

Note. This booklet does not contain any tax forms.



Department of the Treasury
Internal Revenue Service

www.irs.gov

20001040

Instructions Including Instructions for Schedules A, B, C, D, E, F, R, and SE

Taxpayer News

Fast Refunds!

For details,
see page 3 or go
to www.irs.gov.



CLICK.ZIP.FAST ROUND TRIP

Paperless Filing!

Electronic Payments!

Need Help?

- Tax return page references. See pages 4 and 5.
- Quick and easy access to tax help and forms. See page 7.

More Student Loan Interest Deductible!

You may be able to deduct up to \$2,000. See page 14.

Let Your Paid Preparer Deal Directly With the IRS!

You can now check a box on your return if you want to allow your paid preparer to resolve certain issues with the IRS. See page 14.

**A Message From
the Commissioner**

Dear Taxpayer:

With the arrival of the Year 2001 tax filing season, the IRS continues to make tangible improvements in the way we serve you. We have worked hard over the past year to make filing and paying your taxes easier and more convenient.

Millions of taxpayers are visiting our Web Site at www.irs.gov to get information and download forms and publications. Assistance on our toll-free telephone lines continues to improve so that more taxpayers can get through and get the answers they need. We are resolving long-standing problems and making sure that your rights are protected. We believe that these are some very positive trends upon which we can build this year, and in the years to come.

However, we still have a long way to go before we can provide the level and quality of service that you expect and deserve. We are in the midst of the most comprehensive modernization of the IRS in more than 50 years. That includes changes to our organization and technology. Many years of hard work lie ahead but we are committed to making the IRS work better, and work better for you.

Thank you.

Sincerely,



Charles O. Rossotti

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

The Future of Tax Filing Is Here!



The *Fastest, Most Accurate* Way To File Your Tax Return

Take advantage of the benefits of **IRS e-file!**

- **FREE Filing!** For free tax preparation and filing options, check out the IRS Web Site at www.irs.gov and click on "Electronic Services."
- **Fast Refunds!** You get your refund in half the time, even faster and safer with Direct Deposit — in as few as 10 days.
- **Security!** Your privacy and security are assured.
- **Accuracy!** Your chance of getting an error notice from the IRS is significantly reduced because IRS *e-file* has less than a 1% error rate.
- **NEW Paperless Filing!** Create your own Personal Identification Number (PIN) and file a completely paperless return. There are no forms to mail!
- **Proof of Acceptance!** You get electronic acknowledgement within 48 hours that the IRS has accepted your return.
- **Electronic Payments!** Convenient, safe, and secure electronic payment options are available. Schedule a direct debit payment for withdrawal or pay by credit card — up to and including April 16, 2001.
- **File Federal and State Taxes Together!** Double the benefits you get from *e-file*.

Get all the details on page 54 or check out the IRS Web Site at www.irs.gov, click on "Electronic Services."

Tax Return Page Reference

Questions about what to put on a line? Help is on the page number in the circle.

Form

1040

Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 2000

(99) IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2000, or other tax year beginning _____, 2000, ending _____, 20 OMB No. 1545-0074

Label

(See instructions on page 19.)

Use the IRS label. Otherwise, please print or type.

Your first name and initial	Last name
If a joint return, spouse's first name and initial	Last name
FOR REFERENCE ONLY—DO NOT FILE	
Home address (number and street). If you have a P.O. box, see page 19.	Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.	

Your social security number

Spouse's social security number

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

Presidential Election Campaign

(See page 19.)

Note. Checking "Yes" will not change your tax or reduce your refund.
Do you, or your spouse if filing a joint return, want \$3 to go to this fund? Yes No Yes No

Filing Status

Check only one box.

- 1 Single
- 2 Married filing joint return (even if only one had income)
- 3 Married filing separate return. Enter spouse's social security no. above and full name here. ▶ _____
- 4 Head of household (with qualifying person). (See page 19.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____
- 5 Qualifying widow(er) with dependent child (year spouse died ▶ _____). (See page 19.)

Exemptions

If more than six dependents, see page 20.

6a **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a

b **Spouse**

c Dependents:	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 20)
(1) First name Last name			
	20		20
			<input type="checkbox"/>
			<input type="checkbox"/>
			<input type="checkbox"/>
			<input type="checkbox"/>
			<input type="checkbox"/>

d Total number of exemptions claimed 20

No. of boxes checked on 6a and 6b _____

No. of your children on 6c who:

- lived with you _____
- did not live with you due to divorce or separation (see page 20) 20

Dependents on 6c not entered above _____

Add numbers entered on lines above

Income

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7 Wages, salaries, tips, etc. Attach Form(s) W-2	8a	21	
8a Taxable interest. Attach Schedule B if required	8b	21	
9 Ordinary dividends. Attach Schedule B if required		21	
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22)		22	
11 Alimony received		22	
12 Business income or (loss). Attach Schedule C or C-EZ		23	
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		23	
14 Other gains or (losses). Attach Form 4797		23	
15a Total IRA distributions	15a	23	
16a Total pensions and annuities	16a	23	
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			
18 Farm income or (loss). Attach Schedule F			
19 Unemployment compensation		25	
20a Social security benefits	20a	25	
21 Other income. List type and amount (see page 25)		25	
22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶			

7		21	
8a		21	
9		21	
10		22	
11		22	
12		23	
13		23	
14		23	
15b		23	
16b		23	
17			
18			
19		25	
20b		25	
21			
22			

Adjusted Gross Income

23 IRA deduction (see page 27)	23	27	
24 Student loan interest deduction (see page 27)	24	27	
25 Medical savings account deduction. Attach Form 8853	25	29	
26 Moving expenses. Attach Form 3903	26	29	
27 One-half of self-employment tax. Attach Schedule SE	27	29	
28 Self-employed health insurance deduction (see page 29)	28	29	
29 Self-employed SEP, SIMPLE, and qualified plans	29	30	
30 Penalty on early withdrawal of savings	30	30	
31a Alimony paid b Recipient's SSN ▶ _____	31a	30	
32 Add lines 23 through 31a			30
33 Subtract line 32 from line 22. This is your adjusted gross income ▶			30

23		27	
24		27	
25		29	
26		29	
27		29	
28		29	
29		30	
30		30	
31a		30	
32			30
33			30

Tax Return Page Reference

Questions about what to put on a line? Help is on the page number in the circle.

Tax and Credits

Standard Deduction for Most People

- Single: \$4,400
- Head of household: \$6,450
- Married filing jointly or Qualifying widow(er): \$7,350
- Married filing separately: \$3,675

(32)

34 Amount from line 33 (adjusted gross income).

35a Check if: You were 65 or older, Blind; Spouse was 65 or older, Blind. Add the number of boxes checked above and enter the total here. **35a**

b If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 31 and check here. **A-1** **35b**

36 Enter your **itemized deductions** from Schedule A, line 28, or **standard deduction** shown on the left. **But** see page 31 to find your standard deduction if you checked any box on line 35a or 35b or if someone can claim you as a dependent.

37 Subtract line 36 from line 34.

38 If line 34 is \$96,700 or less, multiply \$2,800 by the total number of exemptions claimed on line 6d. If line 34 is over \$96,700, see the worksheet on page 32 for the amount to enter.

39 **Taxable income.** Subtract line 38 from line 37. If line 38 is more than line 37, enter -0-.

40 **Tax** (see page 32). Check if any tax is from **a** Form(s) 8814 **b** Form 4972.

41 Alternative minimum tax. Attach Form 6251.

42 Add lines 40 and 41.

43 Foreign tax credit. Attach Form 1116 if required.

44 Credit for child and dependent care expenses. Attach Form 2441.

45 Credit for the elderly or the disabled. Attach Schedule R.

46 Education credits. Attach Form 8863.

47 Child tax credit (see page 36).

48 Adoption credit. Attach Form 8839.

49 Other. Check if from **a** Form 3800 **b** Form 8396 **c** Form 8801 **d** Form (specify) _____.

50 Add lines 43 through 49. These are your **total credits**.

51 Subtract line 50 from line 42. If line 50 is more than line 42, enter -0-.

34	
35a	
36	(31)
37	
38	(32)
39	(32)
40	(32)
41	(33)
42	NEW
43	(34)
44	(35)
45	(35)
46	(35)
47	(36)
48	(38)
49	(38)
50	
51	

Other Taxes

52 Self-employment tax. Attach Schedule SE.

53 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137.

54 Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required.

55 Advance earned income credit payments from Form(s) W-2.

56 Household employment taxes. Attach Schedule H.

57 Add lines 51 through 56. This is your **total tax**.

52	
53	(38)
54	(38)
55	(38)
56	(38)
57	(38)

Payments

If you have a qualifying child, attach Schedule EIC.

58 Federal income tax withheld from Forms W-2 and 1099.

59 2000 estimated tax payments and amount applied from 1999 return.

60a **Earned income credit (EIC)** **42**

b Nontaxable earned income: amount **42** and type **42**

61 Excess social security and RRTA tax withheld (see page 50).

62 Additional child tax credit. Attach Form 8812.

63 Amount paid with request for extension to file (see page 50).

64 Other payments. Check if from **a** Form 2439 **b** Form 4136.

65 Add lines 58, 59, 60a, and 61 through 64. These are your **total payments**.

58	(39)
59	(39)
60a	(40)
61	(50)
62	(50)
63	(50)
64	(50)

58	
59	
60a	
61	
62	
63	
64	
65	

Refund

Have it directly deposited! See page 50 and fill in 67b, 67c, and 67d.

66 If line 65 is more than line 57, subtract line 57 from line 65. This is the amount you **overpaid**.

67a Amount of line 66 you want **refunded to you** **50**

b Routing number _____ **c** Type: Checking Savings

d Account number _____

68 Amount of line 66 you want **applied to your 2001 estimated tax** **51**

66	(50)
67a	
68	(51)

Amount You Owe

69 If line 57 is more than line 65, subtract line 65 from line 57. This is the **amount you owe**. For details on how to pay, see page 51.

70 Estimated tax penalty. Also include on line 69 **52**

69	(51)
70	

Sign Here

Joint return? See page 19. Keep a copy for your records.

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. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature 52	Date	Your occupation	Daytime phone number 52 NEW 52
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	May the IRS discuss this return with the preparer shown below (see page 52)? <input type="checkbox"/> Yes <input type="checkbox"/> No

Paid Preparer's Use Only

Preparer's signature 52	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no. () NEW	

IRS Customer Service Standards

At the IRS our goal is to continually improve the quality of our services. To achieve that goal, we have developed customer service standards in the following areas:

- **Easier filing and payment options**
- **Access to information**
- **Accuracy**

- **Prompt refunds**
- **Initial contact resolution**
- **Canceling penalties**
- **Resolving problems**
- **Simpler forms**

If you would like information about the IRS standards and a report of our accomplishments, see **Pub. 2183**.

Help With Unresolved Tax Issues

Office of the Taxpayer Advocate

Contacting Your Taxpayer Advocate

If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels.

While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

Handling Your Tax Problems

Your assigned personal advocate will listen to your point of view and will work with you to address your concerns. You can expect the advocate to provide you with:

- A “fresh look” at your new or on-going problem
- Timely acknowledgment
- The name and phone number of the individual assigned to your case
- Updates on progress
- Timeframes for action
- Speedy resolution
- Courteous service

Information You Should Be Prepared To Provide

- Your name, address, and social security number (or employer identification number)
- Your telephone number and hours you can be reached
- The type of tax return and year(s) involved
- A detailed description of your problem
- Your previous attempts to solve the problem and the office you contacted, and
- Description of the hardship you are facing (if applicable)

How To Contact Your Taxpayer Advocate

- Call the Taxpayer Advocate’s toll-free number: **1-877-777-4778**
- Call, write, or fax the Taxpayer Advocate office in your area (see **Pub. 1546** for addresses and phone numbers)
- TTY/TDD help is available by calling 1-800-829-4059

Quick and Easy Access to Tax Help and Forms

Note. If you live outside the United States, see **Pub. 54** to find out how to get help and forms.



Personal Computer

You can access the IRS Web Site 24 hours a day, 7 days a week, at www.irs.gov to:

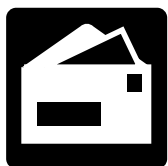
- Download forms, instructions, and publications
- See answers to frequently asked tax questions
- Search publications on-line by topic or keyword
- Figure your withholding allowances using our W-4 calculator
- Send us comments or request help by e-mail
- Sign up to receive local and national tax news by e-mail

You can also reach us using File Transfer Protocol at [ftp.irs.gov](ftp://ftp.irs.gov)



Fax

You can get over 100 of the most requested forms and instructions 24 hours a day, 7 days a week, by fax. Just call **703-368-9694** from the telephone connected to the fax machine. See pages 8 and 9 for a list of the items available.



Mail

You can order forms, instructions, and publications by completing the order blank on page 57. You should receive your order within 10 days after we receive your request.



