did not claim exemption from withholding, you will be entitled to a refund of all the income tax withheld. You must file a tax return to get it, even though you would not be required to file otherwise.

What Kinds of Income Are Taxable?

The following kinds of income often received by students are generally taxable.

- Pay for services performed.
- Self-employment income.
- Investment income.
- Certain scholarships and fellowships.

Pay for Services Performed

When figuring how much income to report, include everything you received as payment for your services. This usually means wages, salaries, and tips.

Wages and salaries. The amount of wages (including tips) or salaries you received during the year is shown in box 1 of **Form W-2**, *Wage and Tax Statement*. Your employer will give you Form W-2 soon after the end of the year.

Tips. All tips you receive are income, and subject to income tax. This includes tips customers give you directly, tips customers charge on credit cards that your employer gives you, and your share of tips split with other employees.



Keep a daily record or other proof of your tips. You can use **Form 4070A**, *Employee's Daily Record of Tips*. Your daily record must show your name and address, your employer's name, and the establishment's name. For each day worked, you must show the amount of cash and charge tips you received from customers or other employees and a list of the names and amounts you paid to other employees through tip splitting. Record this information on or near the date you receive the tip income.

Reporting tips to your employer. If you receive cash, check, or credit card tips of \$20 or more in any one month while working for one employer, you must report the total amount of your tips to your employer by the 10th day of the next month. If the 10th falls on a Saturday, Sunday, or legal holiday, give your employer the report on the next day that is not a Saturday, Sunday, or a legal holiday.

To report your tips, you can use **Form 4070**, *Employee's Report of Tips to Employer*. To get a year's supply of this form, ask your employer or call the IRS for Publication 1244, *Employee's Daily Record of Tips and Report to Employer*. Fill in the information asked for on the form, sign and date the form, and give it to your employer. If you do not use Form 4070, write the following information in your report.

- Your name, address, and social security number.
- Your employer's name, address, and business name (if it is different from the employer's name).

- The month (or the dates of any shorter period) in which you received tips.
- The total amount of tips you received.

Withholding on tips. Your employer must withhold social security tax and Medicare taxes or railroad retirement tax, and any income tax due on the tips you report. Your employer usually deducts the withholding due on tips from your wages. If your wages are too small for your employer to withhold taxes, you may give him or her extra money to pay the taxes up to the close of the calendar year. Your employer should tell you how much is needed.

Any taxes that remain unpaid may be collected by your employer from your next paycheck. If withholding taxes remain uncollected at the end of the year, you may need to make an estimated payment. Use **Form 1040-ES**, *Estimated Tax for Individuals*. See Publication 505, *Tax Withholding and Estimated Tax*, for more information.

Form W-2. The tips you reported to your employer will be included with your wages in box 1 of Form W-2. Federal income tax, social security tax, and Medicare tax withheld on your wages and tips will be shown in boxes 2, 4, and 6.

If you worked for a large food and beverage establishment, your Form W-2 may show an amount in box 8, "Allocated tips." This is an additional amount allocated to you if tips you reported to your employer were less than the minimum amount expected to be earned by employees where you work.

If you do not have adequate records of your actual tips, you must report at least the amount of allocated tips shown in box 8 on your Form W-2.

If you have adequate records, report your actual tips on your return. For more information on allocated tips get Publication 531, *Reporting Tip Income*.



If you did not report tips to your employer as required, you may be charged a penalty in addition to the tax you owe. If you have reasonable cause for not reporting tips to your employer, you should attach a statement to your return explaining why you did not.

Reserve Officers' Training Corps (ROTC). Subsistence allowances paid to ROTC students participating in advanced training are not taxable. However, active duty pay, such as that received during summer advanced camp, is taxable.

Example. Jim Hunter is a member of the ROTC who is participating in the advanced course. He received a subsistence allowance of \$100 each month for 10 months and \$600 of active duty pay during summer advanced camp. He must include only the \$600 active duty pay in his gross income.

Self-Employment Income

Earnings you received from self-employment are subject to income tax. These earnings include income from baby-sitting and lawn mowing, unless you provided these services as an employee.

You are taxed on your **net earnings** (income you received minus any business expenses you are allowed to deduct). For information on what expenses can be deducted, see Publication 535, *Business Expenses*. As a self-employed person, you are responsible for keeping records to show how much income you received and how much expenses you had. Your income and expenses are reported on Schedule C or C-EZ (Form 1040). An example of a filled-in Schedule C-EZ appears at the end of this publication.

Self-employment tax. If you had net earnings of \$400 or more from self-employment, you also will have to pay self-employment tax. This tax pays for your benefits under the social security system. Social security and Medicare benefits are available to individuals who are self-employed the same as they are to wage earners who have social security tax and Medicare tax withheld from their wages. The self-employment tax is figured on **Schedule SE** (Form 1040). For more information on self-employment tax, see Publication 533, *Self-Employment Tax*.

Newspaper carriers and distributors. Special rules apply to services you perform as a newspaper carrier or distributor. You are a direct seller and treated as self-employed for federal tax purposes if you meet the following conditions.

- 1) You are in the business of delivering/distributing newspapers or shopping news, including directly related services such as soliciting customers and collecting receipts.
- 2) Substantially all your pay for these services directly relates to sales or other output rather than to the number of hours worked.
- 3) You perform the delivery services under a written contract between you and the service recipient that states that you will not be treated as an employee for federal tax purposes.

Carriers and vendors under age 18. Carriers or distributors (not including those who deliver or distribute to any point for subsequent delivery or distribution) and vendors (working under a buy-sell arrangement) under age 18 are not subject to self-employment tax.



If you were self-employed, you can deduct half of your self-employment tax and part of your health insurance premiums. See the Form 1040 instructions for lines 27 and 28 for more information.

Investment Income

This section explains whether you have to report income from bank accounts and certain other investments. Various types of investment income are treated differently. Some of the more common ones are discussed here.

Interest. Interest you get from checking and savings accounts and most other sources is taxable.