Phone

You can get forms, publications, and automated information 24 hours a day, 7 days a week, by phone.

Forms and Publications

Call **1-800-TAX-FORM** (1-800-829-3676) to order current and prior year forms, instructions, and publications. You should receive your order within 10 days.

TeleTax Topics

Call **1-800-829-4477** to listen to pre-recorded messages covering about 150 tax topics. See pages 11 and 12 for a list of the topics.

Refund Information

You can check the status of your 2000 refund using TeleTax's Refund Information service. See page 11.



Walk-In

You can pick up some of the most requested forms, instructions, and publications at many IRS offices, post offices, and libraries. Some IRS offices, libraries, grocery stores, office supply stores, and copy centers have an extensive collection of products available to photocopy or print from a CD-ROM.



CD-ROM

Order **Pub. 1796**, Federal Tax Products on CD-ROM, and get:

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

Buy the CD-ROM on the Internet at www.irs.gov/cdorders from the National Technical Information Service (NTIS) for \$21 (no handling fee) or call **1-877-CDFORMS** (1-877-233-6767) toll free to buy the CD-ROM for \$21 (plus a \$5 handling fee).

You can also get help in other ways—See page 55 for information.

Forms by Fax

The following forms and instructions are available through our **Tax Fax** service 24 hours a day, 7 days a week. Just call **703-368-9694** from the telephone connected to the fax machine. When you call, you will hear instructions on how to use the service. Select the option for getting forms. Then, enter the **Catalog Number** (Cat. No.) shown below for each item you want. When you hang up the phone, the fax will begin.

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	4	Schedule A (Form 990)	Organization Exempt Under Section 501(c)(3)	11285	6
Form SS-8	Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	4	Instr. Sch. A (Form 990)		11294	8
Form W-2c	Corrected Wage and Tax Statement	61437	8	Form 990-EZ	Short Form Return of Organization Exempt From Income Tax	10642	2
Form W-3c	Transmittal of Corrected Wage and Tax Statements	10164	2	Instr. 990-EZ	Specific Instructions for Form 990-EZ	50003	9
Instr. W-2c and W-3c		25978	4	Form 1040	U.S. Individual Income Tax Return	11320	2
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Instr. 1040	Line Instructions for Form 1040	11325	34
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	4	Instr. 1040	General Information for Form 1040	24811	26
Form W-5	Earned Income Credit Advance Payment Certificate	10227	3	Tax Table and Tax Rate Sch.	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	3	Schedules A&B (Form 1040)	Itemized Deductions & Interest and Ordinary Dividends	11330	2
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Instr. Sch. A&B		24328	8
Form W-7P	Application for Preparer Tax Identification Number	26781	1	Schedule C (Form 1040)	Profit or Loss From Business (Sole Proprietorship)	11334	2
Form W-9	Request for Taxpayer Identification Number and Certification	10231	2	Instr. Sch. C		24329	8
Instr. W-9		20479	2	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	2
Form W-9S	Request for Student's or Borrower's Taxpayer Identification Number and Certification	25240	2	Schedule D (Form 1040)	Capital Gains and Losses	11338	2
Form W-10	Dependent Care Provider's Identification and Certification	10437	1	Instr. Sch. D		24331	8
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	10424	2
Instr. 709		16784	8	Schedule E (Form 1040)	Supplemental Income and Loss	11344	2
Form 709A	U.S. Short Form Gift Tax Return	10171	2	Instr. Sch. E		24332	6
Form 843	Claim for Refund and Request for Abatement	10180	1	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	2
Instr. 843		11200	2	Schedule F (Form 1040)	Profit or Loss From Farming	11346	2
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	2	Instr. Sch. F		24333	7
Instr. 940		13660	6	Schedule H (Form 1040)	Household Employment Taxes	12187	2
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	2	Instr. Sch. H		21451	8
Instr. 940-EZ		25947	4	Schedule J (Form 1040)	Farm Income Averaging	25513	2
Form 941	Employer's Quarterly Federal Tax Return	17001	3	Instr. Sch. J		25514	8
Instr. 941		14625	4	Schedule R (Form 1040)	Credit for the Elderly or the Disabled	11359	2
Form 941c	Supporting Statement To Correct Information	11242	4	Instr. Sch. R		11357	4
Form 990	Return of Organization Exempt From Income Tax	11282	6	Schedule SE (Form 1040)	Self-Employment Tax	11358	2
Instr. 990 & 990-EZ	General Instructions for Forms 990 and 990-EZ	22386	14	Instr. Sch. SE		24334	4
Instr. 990	Specific Instructions for Form 990	50002	16	Form 1040A	U.S. Individual Income Tax Return	11327	2
				Schedule 1 (Form 1040A)	Interest and Ordinary Dividends for Form 1040A Filers	12075	1
				Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	10749	2
				Instr. Sch. 2		30139	3
				Schedule 3 (Form 1040A)	Credit for the Elderly or the Disabled for Form 1040A Filers	12064	2
				Instr. Sch. 3		12059	4
				Form 1040-ES	Estimated Tax for Individuals	11340	7
				Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	11329	2

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5	Form 6198	At-Risk Limitations	50012	1
Instr. 1040NR		11368	32	Instr. 6198		50013	7
Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	2	Form 6251	Alternative Minimum Tax—Individuals	13600	2
Instr. 1040NR-EZ		21718	12	Instr. 6251		64277	8
Form 1040-V	Payment Voucher	20975	2	Form 6252	Installment Sale Income	13601	2
Form 1040X	Amended U.S. Individual Income Tax Return	11360	2	Instr. 6252		64262	2
Instr. 1040X		11362	6	Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	3
Form 1116	Foreign Tax Credit	11440	2	Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Instr. 1116		11441	12	Form 8283	Noncash Charitable Contributions	62299	2
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Instr. 8283		62730	4
Form 2106	Employee Business Expenses	11700	2	Form 8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	62133	4
Instr. 2106		64188	4	Form 8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	13910	1
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2	Form 8379	Injured Spouse Claim and Allocation	62474	2
Form 2120	Multiple Support Declaration	11712	1	Form 8582	Passive Activity Loss Limitations	63704	3
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	3	Instr. 8582		64294	12
Instr. 2210		63610	6	Form 8586	Low-Income Housing Credit	63987	2
Form 2290	Heavy Highway Vehicle Use Tax Return	11250	3	Form 8606	Nondeductible IRAs	63966	2
Instr. 2290		27231	8	Instr. 8606		25399	8
Form 2441	Child and Dependent Care Expenses	11862	2	Form 8615	Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400	64113	1
Instr. 2441		10842	3	Instr. 8615		28914	2
Form 2553	Election by a Small Business Corporation	18629	2	Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Instr. 2553		49978	2	Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	4
Form 2555	Foreign Earned Income	11900	3	Form 8809	Request for Extension of Time To File Information Returns	10322	2
Instr. 2555		11901	4	Form 8812	Additional Child Tax Credit	10644	2
Form 2555-EZ	Foreign Earned Income Exclusion	13272	2	Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Instr. 2555-EZ		14623	3	Form 8815	Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989	10822	2
Form 2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return	11958	2	Form 8822	Change of Address	12081	2
Form 2848	Power of Attorney and Declaration of Representative	11980	2	Form 8824	Like-Kind Exchanges	12311	4
Instr. 2848		11981	4	Form 8829	Expenses for Business Use of Your Home	13232	1
Form 3903	Moving Expenses	12490	2	Instr. 8829		15683	4
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4	Form 8839	Qualified Adoption Expenses	22843	2
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2	Instr. 8839		23077	4
Form 4506	Request for Copy or Transcript of Tax Form	41721	2	Form 8850	Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits	22851	2
Form 4562	Depreciation and Amortization	12906	2	Instr. 8850		24833	2
Instr. 4562		12907	12	Form 8853	Medical Savings Accounts and Long-Term Care Insurance Contracts	24091	2
Form 4684	Casualties and Thefts	12997	2	Instr. 8853		24188	8
Instr. 4684		12998	4	Form 8857	Request for Innocent Spouse Relief	24647	4
Form 4797	Sales of Business Property	13086	2	Form 8859	District of Columbia First-Time Homebuyer Credit	24779	2
Instr. 4797		13087	7	Form 8862	Information To Claim Earned Income Credit After Disallowance	25145	2
Form 4835	Farm Rental Income and Expenses	13117	2	Instr. 8862		25343	2
Form 4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141	4	Form 8863	Education Credits	25379	3
Form 4952	Investment Interest Expense Deduction	13177	2	Form 9465	Installment Agreement Request	14842	2
Form 4972	Tax on Lump-Sum Distributions	13187	1				
Instr. 4972		13188	3				
Form 5329	Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329	2				
Instr. 5329		13330	4				

Partial List of Publications

The following publications are available through the IRS Web Site 24 hours a day, 7 days a week, at www.irs.gov. You can also order publications by calling **1-800-TAX-FORM** (1-800-829-3676) or by completing the order blank on page 57. You should receive your order within 10 days after we receive your request. For a complete list of available publications, see **Pub. 910**.

Pub. No.	Title	Pub. No.	Title
1	Your Rights as a Taxpayer	570	Tax Guide for Individuals With Income From U.S. Possessions
3	Armed Forces' Tax Guide	575	Pension and Annuity Income
17	Your Federal Income Tax (For Individuals)	584	Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
225	Farmer's Tax Guide	587	Business Use of Your Home (Including Use by Day-Care Providers)
334	Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)	590	Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)
378	Fuel Tax Credits and Refunds	593	Tax Highlights for U.S. Citizens and Residents Going Abroad
463	Travel, Entertainment, Gift, and Car Expenses	594	The IRS Collection Process
501	Exemptions, Standard Deduction, and Filing Information	595	Tax Highlights for Commercial Fishermen
502	Medical and Dental Expenses	596	Earned Income Credit (EIC)
503	Child and Dependent Care Expenses	721	Tax Guide to U.S. Civil Service Retirement Benefits
504	Divorced or Separated Individuals	901	U.S. Tax Treaties
505	Tax Withholding and Estimated Tax	907	Tax Highlights for Persons With Disabilities
508	Tax Benefits for Work-Related Education	908	Bankruptcy Tax Guide
509	Tax Calendars for 2001	910	Guide To Free Tax Services
514	Foreign Tax Credit for Individuals	911	Direct Sellers
516	U.S. Government Civilian Employees Stationed Abroad	915	Social Security and Equivalent Railroad Retirement Benefits
517	Social Security and Other Information for Members of the Clergy and Religious Workers	919	How Do I Adjust My Tax Withholding?
519	U.S. Tax Guide for Aliens	925	Passive Activity and At-Risk Rules
520	Scholarships and Fellowships	926	Household Employer's Tax Guide
521	Moving Expenses	929	Tax Rules for Children and Dependents
523	Selling Your Home	936	Home Mortgage Interest Deduction
524	Credit for the Elderly or the Disabled	946	How To Depreciate Property
525	Taxable and Nontaxable Income	947	Practice Before the IRS and Power of Attorney
526	Charitable Contributions	950	Introduction to Estate and Gift Taxes
527	Residential Rental Property	967	The IRS Will Figure Your Tax
529	Miscellaneous Deductions	968	Tax Benefits for Adoption
530	Tax Information for First-Time Homeowners	970	Tax Benefits for Higher Education
531	Reporting Tip Income	971	Innocent Spouse Relief
533	Self-Employment Tax	972	Child Tax Credit
534	Depreciating Property Placed in Service Before 1987	1542	Per Diem Rates
535	Business Expenses	1544	Reporting Cash Payments of Over \$10,000
537	Installment Sales	1546	The Taxpayer Advocate Service of the IRS
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		
553	Highlights of 2000 Tax Changes		
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		
		Spanish Language Publications	
		1SP	Your Rights as a Taxpayer
		579SP	How To Prepare Your Federal Income Tax Return
		594SP	The IRS Collection Process
		596SP	Earned Income Credit
		850	English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
		1544SP	Reporting Cash Payments of Over \$10,000

What Is TeleTax?

Call TeleTax at **1-800-829-4477** for:

- **Refund information.** Check the status of your **2000** refund.
- **Recorded tax information.** There are about 150 topics that answer many Federal tax questions.

How Do You Use TeleTax?

Refund Information

Refund information is not available until at least 4 weeks after you file your return (3 weeks if you file electronically), and sometimes is not available for up to 6 weeks. Please wait at least 4 weeks from the date you filed before calling to check the status of your refund. Do not send in a copy of your return unless asked to do so.

Be sure to have a copy of your 2000 tax return available because you will need to know the first social security number shown on your return, the filing status, and the **exact** whole-dollar amount of your refund. Then, call **1-800-829-4477** and follow the recorded instructions.



The IRS updates refund information every 7 days, over the weekend. Refunds are sent out weekly, on Fridays. If you call to check the status of your refund and are not given the date it will be issued, please wait until the next week before calling back.

Recorded Tax Information

Recorded tax information is available 24 hours a day, 7 days a week. Select the number of the topic you want to hear. Then, call **1-800-829-4477**. Have paper and pencil handy to take notes.

Topics by Personal Computer

TeleTax topics are also available using a personal computer and modem (connect to www.irs.gov).

TeleTax Topics—All

topics are available in Spanish

Topic No.	Subject
IRS Help Available	
101	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Intro. to Federal taxes for small businesses/self-employed
104	Taxpayer Advocate program—Help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
IRS Procedures	
151	Your appeal rights
152	Refunds—How long they should take
153	What to do if you haven't filed your tax return (Nonfilers)
154	Form W-2—What to do if not received
155	Forms and Publications—How to order
156	Copy of your tax return—How to get one
157	Change of address—How to notify IRS
158	Ensuring proper credit of payments

Topic No.	Subject
Collection	
201	The collection process
202	What to do if you can't pay your tax
203	Failure to pay child support and other Federal nontax obligations
204	Offers in compromise
205	Innocent spouse relief
Alternative Filing Methods*	
252	Electronic filing
253	Substitute tax forms
254	How to choose a paid tax preparer
255	TeleFile
General Information	
301	When, where, and how to file
302	Highlights of tax changes
303	Checklist of common errors when preparing your tax return
304	Extensions of time to file your tax return
305	Recordkeeping
306	Penalty for underpayment of estimated tax
307	Backup withholding
308	Amended returns
309	Roth IRA contributions
310	Education IRA contributions
311	Power of attorney information

Topic No.	Subject
Filing Requirements, Filing Status, and Exemptions	
351	Who must file?
352	Which form—1040, 1040A, or 1040EZ?
353	What is your filing status?
354	Dependents
355	Estimated tax
356	Decedents
Types of Income	
401	Wages and salaries
402	Tips
403	Interest received
404	Dividends
405	Refunds of state and local taxes
406	Alimony received
407	Business income
408	Sole proprietorship
409	Capital gains and losses
410	Pensions and annuities
411	Pensions—The general rule and the simplified method
412	Lump-sum distributions
413	Rollovers from retirement plans
414	Rental income and expenses
415	Renting vacation property and renting to relatives
416	Farming and fishing income
417	Earnings for clergy
418	Unemployment compensation
419	Gambling income and expenses
420	Bartering income

(Continued on page 12)

* The IRS no longer accepts the Form 1040PC format. If you used Form 1040PC in the past, the IRS encourages you to file using the fastest, most accurate way to file—IRS e-file.

TeleTax Topics

(Continued)

Topic No.	Subject
421	Scholarship and fellowship grants
422	Nontaxable income
423	Social security and equivalent railroad retirement benefits
424	401(k) plans
425	Passive activities—Losses and credits
426	Other income
427	Stock options
428	Roth IRA distributions
Adjustments to Income	
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
454	Tax shelters
455	Moving expenses
456	Student loan interest deduction
Itemized Deductions	
501	Should I itemize?
502	Medical and dental expenses
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty and theft losses
508	Miscellaneous expenses
509	Business use of home
510	Business use of car
511	Business travel expenses
512	Business entertainment expenses
513	Educational expenses
514	Employee business expenses
515	Disaster area losses
Tax Computation	
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
555	Ten-year tax option for lump-sum distributions
556	Alternative minimum tax
557	Tax on early distributions from traditional and Roth IRAs
558	Tax on early distributions from retirement plans

Topic No.	Subject
Tax Credits	
601	Earned income credit (EIC)
602	Child and dependent care credit
603	Credit for the elderly or the disabled
604	Advance earned income credit
605	Education credits
606	Child tax credits
607	Adoption credit
608	Excess social security and RRTA tax withheld
IRS Notices	
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills, penalties, and interest charges
Basis of Assets, Depreciation, and Sale of Assets	
701	Sale of your home
703	Basis of assets
704	Depreciation
705	Installment sales
Employer Tax Information	
751	Social security and Medicare withholding rates
752	Form W-2—Where, when, and how to file
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit
755	Employer identification number (EIN)—How to apply
756	Employment taxes for household employees
757	Form 941—Deposit requirements
758	Form 941—Employer's Quarterly Federal Tax Return
759	Form 940 and 940-EZ—Deposit requirements
760	Form 940 and Form 940-EZ—Employer's Annual Federal Unemployment Tax Returns
761	Tips—Withholding and reporting
762	Independent contractor vs. employee

Topic No.	Subject
Magnetic Media Filers—1099 Series and Related Information Returns	
801	Who must file magnetically
802	Applications, forms, and information
803	Waivers and extensions
804	Test files and combined Federal and state filing
805	Electronic filing of information returns
Tax Information for Aliens and U.S. Citizens Living Abroad	
851	Resident and nonresident aliens
852	Dual-status alien
853	Foreign earned income exclusion—General
854	Foreign earned income exclusion—Who qualifies?
855	Foreign earned income exclusion—What qualifies?
856	Foreign tax credit
857	Individual Taxpayer Identification Number—Form W-7
858	Alien tax clearance
Tax Information for Puerto Rico Residents (in Spanish only)	
901	Who must file a U.S. income tax return in Puerto Rico
902	Deductions and credits for Puerto Rico filers
903	Federal employment taxes in Puerto Rico
904	Tax assistance for Puerto Rico residents

Topic numbers are effective
January 1, 2001.

Calling the IRS

If you cannot answer your question by using one of the methods listed on page 7, please call us for assistance at **1-800-829-1040**. You will not be charged for the call unless your phone company charges you for local calls. General tax question assistance is available 24 hours a day, 7 days a week, from January 2, 2001, through April 17, 2001. Beginning April 18, 2001, this assistance is available Monday through Saturday from 7:00 a.m. until 11:00 p.m. local time. Assistance for questions about a specific notice, letter, bill, or refund is available year-round 24 hours a day, 7 days a week.



If you want to check the status of your **2000 refund**, call **TeleTax** at **1-800-829-4477** (see page 11 for instructions).

Before You Call

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 questions by having the following information available.

- The tax form, schedule, or notice to which your question relates.
- 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.
- The name of any IRS publication or other source of information that you used to look for the answer.

To maintain your account security, you may be asked for the following information, which you should also have available.

- Your social security number.
- The amount of refund and filing status shown on your tax return.
- The "Caller ID Number" shown at the top of any notice you received.
- Your personal identification number (PIN) if you have one.
- Your date of birth.

- The numbers in your street address.
- Your ZIP code.

If you are asking for an installment agreement to pay your tax, you will be asked for the highest amount you can pay each month and the date on which you can pay it.

Evaluation of Services Provided. The IRS uses several methods to evaluate the quality of this telephone service. One method is for a second IRS representative to sometimes listen in on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Making the Call

Call **1-800-829-1040** (for TTY/TDD help, call 1-800-829-4059). If you have a pulse or rotary dial phone, stay on the line and one of our representatives will answer.

If you have a touch-tone phone, you may not need to speak to a representative to get your answer. The system will direct you to the appropriate assistance. You can press the number for your topic as soon as you hear it. You can do the following within the system.

- Order tax forms and publications.

- Find out the status of your refund or what you owe.

- Determine if we have adjusted your account or received payments you made.
- Request a transcript of your account.
- Find out where to send your tax return or payment.
- Request more time to pay or set up a monthly installment agreement.

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 additional time to be sure your question is answered fully.

By law, you are responsible for paying your 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.

Before You Fill In Form 1040

See **How To Avoid Common Mistakes** on page 53.

If you were in the Balkans or the Persian Gulf area (for example, you participated in Operation Joint Forge or Operation Allied Force), see **Pub. 3**.

Did You Convert an IRA to a Roth IRA in 1998?

If you did and you chose to report the taxable amount over 4 years, see **1998 Roth IRA Conversions** on page 23 to find out the taxable amount you must report in 2000 on line 15b.



For details on the changes for 2000 and 2001, see **Pub. 553** or see **What's Hot** at www.irs.gov.

What's New for 2000?

Student Loan Interest Deduction

If you paid interest on a qualified student loan, you may be able to deduct up to \$2,000 of the interest on line 24. See the instructions for line 24 that begin on page 27.

IRA Deduction Allowed to More People Covered by Retirement Plans

You may be able to take an IRA deduction if you were covered by a retirement plan and your modified adjusted gross income is less than the amount shown below that applies to you.

- Single, head of household, or married filing separately and you lived apart from your spouse for all of 2000—\$42,000.
- Married filing jointly or qualifying widow(er)—\$62,000.

See the instructions for line 23 on page 27.

Business Standard Mileage Rate

The rate for business use of a vehicle during 2000 is 32½ cents a mile.

Earned Income Credit (EIC)

You may be able to take this credit if you earned less than \$31,152 (less than \$10,380 if you do not have any qualifying children). See the instructions for lines 60a and 60b that begin on page 40.

Foster Child—New Definition for the Child Tax Credit and the EIC

New rules apply to determine who is a foster child for purposes of the child tax credit and the EIC. For details, see **Qualifying Child for Child Tax Credit** on page 20 or **Foster Child** on page 43.

Paid Preparer Authorization

If you want to allow the IRS to discuss your 2000 tax return with the paid preparer who signed it, check the “Yes” box in the area where you sign your return. See page 52 for details.

Mailing Your Return

You may be mailing your return to a different service center this year because the IRS has changed the filing location for several areas. If you received an envelope with your tax package, please use it. Otherwise, see **Where Do You File?** on the back cover.

What To Look for in 2001

Student Loan Interest Deduction

You may be able to deduct up to \$2,500 of the interest you pay on a qualified student loan.

IRA Deduction Allowed to More People Covered by Retirement Plans

You may be able to take an IRA deduction if you are covered by a retirement plan and your 2001 modified adjusted gross income is less than the amount shown below that applies to you.

- Single, head of household, or married filing separately and you lived apart from your spouse for all of 2001—\$43,000.
- Married filing jointly or qualifying widow(er)—\$63,000.

Photographs of Missing Children

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

Filing Requirements

These rules apply to all U.S. citizens, regardless of where they live, and resident aliens.

Do You Have To File?

Use **Chart A, B, or C** to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see **Pub. 570**. Residents of Puerto Rico can use TeleTax topic 901 (see page 11) to see if they must file.



Even if you do not otherwise have to file a return, you should file one to get a refund of any Federal income tax withheld.

You should also file if you are eligible for the earned income credit or the additional child tax credit.

Exception for Children Under Age 14. If you are planning to file a return for your child who was under age 14 on January 1, 2001, and certain other conditions apply, you may elect to report your child's income on your return. But you must use **Form 8814** to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 11) or see Form 8814.

Nonresident Aliens and Dual-Status Aliens. These rules also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the

end of 2000 and who have elected to be taxed as resident aliens. Other nonresident aliens and dual-status aliens have different filing requirements. They may have to file **Form 1040NR** or **Form 1040NR-EZ**. Specific rules apply to determine if you are a resident or nonresident alien. See **Pub. 519** for details, including the rules for students and scholars who are aliens.

When Should You File?

Not later than **April 16, 2001**. If you file after this date, you may have to pay interest and penalties. See page 55.

What if You Cannot File on Time?

You can get an automatic 4-month extension if, by April 16, 2001, you **either**:

- File **Form 4868** or
- File for an extension by phone, using tax software, or through a tax professional. If you expect to owe tax with your return, you can even pay part or all of it by direct debit or credit card (American Express® Card, Discover® Card, or MasterCard® card). See Form 4868 for details.



An automatic 4-month extension to file does not extend the time to pay your tax. See Form 4868.

If you are a U.S. citizen or resident, you may qualify for an automatic extension of time to file without filing Form 4868 or filing for an extension by phone, using tax software, or through a tax professional. You qualify if, on the due date of your return, you meet one of the following conditions.

- You live outside the United States and Puerto Rico **and** your main place of business or post of duty is outside the United States and Puerto Rico.
- You are in military or naval service on duty outside the United States and Puerto Rico.

This extension gives you an extra 2 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 Do You File?

See the back cover of this booklet for filing instructions and addresses. For details on using a private delivery service to mail your return or payment, see page 18.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 2000 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65 65 or older	\$7,200 8,300
Married filing jointly***	under 65 (both spouses)	\$12,950
	65 or older (one spouse)	13,800
	65 or older (both spouses)	14,650
Married filing separately	any age	\$2,800
Head of household (see page 19)	under 65	\$9,250
	65 or older	10,350
Qualifying widow(er) with dependent child (see page 19)	under 65	\$10,150
	65 or older	11,000

* If you turned 65 on January 1, 2001, you are considered to be age 65 at the end of 2000.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax including any income from sources outside the United States (even if you may exclude part or all of it). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 2000.

*** If you did not live with your spouse at the end of 2000 (or on the date your spouse died) and your gross income was at least \$2,800, you must file a return regardless of your age.