Bank accounts. Some credit unions, building and loan associations, savings and loan associations, mutual savings banks, and cooperative banks call what

they pay you on your deposits “dividends”. However, for tax purposes, these payments are considered interest, and you should report them as interest.

U.S. Savings Bonds. Interest on U.S. Savings Bonds is taxable for federal income tax purposes, but exempt from all state and local income taxes. The most common bonds are Series EE bonds. They are issued in several different denominations and cost one-half the amount shown on the face of the bond. For example, a \$100 bond costs \$50. The face value of the bond is paid only when the bond matures. The difference between what you paid for the bond and the amount you get when you cash it is taxable interest.

You can report all interest on these bonds when you cash them, or you can choose to report their increase in value as interest each year. Publication 550, *Investment Income and Expenses*, explains how to make this choice.

Under certain circumstances, the interest on Series EE bonds issued after 1989 is exempt from tax if the bonds are used for educational purposes. See Publication 550 for further information.

Other interest from the U.S. Government. Interest on U.S. Treasury bills, notes, etc., issued by an agency of the United States is taxable for federal income tax purposes but exempt from all state and local income taxes.

Tax-exempt bonds. Generally, interest from bonds issued by state and local governments is not taxable for federal income tax purposes.

Interest statements. Your bank, savings and loan, or other payer of interest will send you a statement if you earned at least \$10 in interest for the year. You should receive these statements sometime in January for the previous tax year. Banks may use Form 1099-INT, *Interest Income*. However, they may include your total interest on the statement they send you at the end of the year. Do not throw these statements away.

Dividends. Dividends are distributions of money, stock, or other property paid to you by a corporation. You may also get dividends through a partnership, an estate, a trust, or an association that is taxed as a corporation. Ordinary dividends, the most common type, are paid out of the corporation's earnings. You must report these as income on your tax return.

Dividend statements. Regardless of whether you receive your dividends in cash or additional shares of stock, the payer of the dividends will send you a Form 1099-DIV, *Dividends and Distributions*, if you earned at least \$10 in dividends for the year.

Other investment income. If you received income from investments not discussed here, see Publication 550. Also, the payer of the income may be able to tell you whether the income is taxable or nontaxable.

Taxable Scholarships and Fellowships

If you received a scholarship or fellowship, all or part of it may be taxable, even if you didn't receive a W-2 form. Generally, the entire amount is taxable if you are not a candidate for a degree.

If you are a candidate for a degree, you generally can exclude from income that part of the grant used for:

- **Tuition and fees** required for enrollment or attendance, or
- **Fees, books, supplies, and equipment** required for your courses.

You cannot exclude from income any part of the grant used for other purposes, such as room and board.

A **scholarship** generally is an amount paid for the benefit of a student at an educational institution to aid in the pursuit of studies. The student may be in either a graduate or an undergraduate program.

A **fellowship** grant generally is an amount paid for the benefit of an individual to aid in the pursuit of study or research.

Example 1. Tammy Graves receives a \$6,000 fellowship grant that is not designated for any specific use. Tammy is a degree candidate. She spends \$5,500 for tuition and \$500 for her personal expenses. Tammy is required to include \$500 in income.

Example 2. Ursula Harris, a degree candidate, receives a \$2,000 scholarship, with \$1,000 specifically designated for tuition and \$1,000 specifically designated for living expenses. Her tuition is \$1,600. She may exclude \$1,000 from income, but the other \$1,000 designated for living expenses is taxable and must be included in income.

Payment for services. All payments you receive for past, present, or future services must be included in income. This is true even if the services are a condition of receiving the grant or are required of all candidates for the degree.

Example. Gary Thomas receives a scholarship of \$2,500 for the spring semester. As a condition of receiving the scholarship, he must serve as a part-time teaching assistant. Of the \$2,500 scholarship, \$1,000 represents payment for his services. Gary is a degree candidate, and his tuition is \$1,600. He can exclude \$1,500 from income as a qualified scholarship. The remaining \$1,000, representing payment for his services, is taxable.

Fulbright students and researchers. A Fulbright grant is generally treated as any other scholarship or fellowship in figuring how much of the grant can be excluded. If you receive a Fulbright grant for **lecturing or teaching**, it is payment for services and subject to tax.

Pell Grants, Supplemental Educational Opportunity Grants, and Grants to States for State Student Incentives. These grants are nontaxable scholarships to the extent used for tuition and course-related expense during the grant period.

Reduced tuition. You may be entitled to reduced tuition because you or one of your parents is or was an employee of the school. If so, the amount of the reduction is not taxable so long as the tuition is **for education below the graduate level**. (But see *Graduate*

student exception, next.) The reduced tuition program must not favor any highly paid employee. The reduced tuition is taxable if it represents payment for your services.

Graduate student exception. Tax-free treatment of reduced tuition can also apply to a graduate student who performs teaching or research activities at an educational institution. The qualified tuition reduction must be for education furnished by that institution and not represent payment for services.

Contest prizes. Scholarship prizes won in a contest are not scholarships or fellowships if you do not have to use the prizes for your education. If you can use the prize for any purpose, the entire amount is taxable.

Qualified state tuition program. Benefits received under a qualified state sponsored prepaid tuition or education savings program may be partly nontaxable. Part of the benefits may qualify as a nontaxable scholarship or fellowship (for example, matching-grant amounts paid under the program to a degree candidate). Other benefits are partly a nontaxable return of the contributions made to the program on your behalf (for example, by your parents). You must include in your income the part of the benefits that is neither a nontaxable scholarship or fellowship nor a return of contributions. For more information, see Publication 525, *Taxable and Nontaxable Income*.

Other grants or assistance. If you are not sure whether your grant qualifies as a scholarship or fellowship, ask the person who made the grant.

Additional information. See Publication 520, *Scholarships and Fellowships*, for more information on how much of your scholarship or fellowship is taxable.

How To Report

If you file Form 1040EZ, include the taxable amount of your scholarship or fellowship on line 1. Print "SCH" and any taxable amount **not** reported on a W-2 form in the space to the right of the words "W-2 form(s)" on line 1.