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 20 to find out if someone can claim you as a dependent.)

If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return.

In this chart, **unearned income** includes taxable interest, ordinary dividends, and capital gain distributions. **Earned income** includes wages, tips, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.



If your gross income was \$2,800 or more, you usually cannot be claimed as a dependent unless you were under age 19 or a student under age 24. For details, see **Pub. 501**.

Single dependents. Were you **either** age 65 or older **or** blind?

No. You must file a return if **any** of the following apply.

- Your **unearned income** was over \$700.
- Your **earned income** was over \$4,400.
- Your **gross income** was more than the **larger** of—
 - \$700 **or**
 - Your earned income (up to \$4,150) plus \$250.

Yes. You must file a return if **any** of the following apply.

- Your unearned income was over \$1,800 (\$2,900 if 65 or older **and** blind).
- Your earned income was over \$5,500 (\$6,600 if 65 or older **and** blind).
- Your gross income was more than—

The larger of:	Plus	This amount:
<ul style="list-style-type: none"> ● \$700 or ● Your earned income (up to \$4,150) plus \$250 	}	\$1,100 (\$2,200 if 65 or older and blind)

Married dependents. Were you **either** age 65 or older **or** blind?

No. You must file a return if **any** of the following apply.

- Your unearned income was over \$700.
- Your earned income was over \$3,675.
- Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
- Your gross income was more than the **larger** of—
 - \$700 **or**
 - Your earned income (up to \$3,425) plus \$250.

Yes. You must file a return if **any** of the following apply.

- Your unearned income was over \$1,550 (\$2,400 if 65 or older **and** blind).
- Your earned income was over \$4,525 (\$5,375 if 65 or older **and** blind).
- Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
- Your gross income was more than—

The larger of:	Plus	This amount:
<ul style="list-style-type: none"> ● \$700 or ● Your earned income (up to \$3,425) plus \$250 	}	\$850 (\$1,700 if 65 or older and blind)

Chart C—Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2000.

1. You owe any special taxes, such as:

- Social security and Medicare tax on tips you did not report to your employer,
- Uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance,
- Alternative minimum tax,
- Recapture taxes (see the instructions for line 40 that begin on page 32 and line 57 that begin on page 38), or
- Tax on an individual retirement arrangement (IRA), other retirement plan, or on a medical savings account (MSA). But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.

2. You received any advance earned income credit (EIC) payments from your employer. These payments are shown in box 9 of your W-2 form.

3. You had net earnings from self-employment of at least \$400.

4. You earned wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

Where To Report Certain Items From 2000 Forms W-2, 1098, and 1099

Report on Form 1040, line 58, any amounts shown on these forms as **Federal income tax withheld**. If you itemize your deductions, report on Schedule A, line 5, any amounts shown on these forms as **state or local income tax withheld**.

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1)	Form 1040, line 7
	Allocated tips (box 8)	See Tip income on page 21
	Advance EIC payments (box 9)	Form 1040, line 55
	Dependent care benefits (box 10)	Form 2441, line 10
	Adoption benefits (box 13, code T)	Form 8839, line 18
	Employer contributions to an MSA (box 13, code R)	Form 8853, line 1b
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1)	} Schedule A, line 10*
	Points (box 2)	
	Refund of overpaid interest (box 3)	Form 1040, line 21, but first see the instructions on Form 1098*
1098-E	Student loan interest (box 1)	See the instructions for Form 1040, line 24, that begin on page 27*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2)	Schedule D
	Bartering (box 3)	See Pub. 525
	Aggregate profit or (loss) on futures contracts (box 9)	Form 6781
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Ordinary dividends (box 1)	Form 1040, line 9
	Total capital gain distributions (box 2a)	Form 1040, line 13, or, if required, Schedule D, line 13, column (f)
	28% rate gain (box 2b)	Schedule D, line 13, column (g)
	Unrecaptured section 1250 gain (box 2c)	See the worksheet for Schedule D, line 25, on page D-8
	Section 1202 gain (box 2d)	See the instructions for Schedule D
	Nontaxable distributions (box 3)	See the instructions for Form 1040, line 9, that begin on page 21
	Investment expenses (box 5)	Schedule A, line 22
Foreign tax paid (box 6)	Form 1040, line 43, or Schedule A, line 8	
1099-G	Unemployment compensation (box 1)	Form 1040, line 19. But if you repaid any unemployment compensation in 2000, see the instructions for line 19 on page 25
	State or local income tax refund (box 2)	See the instructions for Form 1040, line 10, on page 22*
	Qualified state tuition program earnings (box 5)	Form 1040, line 21
	Taxable grants (box 6)	Form 1040, line 21*
	Agriculture payments (box 7)	See the Schedule F instructions or Pub. 225

* If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1)	Form 1040, line 8a
	Early withdrawal penalty (box 2)	Form 1040, line 30
	Interest on U.S. savings bonds and Treasury obligations (box 3)	See the instructions for Form 1040, line 8a, on page 21
	Investment expenses (box 5)	Schedule A, line 22
	Foreign tax paid (box 6)	Form 1040, line 43, or Schedule A, line 8
1099-LTC	Long-term care and accelerated death benefits	See Pub. 502 and the instructions for Form 8853
1099-MISC	Rents (box 1)	See the instructions for Schedule E
	Royalties (box 2)	Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544)
	Other income (box 3)	Form 1040, line 21*
	Nonemployee compensation (box 7)	Schedule C, C-EZ, or F. But if you were not self-employed, see the instructions on Form 1099-MISC.
	Other (boxes 5, 6, 8, 9, and 10)	See the instructions on Form 1099-MISC
1099-MSA	Distributions from medical savings accounts	Form 8853
1099-OID	Original issue discount (box 1)	} See the instructions on Form 1099-OID
	Other periodic interest (box 2)	
	Early withdrawal penalty (box 3)	Form 1040, line 30
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5)	Schedule C, C-EZ, or F or Form 4835, but first see the instructions on Form 1099-PATR
	Credits (boxes 7 and 8)	Form 3468 or Form 5884
	Patron's AMT adjustment (box 9)	Form 6251, line 14j
1099-R	Distributions from IRAs**	See the instructions for Form 1040, lines 15a and 15b, on page 23
	Distributions from pensions, annuities, etc.	See the instructions for Form 1040, lines 16a and 16b, that begin on page 23
	Capital gain (box 3)	See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2)	Form 4797, Form 6252, or Schedule D. But if the property was your home, see the instructions for Schedule D to find out if you must report the sale or exchange.
	Buyer's part of real estate tax (box 5)	See the instructions for Schedule A, line 6, on page A-2*
* If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.		
** This includes distributions from Roth, SEP, SIMPLE, and education IRAs.		

Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The most recent list of designated private delivery services was published by the IRS in August 1999. The list includes only the following:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, and Second Day Service.

- DHL Worldwide Express (DHL): DHL "Same Day" Service, and DHL USA Overnight.

- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, and FedEx 2Day.

- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, and UPS 2nd Day Air A.M.

The private delivery service can tell you how to get written proof of the mailing date.



Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

Line Instructions for Form 1040

Name and Address

Use the Peel-Off Label

Using your peel-off name and address label in this booklet will speed the processing of your return. It also prevents common errors that can delay refunds or result in unnecessary notices. Put the label on your return **after** you have finished it. Cross out any errors and print the correct information. Add any missing items, such as your apartment number.

Address Change

If the address on your peel-off label is not your current address, cross out your old address and print your new address. If you plan to move after filing your return, see page 53.

Name Change

If you changed your name, be sure to report the change to your local Social Security Administration office **before** filing your return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. If you received a peel-off label, cross out your former name and print your new name.

What If You Do Not Have a Label?

Print or type the information in the spaces provided. If you are married filing a separate return, enter your husband's or wife's name on line 3 instead of below your name.



If you filed a joint return for 1999 and you are filing a joint return for 2000 with the same spouse, be sure to enter your names and SSNs in the same order as on your 1999 return.

P.O. Box

Enter your box number instead of your street address **only** if your post office does not deliver mail to your home.

Foreign Address

Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal

code. Please **do not** abbreviate the country name.

Death of a Taxpayer

See page 54.

Social Security Number (SSN)

An incorrect or missing SSN may increase your tax or reduce your refund. **To apply for an SSN**, get **Form SS-5** from your local Social Security Administration (SSA) office or call the SSA at 1-800-772-1213. Fill in **Form SS-5** and return it to the SSA. It usually takes about 2 weeks to get an SSN.

Check that your SSN is correct on your Forms W-2 and 1099. See page 53 for more details.

IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

The IRS will issue you an ITIN if you are a nonresident or resident alien and you do not have and are not eligible to get an SSN. **To apply for an ITIN**, file **Form W-7** with the IRS. It usually takes about 30 days to get an ITIN. **Enter your ITIN wherever your SSN is requested on your tax return.**

Note. An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or immigration status under U.S. law.

Nonresident Alien Spouse

If your spouse is a nonresident alien and you file a joint or separate return, your spouse must have either an SSN or an ITIN.

Presidential Election Campaign Fund

This fund helps pay for Presidential election campaigns. The fund reduces candidates' dependence on large contributions from individuals and groups and places candidates on an equal financial footing in the general election. If you want \$3 to go to this fund, check the "Yes" box. If you are filing a joint return, your spouse may also have \$3 to go

the fund. If you check "Yes," your tax or refund will not change.

Filing Status

Check **only** the filing status that applies to you. The ones that will usually give you the lowest tax are listed last.

- Married filing separately.
- Single.
- **Head of household.** This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child or parent. Certain married people who lived apart from their spouse for the last 6 months of 2000 may also be able to use this status.

- Married filing jointly or Qualifying widow(er) with dependent child. The **Qualifying widow(er)** status is for certain people whose spouse died in 1998 or 1999 and who had a child living with them whom they can claim as a dependent.

Joint and Several Tax Liability. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, see **Innocent Spouse Relief** on page 53.



More than one filing status may apply to you. Choose the one that will give you the lowest tax. If you are not sure about your filing status, use TeleTax topic 353 (see page 11) or see **Pub. 501**.

Exemptions

You usually can deduct \$2,800 on line 38 for each exemption you can take.

Line 6b

Spouse

Check the box on line 6b if you file either (1) a joint return or (2) a separate return and your spouse had no income and is not filing a return. However, **do not** check the box if

your spouse can be claimed as a dependent on another person's return.

Line 6c

Dependents

You can take an exemption for each of your dependents. The following is a brief description of the five tests that must be met for a person to qualify as your dependent. If you have **more than six** dependents, attach a statement to your return with the required information.

Relationship Test. The person must be either your relative or have lived in your home as a family member all year. If the person is not your relative, the relationship must not violate local law.

Joint Return Test. If the person is married, he or she cannot file a joint return. But the person can file a joint return if the return is filed only as a claim for refund **and** no tax liability would exist for either spouse if they had filed separate returns.

Citizen or Resident Test. The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children. To find out who is a **resident alien**, use TeleTax topic 851 (see page 11) or see **Pub. 519**.

Income Test. The person's gross income must be less than \$2,800. But your child's gross income can be \$2,800 or more if he or she was either **under age 19** at the end of 2000 or **under age 24** at the end of 2000 **and** was a **student**.

Support Test. You must have provided over half of the person's total support in 2000. But there are two exceptions to this test: one for children of divorced or separated parents and one for persons supported by two or more taxpayers.



For more details about the tests, including any exceptions that apply, see **Pub. 501**.

Line 6c, Column (2)

You must enter each dependent's social security number (SSN). Be sure the name and SSN entered agree with the dependent's social security card. Otherwise, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit and the earned income credit) based on that dependent. If

the name or SSN on the dependent's social security card is not correct, call the Social Security Administration at 1-800-772-1213.



For details on how your dependent can get an SSN, see page 19. If your dependent will not have a number by April 16, 2001, see **What if You Cannot File on Time?** on page 15.

If your dependent child was born and died in 2000 and you do not have an SSN for the child, you may attach a copy of the child's birth certificate instead and enter "Died" in column (2).

Adoption Taxpayer Identification Numbers (ATINs). If you have a dependent who was placed with you by an authorized placement agency and you do not know his or her SSN, you must get an ATIN for the dependent from the IRS. An authorized placement agency includes any person authorized by state law to place children for legal adoption. See **Form W-7A** for details.

Line 6c, Column (4)

Check the box in this column if your dependent is a qualifying child for the child tax credit (defined below). If you have at least one qualifying child, you may be able to take the child tax credit on line 47.

Qualifying Child for Child Tax Credit. A qualifying child for purposes of the child tax credit is a child who:

- Is claimed as your dependent on line 6c, **and**
- Was **under age 17** at the end of 2000, **and**
- Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
- Is a U.S. citizen or resident alien.

Note. The above requirements are not the same as the requirements to be a qualifying child for the earned income credit.

A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final. An authorized placement agency includes any person authorized by state law to place children for legal adoption.

A **grandchild** is any descendant of your son, daughter, or adopted child and includes your great-grandchild, great-great-grandchild, etc.

Beginning in 2000, a **foster child** is any child you cared for as your own child and who:

- Is (1) your brother, sister, stepbrother, or stepsister; (2) a descendant (such as a child, including an adopted child) of your brother, sister, stepbrother, or stepsister; **or** (3) a child placed with you by an authorized placement agency, **and**
- Lived with you for all of 2000. A child who was born or died in 2000 is considered to have lived with you for all of 2000 if your home was the child's home for the entire time he or she was alive during 2000.

Children Who Did Not Live With You Due to Divorce or Separation

If you are claiming a child who did not live with you under the rules in **Pub. 501** for children of divorced or separated parents, attach **Form 8332** or similar statement to your return. But see **Exception** below. If your divorce decree or separation agreement went into effect after 1984 and it states you can claim the child as your dependent without regard to any condition, such as payment of support, you may attach a copy of the following pages from the decree or agreement instead.

1. Cover page (put the other parent's SSN on that page),
2. The page that states you can claim the child as your dependent, and
3. Signature page with the other parent's signature and date of agreement.

Note. You must attach the required information even if you filed it in an earlier year.

Exception. You do not have to attach Form 8332 or similar statement if your divorce decree or written separation agreement went into effect before 1985 and it states that you can claim the child as your dependent.

Other Dependent Children

Include the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "Dependents on 6c not entered above." Include dependent children who lived in Canada or Mexico during 2000.

Income

Foreign-Source Income

You must report unearned income, such as interest, dividends, and pensions, from sources outside the United States unless exempt by law or a tax treaty. You must

also report earned income, such as wages and tips, from sources outside the United States.

If you worked abroad, you may be able to exclude part or all of your earned income. For details, see **Pub. 54** and **Form 2555** or **2555-EZ**.

Community Property States

Community property states are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. If you and your spouse lived in a community property state, you must usually follow state law to determine what is community income and what is separate income. For details, see **Pub. 555**.

Rounding Off to Whole Dollars

To round off cents to the nearest whole dollar on your forms and schedules, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. If you do 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 only round off the total.

Line 7

Wages, Salaries, Tips, etc.

Enter the total of your wages, salaries, tips, etc. If a joint return, also include your spouse's income. For most people, the amount to enter on this line should be shown in box 1 of their **Form(s) W-2**. But the following types of income must also be included in the total on line 7.

- Wages received as a **household employee** for which you did not receive a W-2 form because your employer paid you less than \$1,200 in 2000. Also, enter "HSH" and the amount not reported on a W-2 form on the dotted line next to line 7.

- **Tip income** you did not report to your employer. Also include **allocated tips** shown on your W-2 form(s) unless you can prove that you received less. Allocated tips should be shown in box 8 of your W-2 form(s). They are not included as income in box 1. See **Pub. 531** for more details.



You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 53 on page 38.

- **Dependent care benefits**, which should be shown in box 10 of your W-2 form(s). But first complete **Form 2441** to

see if you may exclude part or all of the benefits.

- **Employer-provided adoption benefits**, which should be shown in box 13 of your W-2 form(s) with code **T**. But first complete **Form 8839** to see if you may exclude part or all of the benefits.

- **Scholarship and fellowship grants** not reported on a W-2 form. Also, enter "SCH" and the amount on the dotted line next to line 7. **Exception.** If you were a degree candidate, include on line 7 **only** the amounts you used for expenses other than tuition and course-related expenses. For example, amounts used for room, board, and travel must be reported on line 7.

- **Excess salary deferrals.** The amount deferred should be shown in box 13 of your W-2 form and the "Deferred compensation" box in box 15 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 2000 under **all** plans was more than \$10,500, include the excess on line 7. But a different limit may apply if amounts were deferred under a tax-sheltered annuity plan or an eligible plan of a state or local government or tax-exempt organization. See **Pub. 525** for details.



You may **not** deduct the amount deferred. It is not included as income in box 1 of your W-2 form.

- **Disability pensions** shown on **Form 1099-R** if you have not reached the minimum retirement age set by your employer. Disability pensions received after you reach that age and other pensions shown on Form 1099-R (other than payments from an IRA*) are reported on lines 16a and 16b. Payments from an IRA are reported on lines 15a and 15b.

- **Corrective distributions** shown on **Form 1099-R** of (1) excess salary deferrals plus earnings and (2) excess contributions plus earnings to a retirement plan. But do not include distributions from an IRA* on line 7. Instead, report them on lines 15a and 15b.

*This includes a Roth, SEP, SIMPLE, or education IRA.

Were You a Statutory Employee?

If you were, the "Statutory employee" box in box 15 of your W-2 form should be checked. Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers. If you have related business expenses to deduct, report the amount shown in box 1 of your W-2 form on **Schedule C** or **C-EZ** along with your expenses.

Missing or Incorrect Form W-2?

If you do not get a W-2 form from your employer by January 31, 2001, use TeleTax topic 154 (see page 11) to find out what to do. Even if you do not get a Form W-2, you must still report your earnings on line 7. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

Line 8a

Taxable Interest

Each payer should send you a **Form 1099-INT** or **Form 1099-OID**. Enter your total taxable interest income on line 8a. But you must fill in and attach **Schedule B** if the total is over \$400 or any of the other conditions listed at the beginning of the Schedule B instructions (see page B-1) apply to you.

Interest credited in 2000 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 2000 income. For details, see **Pub. 550**.



If you get a 2000 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2000, see **Pub. 550**.

Line 8b

Tax-Exempt Interest

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

Line 9

Ordinary Dividends

Each payer should send you a **Form 1099-DIV**. Enter your total ordinary dividends on line 9. But you must fill in and attach **Schedule B** if the total is over \$400 or you received, as a nominee, ordinary dividends that actually belong to someone else.

Capital Gain Distributions

If you received any capital gain distributions, see the instructions for line 13 on page 23.

(Continued on page 22)

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 on **Schedule D**. For details, see **Pub. 550**.



Dividends on insurance policies are a partial return of the premiums you paid. **Do not** report them as dividends. Include them in income only if they exceed the total of all net premiums you paid for the contract.

Line 10

Taxable Refunds, Credits, or Offsets of State and Local Income Taxes



None of your refund is taxable if, in the year you paid the tax, you **did not** itemize deductions.

If you received a refund, credit, or offset of state or local income taxes in 2000, you may receive a **Form 1099-G**. If you chose to

apply part or all of the refund to your 2000 estimated state or local income tax, the amount applied is treated as received in 2000. If the refund was for a tax you paid in 1999 and you itemized deductions for 1999, use the worksheet below to see if any of your refund is taxable.

Exceptions. See **Recoveries** in **Pub. 525** instead of using the worksheet below if **any** of the following apply.

- You received a refund in 2000 that is for a tax year other than 1999.
- You received a refund other than an income tax refund, such as a real property tax refund, in 2000 of an amount deducted or credit claimed in an earlier year.
- Your 1999 taxable income was less than zero.
- You made your last payment of 1999 estimated state or local income tax in 2000.
- You owed alternative minimum tax in 1999.
- You could not deduct the full amount of credits you were entitled to in 1999 because the total credits exceeded the tax shown on your 1999 Form 1040, line 40.
- You could be claimed as a dependent by someone else in 1999.

Also, see **Tax Benefit Rule** in Pub. 525 instead of using the worksheet below if **all three** of the following apply.

1. You had to use the Itemized Deductions Worksheet in the 1999 Schedule A instructions because your 1999 adjusted gross income was over: \$126,600 if single, married filing jointly, head of household, or qualifying widow(er); \$63,300 if married filing separately.
2. You could not deduct all of the amount on line 1 of the 1999 Itemized Deductions Worksheet.
3. The amount on line 8 of that 1999 worksheet would be more than the amount on line 4 of that worksheet if the amount on line 4 were reduced by 80% of the refund you received in 2000.

Line 11

Alimony Received

Enter amounts received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you do not, you may have to pay a \$50 penalty. For more details, use TeleTax topic 406 (see page 11) or see **Pub. 504**.

State and Local Income Tax Refund Worksheet—Line 10

Keep for Your Records



1. Enter the income tax refund from Form(s) 1099-G (or similar statement). But do not enter more than the amount on your 1999 Schedule A (Form 1040), line 5	1. _____
2. Enter your total allowable itemized deductions from your 1999 Schedule A (Form 1040), line 28	2. _____
<p>Note. If the filing status on your 1999 Form 1040 was married filing separately and your spouse itemized deductions in 1999, skip lines 3, 4, and 5, and enter the amount from line 2 on line 6.</p>	
3. Enter the amount shown below for the filing status claimed on your 1999 Form 1040.	
<ul style="list-style-type: none"> • Single—\$4,300 • Married filing jointly or qualifying widow(er)—\$7,200 • Married filing separately—\$3,600 • Head of household—\$6,350 	} . . . 3. _____
4. Did you fill in line 35a on your 1999 Form 1040?	
<input type="checkbox"/> No. Enter -0-. <input type="checkbox"/> Yes. Multiply the number on line 35a of your 1999 Form 1040 by: \$850 if your 1999 filing status was married filing jointly or separately or qualifying widow(er); \$1,050 if your 1999 filing status was single or head of household	} 4. _____
5. Add lines 3 and 4	5. _____
6. Subtract line 5 from line 2. If zero or less, enter -0-	6. _____
7. Taxable part of your refund. Enter the smaller of line 1 or line 6 here and on Form 1040, line 10	7. _____

Line 12

Business Income or (Loss)

If you operated a business or practiced your profession as a sole proprietor, report your income and expenses on **Schedule C** or **C-EZ**.

Line 13

Capital Gain or (Loss)

If you had a capital gain or loss, including any **capital gain distributions** from a mutual fund, you **must** complete and attach **Schedule D**.

Exception. You do not have to file Schedule D if **all three** of the following apply.

1. The only amounts you have to report on Schedule D are capital gain distributions from box 2a of **Forms 1099-DIV** or substitute statements.

2. None of the Forms 1099-DIV or substitute statements have an amount in box 2b (28% rate gain), box 2c (unrecaptured section 1250 gain), or box 2d (section 1202 gain).

3. You are not filing **Form 4952** (relating to investment interest expense deduction) or the amount on line 4e of that form is not more than zero.

If all three of the above apply, enter your capital gain distributions on line 13 and check the box on that line. Also, be sure you use the **Capital Gain Tax Worksheet** on page 33 to figure your tax.

Line 14

Other Gains or (Losses)

If you sold or exchanged assets used in a trade or business, see the Instructions for **Form 4797**.

Lines 15a and 15b

IRA Distributions

Note. If you converted part or all of an IRA to a Roth IRA in 1998 and you chose to report the taxable amount over 4 years, see **1998 Roth IRA Conversions** on this page.

You should receive a **Form 1099-R** showing the amount of the distribution from your individual retirement arrangement (IRA). Unless otherwise noted in the line 15a and

15b instructions, an IRA includes a traditional IRA, Roth IRA, education (Ed) IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Leave line 15a blank and enter the total distribution on line 15b.

Exception. Do not enter your total IRA distribution on line 15b if **any** of the following apply.

1. You made nondeductible contributions to any of your traditional or SEP IRAs for 2000 or an earlier year. Instead, use **Form 8606** to figure the amount to enter on line 15b; enter the total distribution on line 15a. If you made nondeductible contributions to these IRAs for 2000, also see **Pub. 590**.

2. You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2000. Instead, use Form 8606 to figure the amount to enter on line 15b; enter the total distribution on line 15a.

3. You made an excess contribution in 2000 to your IRA and withdrew it during the period of January 1, 2001, through April 16, 2001. Enter the total distribution on line 15a and the taxable part (the earnings) on line 15b.

4. You received a distribution from an Ed or Roth IRA and the total distribution was not rolled over into another IRA of the same type. Instead, use Form 8606 to figure the amount to enter on line 15b; enter the total distribution on line 15a.

5. You rolled your IRA distribution over into another IRA of the same type (for example, from one traditional IRA to another traditional IRA). Enter the total distribution on line 15a and put "Rollover" next to line 15b. If the total on line 15a was rolled over, enter zero on line 15b. If the total was not rolled over, enter the part not rolled over on line 15b. But if item 1 above also applies, use Form 8606 to figure the taxable part.

If you rolled over the distribution (a) in 2001 or (b) from a conduit IRA into a qualified plan, attach a statement explaining what you did.



You may have to pay an additional tax if (1) you received an early distribution from your IRA and the total distribution was not rolled over or (2) you were born before July 1, 1929, and received less than the minimum required distribution. See the instructions for line 54 on page 38 for details.