If you file Form 1040A or Form 1040, include the taxable amount on line 7. Print "SCH" and any taxable amount **not** reported on a W-2 form in the space to the left of line 7 on Form 1040A or on the dotted line next to line 7 on Form 1040.

Other Income

If you are not sure whether to include any item of income on your return, see Publication 525.

What Can I Deduct on My Return?

After you have totaled your income, you are allowed to deduct (subtract) certain amounts to arrive at taxable income before figuring your tax. For example, beginning in 1998 you can deduct interest paid on a qualified student loan (discussed next).

Deductible student loan interest. You may be able to deduct interest you pay on your qualified student loan. This applies to loan interest payments due and paid in 1998.

You may be able to deduct the interest even if you took out the loan before 1998. Regardless of when you took out the loan, you can deduct only interest paid during the **first 60 months** that interest payments are required.

Example 1. You took out a qualified student loan in 1991. You made payments on the loan every month as required, beginning October 1, 1993. You can deduct the interest of your first nine payments for 1998. You cannot deduct the interest on any later payments because they are after the 60-month period (October 1, 1993 — September 30, 1998).

Maximum deduction. Your deduction for 1998 cannot be more than \$1,000. This limit increases to \$1,500 for 1999, \$2,000 for the year 2000, and \$2,500 for 2001 and later years.

Limit on deduction. Your deduction may be limited depending on your modified adjusted gross income (AGI). See the Form 1040 Instructions and the *Student Loan Interest Deduction Worksheet* for these limits.

Claiming the deduction. This deduction is an adjustment to income, so you can claim it even if you do not itemize your deductions on Schedule A (Form 1040). You cannot claim the deduction if:

- 1) Another taxpayer claims you as a dependent, **or**
- 2) Your filing status is married filing a separate return.

You claim the deduction on line 24 of Form 1040 or line 16 of Form 1040A. See your form instructions for more information.



Use the *Student Loan Interest Deduction Worksheet* in the form instructions to figure your deduction.

Change in dependency status. You cannot deduct interest on a student loan for any year you are claimed as a dependent on another person's return. But you can, subject to other requirements, deduct payments made in a later year when you are no longer claimed as a dependent.

Standard deduction. Most people are entitled to deduct a certain amount called the standard deduction from their income. This amount is set by law and generally increases each year.

Dependent. If your parent or someone else can claim you as a dependent, your standard deduction is the greater of:

- 1) \$700 (\$1,750 if blind), or
- 2) Your earned income plus \$250, but not more than \$4,250 (\$5,300 if blind).

Earned income for this purpose is income you received as payment for work you did, plus any part of a scholarship or fellowship grant that you must include in income.

Not a dependent. If no one can claim you as a dependent, you can subtract a standard deduction of \$4,250 (\$5,300 if blind).

Itemized deductions. You may have high medical bills, pay a lot of mortgage interest or state and local income taxes, or contribute large amounts to charity. If these expenses add up to more than the amount of the standard deduction, the law allows you to claim the higher total instead of the standard deduction. To do this, you must itemize (list) your deductible expenses on Schedule A (Form 1040). As a student, you probably do not have enough of these kinds of expenses to itemize. But keep this in mind for future years when you do.

Exemptions. Generally, you can subtract from income your own **personal exemption**. This amount is \$2,700 for 1998. It is set by law and generally increases each year. However, if you can be claimed as a dependent by your parents or others, you are not entitled to a personal exemption.

What Can I Subtract From My Tax?

After you have figured your tax, you may be able to subtract certain amounts from it. These amounts are called **credits**. They reduce your tax "dollar for dollar."

Higher education tax credits. Beginning in 1998, you may be able to claim one of two new credits. They are:

- 1) The Hope credit, or
- 2) The lifetime learning credit.



The lifetime learning credit is effective for qualified expenses paid after **6/30/98**, for education furnished in academic periods beginning after **6/30/98**.

The amount of each credit is determined by the amount you pay for qualified tuition and related expenses for students and the amount of your modified adjusted gross income. These credits are non-refundable.

Expenses for higher education. The credits are based on qualified tuition and related expenses you pay for you, your spouse, or a dependent you claim on your tax return. In general, qualified tuition and related expenses are tuition and fees required for enrollment or attendance at an eligible education institution. Fees for course-related books, supplies and equipment, and student activity fees are included in qualified tuition and related expenses **only if** the fees must be paid **to the institution** as a condition of enrollment or attendance. Qualified tuition and related expenses **do not include** the cost of insurance, medical expenses (including student health fees), room and board, transportation or similar personal, living or family expenses, even if the

fee must be paid to the institution as a condition of enrollment or attendance.

For more information see Publication 970, *Tax Benefits for Higher Education*.

Child tax credit. If you have children, beginning in 1998 you may be entitled to a child tax credit for each of your qualifying children. You must provide the name and identification number (usually the social security number) of each qualifying child on your return. The maximum amount of the credit you may claim is \$400 (\$500 in 1999) for each qualifying child.

Limit on credit. The credit is limited if your modified adjusted gross income (modified AGI) is above a certain amount. The amount at which the phaseout begins depends on your filing status. Generally, your credit is limited to your tax liability unless you have 3 or more qualifying children. See the Form 1040 Instructions for more information.

Earned income credit. If you qualify for the earned income credit, you may be able to get a refund from the IRS even if you had no tax withheld. See Publication 596, *Earned Income Credit*, to see if you can claim this credit.



You do not have to have a qualifying child to be able to claim the earned income credit in 1998. If you are at least 25 years old, have earned income of less than \$10,030, and cannot be claimed as a dependent by another person, you may be eligible for the credit.

Child and dependent care credit. If you have a child and you were employed in 1998, you may be eligible for the child and dependent care credit. See Publication 503, *Child and Dependent Care Expenses*, for more information.

How Do I File a Return?

Before filing your return, make sure you have all your wage and other income statements, along with the correct tax form and instructions.

Income statements. In January, each of your employers should give you a Form W-2. It will show the amount of wages you were paid during the past year and how much tax (income, social security, and Medicare) was withheld. Your bank or other financial institution will send you Form 1099-INT or a similar statement showing the interest you earned during the past year.

If you don't receive Form W-2 by January 31, ask your employer for it. If you don't receive your Forms 1099-INT or other statements from your bank by January 31, call your bank and ask for them. If you have not received these income statements by February 15, call the IRS telephone number for your area. The numbers are listed in the tax form instructions.

Tax return forms. You can probably use the shortest, simplest form, **Form 1040EZ**. You can get it from your local IRS office, post office or library. To order by

phone, call 1-800-829-3676. After you have filed your first return, the IRS will send you blank tax forms for your use in future filing seasons.

If you cannot file Form 1040EZ, file one of the longer forms, Form 1040A or Form 1040, instead. You cannot file Form 1040EZ if your income includes more than \$400 of taxable interest or any income other than wages and tips, interest, taxable scholarship or fellowship grants, and unemployment compensation. You cannot file Form 1040EZ or Form 1040A if you had income from self-employment, you are reporting any allocated tips, or you itemize deductions as explained earlier.

Due date of return. If you are required to file a tax return for 1998, you must file it with the IRS by April 15, 1999. You may request an extension to August 16, 1999, on Form 4868, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return*. An extension of time to file is not an extension of time to pay.

Penalties. There are penalties for filing your return late and for paying the tax late. If you pay your taxes late, you will also be charged interest on the amount you owe.

Putting Your Return Together

After you have received all your wage and other income statements, and have the correct tax form and instructions, you are ready to complete your return. Because you most likely can use Form 1040EZ, completing Form 1040EZ is discussed here.

Form 1040EZ is only 12 lines long on the front of a single page. The booklet, *1998 Form 1040EZ Instructions*, contains instructions for each line. An example of a filled-in Form 1040EZ is at the back of this publication.

All you do is fill in your name, address, and social security number. Or, if you have an IRS label, attach it instead. Make sure you enter your social security number. Enter your total income for the year (from your Forms W-2 and 1099-INT, for example). From that adjusted gross income amount you subtract the amount of your standard deduction and your personal exemption if you can claim one. Then you find the tax on the remaining amount (taxable income) in the Tax Table in the instructions.

Compare the amount of tax shown in the table to the amount of your payments, including the tax your employer withheld. You can find the amount of tax withheld in box 2 of Form W-2. If any tax was withheld from your interest income, you can find that amount in box 4 of Form 1099-INT.

If your payments are more than your tax, the difference between the two amounts is your refund. If your tax is more than your payments, the difference is what you owe. If you owe more tax, you must send a check or money order for the amount due with your return.

Attach Copy B of all your Forms W-2 to your return. Do not attach Forms 1099-INT, but keep them for your records. Make a copy of your return before you mail it. Keep it in a safe place with the other copies of your Forms W-2 and your Forms 1099-INT.

Alternative Filing Methods

The IRS offers several filing alternatives to make filing your return easier.



Electronic filing. You may be able to file your return electronically using IRS *e-file*. You can have a tax professional *e-file* your return, or you can file electronically using your personal computer. If you file electronically instead of on paper, your refund will be issued in half the time (even faster if you choose direct deposit). See your tax form instructions for more information.



TeleFile. TeleFile is a method of filing your taxes by phone. It is easy, fast, free, and available 24 hours a day. You do not send a tax form to the IRS. To use this method, you must have received a *TeleFile* tax package for 1998. This tax package cannot be ordered from the IRS. It will be sent to you automatically, based on your 1997 tax return information, if you are eligible to use TeleFile.

More information. For more information on electronic filing, call TeleTax and listen to topic 252. The TeleTax number for your area is listed in your tax forms package.

What Tax Records Should I Keep?

You should make and keep a copy of your completed tax return.



Keep Copy C of all Forms W-2, your Forms 1099 showing interest and other income, and a record of any other information you filed with your return. Keep these records for at least 3 years from the date your return was due or filed, or 2 years from the date you paid the tax, whichever is later. For more information, get Publication 552, *Recordkeeping for Individuals*.

When Will I Get My Refund?

If your return shows that IRS owes you a refund and you don't receive it within 6 weeks after filing (within 3 weeks after filing electronically or using TeleFile), you can call TeleTax to check the status of your refund. The TeleTax number for your area is listed in your tax forms package. Be sure to have your social security number, your filing status, and the exact whole-dollar amount of your refund when you call.

Sample Tax Forms

Preparing the various tax forms may look difficult but really is not. If you follow the forms line by line and refer to the instructions when necessary, you should be able to complete the forms easily. On the next few pages are examples of Form W-4, Form 1040EZ, and Schedule C-EZ that you can use as a guide. And don't forget, if you have any questions, you can contact the IRS.

Form W-4

Rachel Smith is 19 years old and a sophomore at City College. Her parents pay most of her college costs, including living expenses, and claim her as a dependent on their tax return. In 1999, Rachel has a job as a cashier at the ABC Department Store.

Rachel estimates that she'll earn about \$1,220 during the school year and about \$3,420 during the summer. Also, she usually earns about \$50 a year in interest on checking and savings accounts at a local bank. Her total income will be about \$4,690.

On Rachel's first day of work, her boss gives her Form W-4 to fill in. Her completed Form W-4 is shown later.

Rachel begins by reading the information and instructions above the Form W-4 certificate. She reads the information under "Exemption From Withholding" and the statement on line 7 of Form W-4. She had a right to a refund of all federal income tax withheld in 1998 because she had no tax liability. But she expects to have a tax liability for 1999 because her earned income will be more than \$4,300, and her parents can claim her as a dependent. Rachel cannot claim exempt status.

Personal allowances worksheet. Because Rachel is not exempt from withholding, she completes the *Personal Allowances Worksheet*.