1998 Roth IRA Conversions. If you converted an IRA to a Roth IRA in 1998 and you chose to report the taxable amount over 4 years, leave line 15a blank and enter on

line 15b the amount from your **1998 Form 8606**, line 17. **But** you may have to enter a different amount on line 15b if **any** of the following apply.

- You received a distribution from a Roth IRA in 2000. Use Form 8606 to figure the amount to enter on line 15b.

- You received a distribution from a Roth IRA in 1998 or 1999. See **Pub. 590** to figure the amount to enter on line 15b.

- The owner of the Roth IRA died in 2000. See Pub. 590 to figure the amount to enter on line 15b.

Note. If you received a distribution from another type of IRA, figure the taxable amount of the distribution and enter the total of the taxable amounts on line 15b.

Lines 16a and 16b

Pensions and Annuities

You should receive a **Form 1099-R** showing the amount of your pension and annuity payments. See page 25 for details on roll-overs and lump-sum distributions. **Do not** include the following payments on lines 16a and 16b. Instead, report them on line 7.

- Disability pensions received before you reach the minimum retirement age set by your employer.

- Corrective distributions of excess salary deferrals or excess contributions to retirement plans.



Attach Form(s) 1099-R to Form 1040 if any Federal income tax was withheld.

Fully Taxable Pensions and Annuities

If your pension or annuity is fully taxable, enter it on line 16b; **do not** make an entry on line 16a. Your payments are fully taxable if **either** of the following applies.

- You did not contribute to the cost (see page 25) of your pension or annuity **or**

- You got your entire cost back tax free before 2000.

Fully taxable pensions and annuities also include military retirement pay shown on Form 1099-R. For details on military disability pensions, see **Pub. 525**. If you received a **Form RRB-1099-R**, see **Pub. 575** to find out how to report your benefits.

Partially Taxable Pensions and Annuities

If your pension or annuity is partially taxable and your Form 1099-R does not show

the taxable part, you must use the General Rule to figure the taxable part. The General Rule is explained in **Pub. 939**. However, if your annuity starting date (defined on this page) was **after** July 1, 1986, you may be able to use the Simplified Method explained on this page. But if your annuity starting date was **after** November 18, 1996, and items **1, 2, and 3** under **Simplified Method** apply, you **must** use the Simplified Method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for an \$85 fee. For details, see Pub. 939.

If your Form 1099-R shows a taxable amount, you may report that amount on line 16b. But you may be able to report a

lower taxable amount by using the General Rule or the Simplified Method.

Once you have figured the taxable part of your pension or annuity, enter that amount on line 16b and the total on line 16a.

Annuity Starting Date

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

Simplified Method

If your annuity starting date (defined above) was **after** July 1, 1986, and **all three** of the following apply, you can use this simpler

method. But if your annuity starting date was **after** November 18, 1996, and **all three** of the following apply, you **must** use the Simplified Method.

1. The payments are for **(a)** your life or **(b)** your life and that of your beneficiary.

2. The payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.

3. At the time the pension or annuity payments began, either you were under age 75 or the number of years of guaranteed payments was fewer than 5. See Pub. 575 for the definition of guaranteed payments.

If all three apply, use the worksheet below to figure the taxable part of your pension or

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records

Note. If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 2000 on Form 1040, line 16a.



1. Enter the total pension or annuity payments received this year. Also, enter this amount on Form 1040, line 16a **1.** _____
2. Enter your cost in the plan at the annuity starting date plus any death benefit exclusion (see page 25) **2.** _____
3. Enter the appropriate number from **Table 1** below. **But** if your annuity starting date was **after** 1997 **and** the payments are for your life and that of your beneficiary, enter the appropriate number from **Table 2** below **3.** _____
4. Divide line 2 by the number on line 3 **4.** _____
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was **before** 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6 **5.** _____
6. Enter the amount, if any, recovered tax free in years after 1986 **6.** _____
7. Subtract line 6 from line 2 **7.** _____
8. Enter the **smaller** of line 5 or line 7. **8.** _____
9. **Taxable amount.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also, enter this amount on Form 1040, line 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R **9.** _____

Table 1 for Line 3 Above

AND your annuity starting date was—

IF the age at annuity starting date (see page 25) was . . .	before November 19, 1996, enter on line 3 . . .	after November 18, 1996, enter on line 3 . . .
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

Table 2 for Line 3 Above

IF the combined ages at annuity starting date (see page 25) were . . .	THEN enter on line 3 . . .
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

annuity. For more details on the Simplified Method, see Pub. 575 or **Pub. 721** for U.S. Civil Service retirement.



If you received U.S. Civil Service retirement benefits and you chose the lump-sum credit option, use the worksheet in Pub. 721. **Do not** use the worksheet on page 24.

Age (or Combined Ages) 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. **But** if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, use your combined ages on the annuity starting date.

If you are the beneficiary of an employee who died, see Pub. 575. If there is more than one beneficiary, see Pub. 575 or Pub. 721 to figure each beneficiary's taxable amount.

Changing Methods

If your annuity starting date was **after** July 1, 1986, and **before** November 19, 1996, you may be able to change from the General Rule to the Simplified Method (or the other way around). For details, see Pub. 575 or Pub. 721.

Cost

Your cost is generally your net investment in the plan as of the annuity starting date. It should be shown in box 9b of Form 1099-R for the first year you received payments from the plan.

Death Benefit Exclusion. If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, 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 amount you enter on line 2 of the worksheet on page 24. Do this even if the Form 1099-R shows a taxable amount. The payer of the annuity cannot add the death benefit exclusion to your cost when figuring the taxable amount. Special rules apply if you are the survivor under a joint and survivor's annuity. For details, see Pub. 939.

Rollovers

A rollover is a tax-free distribution of cash or other assets from one retirement plan that is contributed to another plan. Use lines 16a and 16b to report a rollover, including a

direct rollover, from one qualified employer's plan to another or to an IRA or SEP.

Enter on line 16a the total distribution before income tax or other deductions were withheld. This amount should be shown in box 1 of **Form 1099-R**. From the total on line 16a, subtract any contributions (usually shown in box 5) that were taxable to you when made. From that result, subtract the amount that was rolled over either directly or within 60 days of receiving the distribution. Enter the remaining amount, even if zero, on line 16b. Also, put "Rollover" next to line 16b.

Special rules apply to partial rollovers of property. For more details on rollovers, including distributions under qualified domestic relations orders, see Pub. 575.

Lump-Sum Distributions

If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in box 2b checked. You may owe an additional tax if you received an early distribution from a qualified retirement plan and the total amount was not rolled over. For details, see the instructions for line 54 on page 38.

Enter the total distribution on line 16a and the taxable part on line 16b.



You may be able to pay less tax on the distribution if you were born before 1936, you meet certain other conditions, and you choose to use **Form 4972** to figure the tax on any part of the distribution. You may also be able to use Form 4972 if you are the beneficiary of a deceased employee who was born before 1936. For details, see Form 4972.

Line 19

Unemployment Compensation

You should receive a **Form 1099-G** showing the total unemployment compensation paid to you in 2000.

If you received an overpayment of unemployment compensation in 2000 and you repaid any of it in 2000, subtract the amount you repaid from the total amount you received. Enter the result on line 19. Also, enter "Repaid" and the amount you repaid on the dotted line next to line 19. If, in 2000, you repaid unemployment compensation that you included in gross income in an earlier year, you may deduct the amount repaid on **Schedule A**, line 22. But if you

repaid more than \$3,000, see **Repayments** in **Pub. 525** for details on how to report the repayment.

Lines 20a and 20b

Social Security Benefits

You should receive a **Form SSA-1099** showing in box 3 the total social security benefits paid to you. Box 4 will show the amount of any benefits you repaid in 2000. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**.

Use the worksheet on page 26 to see if any of your benefits are taxable.

Exceptions. **Do not** use the worksheet on page 26 if **any** of the following apply.

- You made contributions to a traditional IRA for 2000 and you were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in **Pub. 590** to see if any of your social security benefits are taxable and to figure your IRA deduction.

- You repaid any benefits in 2000 and your total repayments (box 4) were more than your total benefits for 2000 (box 3). **None** of your benefits are taxable for 2000. In addition, 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. For more details, see **Pub. 915**.

- You file **Form 2555**, **2555-EZ**, **4563**, or **8815**, or you exclude employer-provided adoption benefits or income from sources within Puerto Rico. Instead, use the worksheet in Pub. 915.

Line 21

Other Income



Do not report on this line any income from **self-employment** or fees received as a notary public. Instead, you **must** use **Schedule C**, **C-EZ**, or **F**, even if you do not have any business expenses. Also, **do not** report on line 21 any nonemployee compensation shown on **Form 1099-MISC**. Instead, see the chart on page 18 to find out where to report that income.

Use line 21 to report any other income not reported on your return or other schedules. See examples that begin on page 26. List the type and amount of income. If necessary,

show the required information on an attached statement. For more details, see **Miscellaneous Taxable Income** in **Pub. 525**.

TIP Do not report any nontaxable income on line 21, such as child support; money or property that was inherited, willed to you, or received as a gift; or life insurance proceeds received because of a person's death.

Examples of **income to report** on line 21 are:

- Prizes and awards.
- Gambling winnings, including lotteries, raffles, a lump-sum payment from the sale of a right to receive future lottery payments, etc. For details on gambling losses, see the instructions for **Schedule A**, line 27, on page A-6.

- Jury duty fees. Also, see the instructions for line 32 on page 30.
- Alaska Permanent Fund dividends.
- Qualified state tuition program earnings.
- Reimbursements or other amounts received for items deducted in an earlier year, such as medical expenses, real estate taxes, or home mortgage interest. See **Recoveries**

Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

Before you begin:

- ✓ Complete Form 1040, lines 21, 23, and 25 through 31a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 32 (see page 30).
- ✓ If you are married filing separately and you **lived apart** from your spouse for all of 2000, enter "D" to the right of the word "benefits" on line 20a.
- ✓ Be sure you have read the **Exceptions** on page 25 to see if you must use a publication instead of this worksheet to find out if any of your benefits are taxable.



1. Enter the total amount from **box 5** of **all** your **Forms SSA-1099** and **RRB-1099** **1.** _____

2. Is the amount on line 1 more than zero?

No. None of your social security benefits are taxable.

Yes. Enter one-half of line 1 **2.** _____

3. Add the amounts on Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 **3.** _____

4. Enter the amount, if any, from Form 1040, line 8b **4.** _____

5. Add lines 2, 3, and 4 **5.** _____

6. Add the amounts on Form 1040, lines 23, and 25 through 31a, and any amount you entered on the dotted line next to line 32 **6.** _____

7. Subtract line 6 from line 5 **7.** _____

8. Enter: \$25,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2000; \$32,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 2000 **8.** _____

9. Is the amount on line 8 less than the amount on line 7?

No. None of your social security benefits are taxable. You do not have to enter any amounts on lines 20a or 20b of Form 1040. **But** if you are married filing separately and you **lived apart** from your spouse for all of 2000, enter -0- on line 20b. Be sure you entered "D" to the right of the word "benefits" on line 20a.

Yes. Subtract line 8 from line 7 **9.** _____

10. Enter: \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2000; \$12,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 2000 **10.** _____

11. Subtract line 10 from line 9. If zero or less, enter -0- **11.** _____

12. Enter the **smaller** of line 9 or line 10 **12.** _____

13. Enter one-half of line 12 **13.** _____

14. Enter the **smaller** of line 2 or line 13 **14.** _____

15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- **15.** _____

16. Add lines 14 and 15 **16.** _____

17. Multiply line 1 by 85% (.85). **17.** _____

18. **Taxable social security benefits.** Enter the **smaller** of line 16 or line 17 **18.** _____

- Enter the amount from line 1 above on Form 1040, line 20a.
- Enter the amount from line 18 above on Form 1040, line 20b.

TIP If part of your benefits are taxable for 2000 **and** they include benefits paid in 2000 that were for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

in Pub. 525 for details on how to figure the amount to report.

- Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property. Also, see the instructions for line 32 on page 30.

- Income from an activity not engaged in for profit. See **Pub. 535**.

- Loss on certain corrective distributions of excess deferrals. See **Pub. 525**.

Adjusted Gross Income

Line 23

IRA Deduction



If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2000, you **must** report them on **Form 8606**.

If you made contributions to a traditional IRA for 2000, you may be able to take an IRA deduction. But you, or your spouse if filing a joint return, must have had earned income to do so. For IRA purposes, earned income includes certain alimony received. See **Pub. 590** for details. You should receive a statement by May 31, 2001, that shows all contributions to your traditional IRA for 2000.

Use the worksheet on page 28 to figure the amount, if any, of your IRA deduction. **But read the following list before you fill in the worksheet.**

- If you were age 70½ or older at the end of 2000, you **cannot** deduct any contributions made to your traditional IRA for 2000 or treat them as nondeductible contributions.

- You **cannot** deduct contributions to a Roth IRA or an education IRA.