Line A. Because her parents can claim her as a dependent, Rachel cannot claim an allowance for herself. So she leaves line A blank.

Line B. Because she is single and has only one job, she can enter "1" on line B.

Lines C-G. Rachel leaves lines C and D blank because she has no spouse or dependents. She reads the information under "Head of Household" in the instructions at the top of the form. Rachel realizes that she cannot claim head of household filing status, so she also leaves line E blank. She leaves lines F and G blank because she has no children.

Line H. She adds lines A through G and enters the total of her allowances (1) in the entry space for line H.

Rachel reads the bulleted items under line H and finds that neither the first nor the second items apply to her. Following the instruction for the third bulleted item, she enters the "1" from line H of the worksheet on line 5 of the form.

Form W-4. She fills in the identifying information at the top of the form and marks the “Single” box in item 3. Rachel leaves line 6 blank because she does not want any additional amount (beyond what claiming “1” allowance will provide) withheld from her wages.

Because she cannot claim exemption from withholding, she leaves line 7 blank.

Rachel signs and dates the form at the bottom. Boxes 8, 9, and 10 are left blank. These are for her employer’s use, if needed.

Form 1040EZ

Pat Brown is single and has no dependents. She is 22 years old and a full-time student at State University. She has a scholarship that covers her tuition and \$500 of her room and board each year. Her parents are able to claim her as a dependent.

In 1998, Pat worked in the community library during the summer. Her Form W-2 (not illustrated) shows she earned \$1,850 in wages and had \$140 in federal income tax withheld during 1998. She also received a Form 1099-INT showing she had \$277 in interest income. She files Form 1040EZ as explained below. Her completed Form 1040EZ is shown later.

Name and Address

Pat picked up a Form 1040EZ instructions booklet at the local post office. She followed the instructions and wrote her name, address, and social security number as reported on her social security card, in the space provided on the top of the Form 1040EZ. When she finished she checked again to make sure everything was written as the instructions requested.

Presidential Election Campaign Fund. Pat wants \$3 of her taxes to go to this fund, so she checks the “Yes” box. Checking “Yes” will not change her tax or reduce her refund.

Income

Pat has two items of income that must be combined and the total entered on line 1 of Form 1040EZ. The part of her scholarship that is for room and board (\$500) is taxable. She adds this amount to the wages (\$1,850) shown in box 1 of her Form W-2. She enters the total (\$2,350) on line 1. In the space to the right of “W-2 Form(s),” she writes “SCH \$500.” On line 2, she enters her interest income of \$277. She adds her wages, taxable scholarship, and interest together to figure her adjusted gross income of \$2,627. She enters \$2,627 on line 4.

Standard Deduction and Personal Exemption

Because Pat can be claimed as a dependent by her parents, she checks the “Yes” box on line 5. She uses the worksheet on the back of her Form 1040EZ to figure the amount to enter on line 5. The information from her completed worksheet is shown below.

A. Amount, if any, from line 1 on the front \$2,350	plus \$250 Enter total >	A. <u>\$2,600</u>
B. Minimum standard deduction.		B. <u>\$700</u>
C. Enter the LARGER of line A or line B here.		C. <u>\$2,600</u>
D. Maximum standard deduction. If single, enter \$4,250; if married, enter \$7,100		D. <u>\$4,250</u>
E. Enter the SMALLER of line C or line D here. This is your standard deduction.		E. <u>\$2,600</u>
F. Exemption amount.		
• If single, enter 0.		
• If married and both you and your spouse can be claimed as dependents, enter 0.		
• If married and only one of you can be claimed as a dependent, enter \$2,700.		F. <u>-0-</u>
G. Add lines E and F. Enter the total here and on line 5 on the front.		G. <u>\$2,600</u>

Pat enters \$2,600 on line 5.

Note. If she could not be claimed as a dependent by her parents or someone else, she would have had a standard deduction amount of \$4,250 and a personal exemption of \$2,700. In that case, she would have checked the “No” box and entered \$6,950 on line 5.

Payments and Tax

Pat subtracts line 5 (\$2,600) from line 4 (\$2,627) and enters the result of \$27 on line 6. This amount is her taxable income. She will figure her income tax on this amount.

Pat had \$140 of federal income tax withheld from her wages by her employer. She found this amount in box 2 of her Form W-2. She enters this amount on line 7 of Form 1040EZ.

Because she is under age 25 and her parents can claim her as a dependent, Pat is not eligible for the earned income credit. She prints “No” in the space to the right of the word “below” on line 8.

If she wanted the IRS to compute her tax for her, she would stop at this point. She would make sure that lines 1 through 8 were completed accurately, then sign and date the return and enter her occupation.

Pat decides to compute her tax by herself. She adds the amounts on lines 7 and 8 and enters her total payments (\$140) on line 9.

She goes to the Tax Table in the instructions and reads down the income column until she finds the line that includes \$27, her taxable income shown on line 6 of her Form 1040EZ. She then reads across the line to the tax column for single persons to find her tax (\$6). She enters this amount on line 10 of her Form 1040EZ.

Refund or Amount You Owe

Pat compares line 9 and line 10. Because line 9 is larger, she subtracts line 10 (\$6) from line 9 (\$140) to arrive at her refund of \$134. She enters this amount on line 11a. She does not want to have her refund deposited directly into her bank account; therefore she leaves lines 11b, 11c, and 11d blank. She also leaves line 12 blank. She will receive a tax refund of \$134.

Note. If her employer had not withheld any federal income tax from her wages, Pat would have owed \$6 in income tax. She would have left line 11a blank and entered that amount on line 12. She would then have enclosed in the envelope with her return a check or money order for the full amount of \$6 payable to “United States Treasury.” She would have written on the front of her check or money order:

- “1998 Form 1040EZ,”

- Her name,
- Her address,
- Her daytime telephone number, and
- Her social security number.

Sign Your Return

Pat checks her return to make sure that she entered the numbers clearly and correctly and that her math is correct.

Pat enters her occupation and signs and dates her return at the bottom of the form. She attaches Copy B of her Form W-2 where indicated on the front of her return.

She makes a copy of her filled-in tax return for her records. Then she mails her return to the appropriate Internal Revenue Service Center as indicated on the back of the instructions.

Schedule C-EZ

Stephen Burke is a high school student. During the summer of 1998, he mowed lawns for some of his neighbors. He used his father's lawn mower and paid for gas and oil used in his business.

Stephen kept good records that showed he earned \$750, including tips, and spent \$40 on gas and oil. Because his income minus business expenses is at least \$400, he must file Form 1040 and either Schedule C or Schedule C-EZ, even if this was his only income. Because his *net* earnings from self-employment are at least \$400, Stephen must also complete Schedule SE to compute his self-employment tax. Form 1040 and Schedule SE are not shown here. Stephen chooses to file Schedule C-EZ. He enters his name and social security number at the top of the schedule. He then fills in the required information in Parts I and II.

Part II, line 1. This is where income is reported. All the money he received (\$750) is shown on line 1.

Part II, line 2. This is where expenses are reported. He lists the \$40 for gas and oil on line 2.

Part II, line 3. This shows the net profit from the business that is subject to tax. Stephen must include \$710 on Form 1040, line 12.

How To Get More Information

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

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



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

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

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

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



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



Phone. Many services are available by phone.

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

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

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.

- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



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



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response 7 to 15 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**
Western Area Distribution Center
Rancho Cordova, CA 95743-0001
- **Central part of U.S.:**
Central Area Distribution Center
P.O. Box 8903

Bloomington, IL 61702-8903

- **Eastern part of U.S. and foreign addresses:**
Eastern Area Distribution Center
P.O. Box 85074
Richmond, VA 23261-5074



CD-ROM. You can order IRS Publication 1796, *Federal Tax Products on CD-ROM*, and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled-in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) for \$25.00 by calling 1-877-233-6767 or for \$18.00 on the Internet at **www.irs.ustreas.gov/cdorders**. The first release is available in mid-December and the final release is available in late January.

Form W-4 (1999)

Purpose. Complete Form W-4 so your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7, and sign the form to validate it. Your exemption for 1999 expires February 16, 2000.

Note: You cannot claim exemption from withholding if (1) your income exceeds \$700 and includes more than \$250 of unearned income (e.g., interest and dividends) and (2) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. They will help you figure the number of withholding allowances you are entitled to claim. **However, you may claim fewer allowances.**

Child tax and higher education credits. For details on adjusting withholding for these and other credits, see **Pub. 919, Is My Withholding Correct for 1999?**

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form 1040-ES. Otherwise, you may owe additional tax.

Two earners/two jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one W-4. Your withholding will usually be most accurate when all allowances are claimed on the W-4 filed for the highest paying job and zero allowances are claimed for the others.

Check your withholding. After your W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your estimated total annual tax. Get Pub. 919 especially if you used the Two-Earner/Two-Job Worksheet and your earnings exceed \$150,000 (Single) or \$200,000 (Married). To order Pub. 919, call 1-800-829-3676. Check your telephone directory for the IRS assistance number for further help.

Recent name change? If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 for an updated card.

Sign this form. Form W-4 is not valid unless you sign it.

Personal Allowances Worksheet

A Enter "1" for **yourself** if no one else can claim you as a dependent **A** _____

B Enter "1" if: } **B** _____ 1

- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less.

C Enter "1" for your **spouse**. But, you may choose to enter -0- if you are married and have either a working spouse or more than one job. (This may help you avoid having too little tax withheld.) **C** _____

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return **D** _____

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) **E** _____

F Enter "1" if you have at least \$1,500 of **child or dependent care expenses** for which you plan to claim a credit **F** _____

G Child Tax Credit: • If your total income will be between \$20,000 and \$50,000 (\$23,000 and \$63,000 if married), enter "1" for each eligible child. • If your total income will be between \$50,000 and \$80,000 (\$63,000 and \$115,000 if married), enter "1" if you have two eligible children, or enter "2" if you have three or four eligible children, or enter "3" if you have five or more eligible children **G** _____ 1

H Add lines A through G and enter total here. **Note:** This amount may be different from the number of exemptions you claim on your return. ▶ **H** _____

For accuracy, complete all worksheets that apply. {

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.
- If you are **single**, have **more than one job**, and your combined earnings from all jobs exceed \$32,000 OR if you are **married** and have a **working spouse or more than one job**, and the combined earnings from all jobs exceed \$55,000, see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

----- Cut here and give the certificate to your employer. Keep the top part for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">Employee's Withholding Allowance Certificate</h2> <p style="margin: 0; font-weight: normal;">▶ For Privacy Act and Paperwork Reduction Act Notice, see page 2.</p>	OMB No. 1545-0010 1999
1 Type or print your first name and middle initial Rachel S.		2 Your social security number 123 : 00 : 9876
Home address (number and street or rural route) 2026 Elk Grove Rd.		3 <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.
City or town, state, and ZIP code Anytown, CO 80000		4 If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the worksheets on page 2 if they apply) .		5 _____ 1
6 Additional amount, if any, you want withheld from each paycheck		6 \$ _____
7 I claim exemption from withholding for 1999, and I certify that I meet BOTH of the following conditions for exemption: • Last year I had a right to a refund of ALL Federal income tax withheld because I had NO tax liability AND • This year I expect a refund of ALL Federal income tax withheld because I expect to have NO tax liability. If you meet both conditions, enter "EXEMPT" here. ▶		7 _____
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or entitled to claim exempt status.		
Employee's signature ▶ Rachel S. Smith		Date ▶ March 13, 1998
8 Employer's name and address (Employer: Complete 8 and 10 only if sending to the IRS)		9 Office code (optional)
		10 Employer identification number

Use the IRS label here	Your first name and initial PAT A.	Last name BROWN
	If a joint return, spouse's first name and initial	Last name
	Home address (number and street). If you have a P.O. box, see page 7. 2483 COTTAGE RD	Apt. no.
	City, town or post office, state, and ZIP code. If you have a foreign address, see page 7. ANYTOWN, AZ 85000-0000	

Your social security number

1	2	3	0	0	8	7	6	5
---	---	---	---	---	---	---	---	---

Spouse's social security number

--	--	--	--	--	--	--	--	--

Presidential Election Campaign
(See page 7.)