If you made contributions to both a traditional IRA and a Roth IRA for 2000, **do not** use the worksheet on page 28. Instead, use the worksheet in **Pub. 590** to figure the amount, if any, of your IRA deduction.

- You **cannot** deduct contributions to a 401(k) plan, SIMPLE plan, or the Federal Thrift Savings Plan. These amounts are not included as income in box 1 of your W-2 form.

- If you made contributions to your IRA in 2000 that you deducted for 1999, **do not** include them in the worksheet.

- If you received a distribution from a nonqualified deferred compensation plan or section 457 plan that is included in box 1 of your W-2 form, do not include that distribution on line 8 of the worksheet. The distribution should be shown in box 11 of your W-2 form.

- You must file a joint return to deduct contributions to your spouse's IRA. Enter the total IRA deduction for you and your spouse on line 23.

- Do not include rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 23.

- Do not include trustee's fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on **Schedule A**.

- If the total of your IRA deduction on Form 1040 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2000, see Pub. 590 for special rules.



By April 1 of the year after the year in which you turn age 70½, you must start taking minimum required distributions from your traditional IRA. If you do not, you may have to pay a 50% additional tax on the amount that should have been distributed. For details, including how to figure the minimum required distribution, see Pub. 590.

Were You Covered by a Retirement Plan?

If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, SEP, SIMPLE, etc.) at work or through self-employment, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you cannot 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 15 of your W-2 form should be checked if you were covered by a plan at work even if you were not vested in the plan. You are also covered by a plan if you were self-employed and had a SEP, SIMPLE, or qualified retirement plan.

If you were covered by a retirement plan and you file **Form 2555**, **2555-EZ**, or **8815**, or you exclude employer-provided adoption benefits, see Pub. 590 to figure the amount, if any, of your IRA deduction.

Married Persons Filing Separately. If you were not covered by a retirement plan but your spouse was, **you** are considered covered by a plan unless you **lived apart** from your spouse for all of 2000.

Line 24

Student Loan Interest Deduction

Use the worksheet on page 29 to figure your student loan interest deduction if **all five** of the following apply.

1. You paid interest in 2000 on a qualified student loan (see below).

2. At least part of the interest paid in 2000 was paid during the first 60 months that interest payments were required to be made. See **Example** below.

3. Your filing status is any status **except** married filing separately.

4. Your modified adjusted gross income (AGI) is less than: \$55,000 if single, head of household, or qualifying widow(er); \$75,000 if married filing jointly. Most people can use lines 3 through 5 of the worksheet on page 29 to figure their modified AGI.

5. You are not claimed as a dependent on someone's (such as your parent's) 2000 tax return.

Example. You took out a qualified student loan in 1993 while in college. You had 6 years to repay the loan and your first monthly payment was due July 1995, after you graduated. You made a payment every month as required. If you meet items **3** through **5** listed above, you may use only the interest you paid for January through June 2000 to figure your deduction. June is the end of the 60-month period (July 1995–June 2000).

Qualified Student Loan. This is any loan you took out to pay the qualified higher education expenses for yourself, your spouse, or anyone who was your dependent when the loan was taken out. The person for whom the expenses were paid must have been an eligible student (see page 28). However, a loan is not a qualified student loan if (1) any of the proceeds were used for other purposes or (2) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see **Pub. 970**.

Qualified higher education expenses generally include tuition, fees, room and board, and related expenses such as books

and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution includes most colleges, universities, and certain vocational schools. You must reduce the expenses by the following nontaxable benefits.

- Employer-provided educational assistance benefits that are not included in box 1 of your W-2 form(s).

- Excludable U.S. series EE and I savings bond interest from **Form 8815**.
- Qualified distributions from an education IRA.
- Any scholarship, educational assistance allowance, or other payment (but **not** gifts, inheritances, etc.) excluded from income.

For more details on these expenses, see Pub. 970.

An **eligible student** is a person who:

- Was enrolled in a degree, certificate, or other program (including a program of study abroad that was approved for credit by the institution at which the student was enrolled) leading to a recognized educational credential at an eligible educational institution **and**

IRA Deduction Worksheet—Line 23

Keep for Your Records

Before you begin:

- ✓ Complete Form 1040, lines 25 through 31a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 32 (see page 30).
- ✓ Be sure you have read the list on page 27.



	Your IRA	Spouse's IRA
1a. Were you covered by a retirement plan (see page 27)?	1a. <input type="checkbox"/> Yes <input type="checkbox"/> No	
1b. If married filing jointly, was your spouse covered by a retirement plan?		1b. <input type="checkbox"/> Yes <input type="checkbox"/> No
<p>Next. If you checked "No" on line 1a, and, if married filing jointly, "No" on line 1b, skip lines 2–6, enter \$2,000 on line 7a (and 7b if applicable), and go to line 8. Otherwise, go to line 2.</p>		
2. Enter the amount shown below that applies to you.		
<ul style="list-style-type: none"> • Single, head of household, or married filing separately and you lived apart from your spouse for all of 2000, enter \$42,000 • Qualifying widow(er), enter \$62,000 • Married filing jointly, enter \$62,000 in both columns. But if you checked "No" on either line 1a or 1b, enter \$160,000 for the person who was not covered by a plan • Married filing separately and you lived with your spouse at any time in 2000, enter \$10,000 	} 2a. _____	} 2b. _____
3. Enter the amount from Form 1040, line 22	3. _____	
4. Add amounts on Form 1040, lines 25 through 31a, and any amount you entered on the dotted line next to line 32	4. _____	
5. Subtract line 4 from line 3. Enter the result in both columns	5a. _____	5b. _____
6. Is the amount on line 5 less than the amount on line 2?		
<input type="checkbox"/> No. None of your IRA contributions are deductible. For details on nondeductible IRA contributions, see Form 8606.		
<input type="checkbox"/> Yes. Subtract line 5 from line 2 in each column. If the result is \$10,000 or more, enter \$2,000 on line 7 for that column	6a. _____	6b. _____
7. Multiply lines 6a and 6b by 20% (.20). If the result is not a multiple of \$10, increase it to the next multiple of \$10 (for example, increase \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200	7a. _____	7b. _____
8. Enter your wages, and your spouse's if filing jointly, and other earned income from Form 1040, minus any deductions on Form 1040, lines 27 and 29. Do not reduce wages by any loss from self-employment	8. _____	
<div style="display: flex; align-items: center;"> <p>If married filing jointly and line 8 is less than \$4,000, stop here and see Pub. 590 to figure your IRA deduction.</p> </div>		
9. Enter traditional IRA contributions made, or that will be made by April 16, 2001, for 2000 to your IRA on line 9a and to your spouse's IRA on line 9b	9a. _____	9b. _____
10. On line 10a, enter the smallest of line 7a, 8, or 9a. On line 10b, enter the smallest of line 7b, 8, or 9b. This is the most you can deduct. Add the amounts on lines 10a and 10b and enter the total on Form 1040, line 23. Or, if you want, you may deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)	10a. _____	10b. _____

• Carried at least half the normal full-time workload for the course of study he or she was pursuing.

Line 25

Medical Savings Account Deduction

If you made contributions to a medical savings account for 2000, you may be able to take this deduction. See **Form 8853**.

Line 26

Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50 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 50 miles from your old home. Use TeleTax topic 455 (see page 11) or see **Form 3903**.

Line 27

One-Half of Self-Employment Tax

If you were self-employed and owe self-employment tax, fill in **Schedule SE** to figure the amount of your deduction.

Line 28

Self-Employed Health Insurance Deduction

You may be able to deduct part of the amount paid for health insurance for yourself, your spouse, and dependents if **either** of the following applies.

- You were self-employed and had a net profit for the year.
- You received wages in 2000 from an S corporation in which you were a more-than-2% shareholder. Health insurance benefits paid for you may be shown in box 14 of your W-2 form.

The insurance plan must be established under your business. But if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 2000, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. For example, if you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction. For more details, see **Pub. 535**.

If you qualify to take the deduction, use the worksheet on page 30 to figure the amount you can deduct.

Exception. Use Pub. 535 instead of the worksheet on page 30 to find out how to figure your deduction if **any** of the following apply.

- You had more than one source of income subject to self-employment tax.
- You file **Form 2555** or **2555-EZ**.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.

Student Loan Interest Deduction Worksheet—Line 24

Keep for Your Records

Before you begin:

- ✓ Complete Form 1040, lines 25 through 31a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 32 (see page 30).
- ✓ See the instructions for line 24 that begin on page 27.



If you are filing **Form 2555**, **2555-EZ**, or **4563**, or you are excluding income from sources within Puerto Rico, skip lines 3 and 4 below and see Pub. 970 to figure your modified AGI to enter on line 5 below.

1. Enter the total interest you paid in 2000 on qualified student loans (defined on page 27). Do not include interest that was required to be paid after the first 60 months	1. _____
2. Enter the smaller of line 1 or \$2,000	2. _____
3. Enter the amount from Form 1040, line 22	3. _____
4. Enter the total of the amounts from Form 1040, line 23, lines 25 through 31a, plus any amount you entered on the dotted line next to line 32	4. _____
5. Modified AGI. Subtract line 4 from line 3	5. _____
6. Enter the amount shown below for your filing status.	6. _____
• Single, head of household, or qualifying widow(er)—\$40,000	}
• Married filing jointly—\$60,000	
7. Is the amount on line 5 more than the amount on line 6?	7. _____
<input type="checkbox"/> No. Skip lines 7 and 8, enter -0- on line 9, and go to line 10.	
<input type="checkbox"/> Yes. Subtract line 6 from line 5	
8. Divide line 7 by \$15,000. Enter the result as a decimal (rounded to at least three places). Do not enter more than "1.000"	8. . _____
9. Multiply line 2 by line 8	9. _____
10. Student loan interest deduction. Subtract line 9 from line 2. Enter the result here and on Form 1040, line 24. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	10. _____

Line 29

Self-Employed SEP, SIMPLE, and Qualified Plans

If you were self-employed or a partner, you may be able to take this deduction. See **Pub. 560** or, if you were a minister, **Pub. 517**.

Line 30

Penalty on Early Withdrawal of Savings

The **Form 1099-INT** or **Form 1099-OID** you received will show the amount of any penalty you were charged.

Lines 31a and 31b

Alimony Paid

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take this deduction. Use TeleTax topic 452 (see page 11) or see **Pub. 504**.

Line 32

Include in the total on line 32 any of the following adjustments. To find out if you can take the deduction, see the form or publication indicated. On the dotted line next to line 32, enter the amount of your deduction and identify it as indicated.

- Performing-arts-related expenses (see **Form 2106** or **2106-EZ**). Identify as “QPA.”

- Jury duty pay given to your employer (see **Pub. 525**). Identify as “Jury Pay.”

- Deductible expenses related to income reported on line 21 from the rental of personal property engaged in for profit. Identify as “PPR.”

- Reforestation amortization (see **Pub. 535**). Identify as “RFST.”

- Repayment of supplemental unemployment benefits under the Trade Act of 1974 (see **Pub. 525**). Identify as “Sub-Pay TRA.”

- Contributions to section 501(c)(18) pension plans (see **Pub. 525**). Identify as “501(c)(18).”

- Contributions by certain chaplains to section 403(b) plans (see **Pub. 517**). Identify as “403(b).”

- Deduction for clean-fuel vehicles (see **Pub. 535**). Identify as “Clean-Fuel.”

- Employee business expenses of fee-basis state or local government officials (see **Form 2106** or **2106-EZ**). Identify as “FBO.”

Line 33

If line 33 is less than zero, you may have a net operating loss that you can carry to another tax year. See **Pub. 536**.

Tax and Credits

Line 35a

If you were age 65 or older or blind, check the appropriate box(es) on line 35a. If you were married and checked the box on line 6b of Form 1040 and your spouse was age 65 or older or blind, also check the appropriate box(es) for your spouse. Be sure to enter the total number of boxes checked.

Age

If you were age 65 or older on January 1, 2001, check the “65 or older” box on your 2000 return.

Blindness

If you were partially blind as of December 31, 2000, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot 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, you can get a statement certified by your eye doctor or registered optometrist to this effect instead.

You must keep the statement for your records.

Self-Employed Health Insurance Deduction Worksheet—Line 28

Keep for Your Records

Before you begin:

- ✓ Be sure you have read the **Exception** on page 29 to see if you can use this worksheet instead of Pub. 535 to figure your deduction.
- ✓ Complete Form 1040, line 29, if it applies to you.



1. Enter the total amount paid in 2000 for health insurance coverage established under your business for 2000 for you, your spouse, and dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan **1.** _____
2. Multiply line 1 by 60% (.60) **2.** _____
3. Enter your net profit and any other earned income* from the business under which the insurance plan is established, minus any deductions you claim on Form 1040, lines 27 and 29 **3.** _____
4. **Self-employed health insurance deduction.** Enter the **smaller** of line 2 or line 3 here and on Form 1040, line 28. **Do not** include this amount in figuring any medical expense deduction on Schedule A (Form 1040) **4.** _____

* **Earned income** includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income. If you were a more-than-2% shareholder in the S corporation under which the insurance plan is established, earned income is your wages from that corporation.