Note: Checking "Yes" will not change your tax or reduce your refund.

Do you want \$3 to go to this fund? Yes No

If a joint return, does your spouse want \$3 to go to this fund? Yes No

▲ IMPORTANT! ▲
You must enter your SSN(s) above.

Yes No

Income
Attach Copy B of Form(s) W-2 here.
Enclose, but do not staple, any payment.

1	Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s).	SCH \$500	1
2	Taxable interest income. If the total is over \$400, you cannot use Form 1040EZ.		2
3	Unemployment compensation (see page 8).		3
4	Add lines 1, 2, and 3. This is your adjusted gross income . If under \$10,030, see page 9 to find out if you can claim the earned income credit on line 8a.		4
5	Can your parents (or someone else) claim you on their return? Yes. Enter amount from worksheet <input checked="" type="checkbox"/> No. If single , enter 6,950.00. If married , enter 12,500.00. See back for explanation. <input type="checkbox"/>		5
6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your taxable income .		6

Dollars **Cents**

	2	3	5	0	0	0	0
		2	7	7	0	0	
	2	6	2	7	0	0	
	2	6	0	0	0	0	
			2	7	0	0	
		1	4	0	0	0	
		1	4	0	0	0	
				6	0	0	
		1	3	4	0	0	

Note: You must check Yes or No.

Payments and tax

7	Enter your Federal income tax withheld from box 2 of your W-2 form(s).		7
8a	Earned income credit (see page 9).		No
b	Nontaxable earned income: enter type and amount below.		8a
	Type <input type="text"/> \$ <input type="text"/>		
9	Add lines 7 and 8a. These are your total payments .		9
10	Tax. Use the amount on line 6 above to find your tax in the tax table on pages 20–24 of the booklet. Then, enter the tax from the table on this line.		10

Refund

Have it directly deposited! See page 12 and fill in 11b, 11c, and 11d.

11a	If line 9 is larger than line 10, subtract line 10 from line 9. This is your refund .	11a
b	Routing number	
c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d	Account number	

--	--	--	--	--	--	--	--	--	--

Amount you owe

12	If line 10 is larger than line 9, subtract line 9 from line 10. This is the amount you owe . See page 14 for details on how to pay.	12
----	--	----

For Official Use Only

6	7	8	9	10

Sign here

Keep copy for your records.

Your signature Pat A. Brown	Spouse's signature if joint return. See page 7.
Date 2/14/98	Your occupation student
Date	Spouse's occupation

**SCHEDULE C-EZ
(Form 1040)**

Department of the Treasury
Internal Revenue Service

Name of proprietor

Net Profit From Business

(Sole Proprietorship)

- ▶ Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.
- ▶ Attach to Form 1040 or Form 1041. ▶ See instructions on back.

OMB No. 1545-0074

1998

Attachment
Sequence No. **09A**

Stephen Burke

Social security number (SSN)

567 : 00 : 4321

Part I General Information

**You May Use
Schedule C-EZ
Instead of
Schedule C
Only If You:**

- Had business expenses of \$2,500 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as a sole proprietor.

And You:

- Had no employees during the year.
- Are not required to file **Form 4562**, Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-4 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service
mowing lawns

B Enter NEW code from pages C-8 & 9

▶ 5 | 6 | 1 | 7 | 3 | 0

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.). Address not required if same as on Form 1040, page 1.

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

Part II Figure Your Net Profit

1 Gross receipts. Caution: If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see Statutory Employees in the instructions for Schedule C, line 1, on page C-3 and check here <input type="checkbox"/>	1	750	00
2 Total expenses. If more than \$2,500, you must use Schedule C. See instructions	2	40	00
3 Net profit. Subtract line 2 from line 1. If less than zero, you must use Schedule C. Enter on Form 1040, line 12 , and ALSO on Schedule SE, line 2 . (Statutory employees do not report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	710	00

Part III Information on Your Vehicle. Complete this part **ONLY** if you are claiming car or truck expenses on line 2.

- 4** When did you place your vehicle in service for business purposes? (month, day, year) ▶ / /
- 5** Of the total number of miles you drove your vehicle during 1998, enter the number of miles you used your vehicle for:
- a** Business **b** Commuting **c** Other
- 6** Do you (or your spouse) have another vehicle available for personal use? Yes No
- 7** Was your vehicle available for use during off-duty hours? Yes No
- 8a** Do you have evidence to support your deduction? Yes No
- b** If "Yes," is the evidence written? Yes No

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 14374D

Schedule C-EZ (Form 1040) 1998

General Guides

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

Specialized Publications

- 3 Armed Forces' Tax Guide
- 378 Fuel Tax Credits and Refunds
- 463 Travel, Entertainment, Gift, and Car Expenses
- 501 Exemptions, Standard Deduction, and Filing Information
- 502 Medical and Dental Expenses
- 503 Child and Dependent Care Expenses
- 504 Divorced or Separated Individuals
- 505 Tax Withholding and Estimated Tax
- 508 Educational Expenses
- 514 Foreign Tax Credit for Individuals
- 516 U.S. Government Civilian Employees Stationed Abroad
- 517 Social Security and Other Information for Members of the Clergy and Religious Workers
- 519 U.S. Tax Guide for Aliens
- 520 Scholarships and Fellowships
- 521 Moving Expenses
- 523 Selling Your Home
- 524 Credit for the Elderly or the Disabled
- 525 Taxable and Nontaxable Income
- 526 Charitable Contributions
- 527 Residential Rental Property
- 529 Miscellaneous Deductions

General Guides

- 530 Tax Planning for First-Time Homeowners
- 531 Reporting Tip Income
- 533 Self-Employment Tax
- 534 Depreciating Property Placed in Service Before 1987
- 537 Installment Sales
- 541 Partnerships
- 544 Sales and Other Dispositions of Assets
- 547 Casualties, Disasters, and Thefts (Business and Nonbusiness)
- 550 Investment Income and Expenses
- 551 Basis of Assets
- 552 Recordkeeping for Individuals
- 554 Older Americans' Tax Guide
- 555 Community Property
- 556 Examination of Returns, Appeal Rights, and Claims for Refund
- 559 Survivors, Executors, and Administrators
- 561 Determining the Value of Donated Property
- 564 Mutual Fund Distributions
- 570 Tax Guide for Individuals With Income From U.S. Possessions
- 575 Pension and Annuity Income
- 584 Nonbusiness Disaster, Casualty, and Theft Loss Workbook
- 587 Business Use of Your Home (Including Use by Day-Care Providers)
- 590 Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)
- 593 Tax Highlights for U.S. Citizens and Residents Going Abroad
- 594 Understanding the Collection Process
- 596 Earned Income Credit
- 721 Tax Guide to U.S. Civil Service Retirement Benefits

General Guides

- 901 U.S. Tax Treaties
- 907 Tax Highlights for Persons with Disabilities
- 908 Bankruptcy Tax Guide
- 911 Direct Sellers
- 915 Social Security and Equivalent Railroad Retirement Benefits
- 919 Is My Withholding Correct for 1999?
- 925 Passive Activity and At-Risk Rules
- 926 Household Employer's Tax Guide
- 929 Tax Rules for Children and Dependents
- 936 Home Mortgage Interest Deduction
- 946 How To Depreciate Property
- 947 Practice Before the IRS and Power of Attorney
- 950 Introduction to Estate and Gift Taxes
- 967 IRS Will Figure Your Tax
- 968 Tax Benefits for Adoption
- 970 Tax Benefits for Higher Education
- 971 Innocent Spouse Relief
- 1542 Per Diem Rates
- 1544 Reporting Cash Payments of Over \$10,000
- 1546 The Problem Resolution Program of the Internal Revenue Service

Spanish Language Publications

- 1SP Derechos del Contribuyente
- 579SP Cómo Preparar la Declaración de Impuesto Federal
- 594SP Comprendiendo el Proceso de Cobro
- 596SP Crédito por Ingreso del Trabajo
- 850 English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- 1544SP Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)

Commonly Used Tax Forms

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

Form Number and Title	Catalog Number	Form Number and Title	Catalog Number
1040 U.S. Individual Income Tax Return	11320	2106 Employee Business Expenses	11700
Sch A & B Itemized Deductions & Interest and Ordinary Dividends	11330	2106-EZ Unreimbursed Employee Business Expenses	20604
Sch C Profit or Loss From Business	11334	2210 Underpayment of Estimated Tax by Individuals, Estates and Trusts	11744
Sch C-EZ Net Profit From Business	14374	2441 Child and Dependent Care Expenses	11862
Sch D Capital Gains and Losses	11338	2848 Power of Attorney and Declaration of Representative	11980
Sch E Supplemental Income and Loss	11344	3903 Moving Expenses	12490
Sch EIC Earned Income Credit	11339	4562 Depreciation and Amortization	12906
Sch F Profit or Loss From Farming	11346	4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141
Sch H Household Employment Taxes	12187	4952 Investment Interest Expense Deduction	13177
Sch J Farm Income Averaging	25513	5329 Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329
Sch R Credit for the Elderly or the Disabled	11359	6251 Alternative Minimum Tax—Individuals	13600
Sch SE Self-Employment Tax	11358	8283 Noncash Charitable Contributions	62294
1040A U.S. Individual Income Tax Return	11327	8582 Passive Activity Loss Limitations	63704
Sch 1 Interest and Ordinary Dividends for Form 1040A Filers	12075	8606 Nondeductible IRAs	63966
Sch 2 Child and Dependent Care Expenses for Form 1040A Filers	10749	8812 Additional Child Tax Credit	10644
Sch 3 Credit for the Elderly or the Disabled for Form 1040A Filers	12064	8822 Change of Address	12081
1040EZ Income Tax Return for Single and Joint Filers With No Dependents	11329	8829 Expenses for Business Use of Your Home	13232
1040-ES Estimated Tax for Individuals	11340	8863 Education Credits	25379
1040X Amended U.S. Individual Income Tax Return	11360		

Index

A	
Alternative filing methods	10
Assistance (<i>See More information</i>)	

C	
Child and dependent care credit	9
Child tax credit	9
Credits	8

D	
Deductions:	
Itemized	8
Standard	8
Student loan interest	8
Dependents:	
Filing requirements	4
Support	4

E	
Earned income credit	9
Examples:	
Form 1040EZ	11
Form W-4	10
Schedule C-EZ	12
Exemption:	
Allowance	4
Personal	2
Expenses:	
Higher education	8

F	
Forms:	
1040ES	5
1040EZ	9
4070	5
4070A	5
W-2	5
W-4	3
Free tax services	12

H	
Help (<i>See More information</i>)	
Hope credit	8

I	
Income:	
Investment	6
Self-employment	4, 5
Taxable	5
Itemized deductions	8

L	
Lifetime learning credit	8

M	
More information	12

P	
Payments:	

Tax	3
Estimated	3
Publications (<i>See More information</i>)	

R	
Refund, time of	10
Return preparation	9

S	
Scholarships and fellowships ..	6
Standard deduction	2, 8

T	
Tax help (<i>See More information</i>)	
Tax:	
Computation	2
Credits	8
Payments	3
Rates	2
Self-employment	4, 6
Withholding	3
TTY/TDD information	12

W	
Withholding:	
Allowances	3
Tax	3
Tips	5

DSMKPI551E MISSING INDEX TERM OR KEY.
DSMMOM395I '.TIPPARA' LINE 60: .pi
DSMKPI551E MISSING INDEX TERM OR KEY.
DSMMOM395I '.TIPPARA' LINE 60: .pi