Line 35b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 35b. But 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 2000 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

Line 36

Itemized Deductions or Standard Deduction

In most cases, your Federal income tax will be less if you take the **larger** of:

- Your itemized deductions or
- Your standard deduction.



If you checked the box on **line 35b**, your standard deduction is zero.

Itemized Deductions

To figure your itemized deductions, fill in **Schedule A**.

(Continued on page 32)

Standard Deduction Chart for People Age 65 or Older or Blind—Line 36

If someone can claim you (or your spouse if married filing jointly) as a dependent, use the worksheet below instead.

Enter the number from the box on line 35a of Form 1040

▶



Do not use the number of exemptions from line 6d.

IF your filing status is . . .	AND the number in the box above is . . .	THEN your standard deduction is . . .
Single	1	\$5,500
	2	6,600
Married filing jointly or Qualifying widow(er)	1	\$8,200
	2	9,050
	3	9,900
	4	10,750
Married filing separately	1	\$4,525
	2	5,375
	3	6,225
	4	7,075
Head of household	1	\$7,550
	2	8,650

Standard Deduction Worksheet for Dependents—Line 36

Keep for Your Records

Use this worksheet **only** if someone can claim you (or your spouse if married filing jointly) as a dependent.



1. Add \$250 to your earned income* . Enter the total	1.	
2. Minimum standard deduction	2.	700.00
3. Enter the larger of line 1 or line 2	3.	
4. Enter the amount shown below for your filing status.		
<ul style="list-style-type: none"> • Single—\$4,400 • Married filing separately—\$3,675 • Married filing jointly or qualifying widow(er)—\$7,350 • Head of household—\$6,450 	}	4.
5. Standard deduction.		
a. Enter the smaller of line 3 or line 4. If under 65 and not blind, stop here and enter this amount on Form 1040, line 36. Otherwise , go to line 5b	5a.	
b. If 65 or older or blind, multiply the number on Form 1040, line 35a, by: \$1,100 if single or head of household; \$850 if married filing jointly or separately, or qualifying widow(er)	5b.	
c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 36	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 18, minus the amount, if any, on line 27.*

Standard Deduction

Most people can find their standard deduction by looking at the amounts to the left of line 36 of Form 1040. But if you checked **any** box on **line 35a**, or you (or your spouse if filing jointly) can be claimed as a dependent on someone's 2000 return, use the chart or worksheet on page 31 that applies to you to figure your standard deduction. Also, if you checked the box on **line 35b**, your standard deduction is zero, even if you were age 65 or older or blind.

Electing To Itemize for State Tax or Other Purposes

If you itemize even though your itemized deductions are less than your standard deduction, enter "IE" next to line 36.

Line 39

Taxable Income

If You Want, the IRS Will Figure Your Tax and Some of Your Credits

Tax. If you have paid too much, we will send you a refund. If you did not pay enough, we will send you a bill. For details, including who is eligible and what to do, see **Pub. 967**.

Credit for the Elderly or the Disabled. If you can take this credit and you want us to figure it for you, see the Instructions for **Schedule R**.

Earned Income Credit (EIC). Follow the steps that begin on page 40 to see if you can take this credit and, if you can, what to do if you want us to figure it for you. But first, complete your Form 1040 through line 59.

Line 40

Tax

Use one of the following methods to figure your tax. Also include in the total on line 40 any of the following taxes.

- Tax from **Forms 8814** and **4972**. Be sure to check the appropriate box(es).
- Tax from recapture of an education credit. See **Form 8863** to find out if you owe this tax and, if you do, how to figure the amount to include on line 40. You may owe this tax if **(1)** you claimed an education credit on your 1998 or 1999 return **and (2)** you, your spouse if filing jointly, or your dependent received in 2000 either a refund of qualified tuition and related expenses or tax-free educational assistance. Enter the amount and "ECR" on the dotted line next to line 40.

Tax Table or Tax Rate Schedules

If your taxable income is less than \$100,000, you **must** use the Tax Table, which starts

Deduction for Exemptions Worksheet—Line 38

Keep for Your Records



1. Is the amount on Form 1040, line 34, more than the amount shown on line 4 below for your filing status?

No. Multiply \$2,800 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on line 38.

Yes. *Continue*

2. Multiply \$2,800 by the total number of exemptions claimed on Form 1040, line 6d 2. _____

3. Enter the amount from Form 1040, line 34 3. _____

4. Enter the amount shown below for your filing status.

<ul style="list-style-type: none"> ● Single—\$128,950 ● Married filing jointly or qualifying widow(er)—\$193,400 ● Married filing separately—\$96,700 ● Head of household—\$161,150 	} 4. _____
---	---	--------------------

5. Subtract line 4 from line 3 5. _____

Note. If line 5 is more than: \$122,500 if single, married filing jointly, head of household, or qualifying widow(er); \$61,250 if married filing separately, **stop here**. You **cannot** take a deduction for exemptions. Enter -0- on Form 1040, line 38.

6. Divide line 5 by: \$2,500 if single, married filing jointly, head of household, or qualifying widow(er); \$1,250 if married filing separately. If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1) 6. _____

7. Multiply line 6 by 2% (.02) and enter the result as a decimal amount 7. _____

8. Multiply line 2 by line 7 8. _____

9. **Deduction for exemptions.** Subtract line 8 from line 2. Enter the result here and on Form 1040, line 38 9. _____

on page 59 to figure your tax. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Rate Schedules on page 71.

Exceptions. Do not use the Tax Table or Tax Rate Schedules to figure your tax if either of the following applies.

- You are required to use **Form 8615, Schedule D**, or the **Capital Gain Tax Worksheet** below or
- You use **Schedule J** (for farm income).

Form 8615

Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 2001, and who had more than \$1,400 of investment income, such as taxable interest, ordinary dividends, or capital gains (including capital gain distributions). But if neither of the child's parents was alive on December 31, 2000, do not use Form 8615 to figure the child's tax.

Schedule D

If you had a net capital gain on Schedule D (both lines 16 and 17 of Schedule D are gains) and the amount on Form 1040, line 39, is more than zero, use Part IV of Schedule D to figure your tax.

Capital Gain Tax Worksheet

If you received capital gain distributions but you are not required to file Schedule D, use the worksheet below to figure your tax.

Schedule J

If you had income from farming, your tax may be less if you choose to figure it using income averaging on Schedule J.

Line 41

Alternative Minimum Tax

Use the worksheet on page 34 to see if you should fill in **Form 6251**.

Exception. Fill in Form 6251 instead of using the worksheet on page 34 if you claimed or received any of the following items.

1. Accelerated depreciation.
2. Stock by exercising an incentive stock option and you did not dispose of the stock in the same year.
3. Tax-exempt interest from private activity bonds.
4. Intangible drilling, circulation, research, experimental, or mining costs.
5. Amortization of pollution-control facilities or depletion.
6. Income or (loss) from tax-shelter farm activities or passive activities.
7. Percentage-of-completion income from long-term contracts.
8. Interest paid on a home mortgage **not** used to buy, build, or substantially improve your home.
9. Investment interest expense reported on **Form 4952**.

(Continued on page 34)

Capital Gain Tax Worksheet—Line 40

Keep for Your Records

Before you begin:

- ✓ Be sure you do not have to file Schedule D (see the instructions for Form 1040, line 13, on page 23).
- ✓ Be sure you checked the box on line 13 of Form 1040.



1. Enter the amount from Form 1040, line 39	1. _____
2. Enter the amount from Form 1040, line 13	2. _____
3. Subtract line 2 from line 1. If zero or less, enter -0-	3. _____
4. Figure the tax on the amount on line 3. Use the Tax Table or Tax Rate Schedules, whichever applies	4. _____
5. Enter the smaller of:	
• The amount on line 1 or	} 5. _____
• \$26,250 if single; \$43,850 if married filing jointly or qualifying widow(er); \$21,925 if married filing separately; or \$35,150 if head of household.	
6. Is the amount on line 3 equal to or more than the amount on line 5?	
<input type="checkbox"/> Yes. Leave lines 6 through 8 blank; go to line 9 and check the "No" box.	
<input type="checkbox"/> No. Enter the amount from line 3	6. _____
7. Subtract line 6 from line 5	7. _____
8. Multiply line 7 by 10% (.10)	8. _____
9. Are the amounts on lines 2 and 7 the same?	
<input type="checkbox"/> Yes. Leave lines 9 through 12 blank; go to line 13.	
<input type="checkbox"/> No. Enter the smaller of line 1 or line 2	9. _____
10. Enter the amount, if any, from line 7	10. _____
11. Subtract line 10 from line 9. If zero or less, enter -0-	11. _____
12. Multiply line 11 by 20% (.20)	12. _____
13. Add lines 4, 8, and 12	13. _____
14. Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies	14. _____
15. Tax on all taxable income (including capital gain distributions). Enter the smaller of line 13 or line 14 here and on Form 1040, line 40	15. _____

- 10. Net operating loss deduction.
- 11. Alternative minimum tax adjustments from an estate, trust, electing large partnership, or a cooperative.
- 12. Section 1202 exclusion.



Form 6251 should be filled in for a child under age 14 if the child's adjusted gross income from Form 1040, line 34, exceeds the child's earned income by more than \$5,200.

Line 43 Foreign Tax Credit

If you paid income tax to a foreign country, you may be able to take this credit. But you must complete and attach **Form 1116** to do so.

Exception. You do not have to file Form 1116 to take this credit if **all five** of the following apply.

- 1. All of your gross foreign-source income is from interest and dividends and all of that income and the foreign tax paid on it is reported to you on **Form 1099-INT** or **Form 1099-DIV** (or substitute statement).
- 2. If you have dividend income from shares of stock, you held those shares for at least 16 days.
- 3. You are not filing **Form 4563** or excluding income from sources within Puerto Rico.

(Continued on page 35)

Worksheet To See if You Should Fill in Form 6251—Line 41

Keep for Your Records

Before you begin:

- ✓ Be sure you have read the **Exception** that begins on page 33 to see if you must fill in Form 6251 instead of using this worksheet.
- ✓ If you are claiming the foreign tax credit (see the instructions for Form 1040, line 43, above), enter that credit on line 43.



1. Enter the amount from Form 1040, line 37		1. _____
2. Are you filing Schedule A ?		
<input type="checkbox"/> Yes. Leave line 2 blank and go to line 3.		
<input type="checkbox"/> No. Enter your standard deduction from Form 1040, line 36, and go to line 5.	2.	_____
3. Enter the smaller of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 34.		3. _____
4. Add lines 9 and 26 of Schedule A and enter the total.		4. _____
5. Add lines 1 through 4 above.		5. _____
6. Enter the amount shown below for your filing status.		
• Single or head of household—\$33,750	}	6. _____
• Married filing jointly or qualifying widow(er)—\$45,000		
• Married filing separately—\$22,500		
7. Is the amount on line 5 more than the amount on line 6?		
<input type="checkbox"/> No. You do not need to fill in Form 6251.		
<input type="checkbox"/> Yes. Subtract line 6 from line 5		7. _____
8. Enter the amount shown below for your filing status.		
• Single or head of household—\$112,500	}	8. _____
• Married filing jointly or qualifying widow(er)—\$150,000		
• Married filing separately—\$75,000		
9. Is the amount on line 5 more than the amount on line 8?		
<input type="checkbox"/> No. Enter -0- here and on line 10 and go to line 11.	}	9. _____
<input type="checkbox"/> Yes. Subtract line 8 from line 5.		
10. Multiply line 9 by 25% (.25) and enter the result but do not enter more than line 6 above		10. _____
11. Add lines 7 and 10		11. _____
12. Is the amount on line 11 more than the amount shown below for your filing status?		
• Single, married filing jointly, head of household, or qualifying widow(er)—\$175,000		
• Married filing separately—\$87,500		
<input type="checkbox"/> Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.		
<input type="checkbox"/> No. Multiply line 11 by 26% (.26)		12. _____
13. Enter the amount from Form 1040, line 40, minus the total of any tax from Form 4972 and any amount on Form 1040, line 43.		13. _____
Next. Is the amount on line 12 more than the amount on line 13?		
<input type="checkbox"/> Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.		
<input type="checkbox"/> No. Do not fill in Form 6251.		

4. The total of your foreign taxes is not more than \$300 (not more than \$600 if married filing jointly).

5. All of your foreign taxes were:

- Legally owed and not eligible for a refund and

- Paid to countries that are recognized by the United States and do not support terrorism.

Note. If you need more information about these requirements, see the Instructions for Form 1116.

Do you meet all five requirements that begin on page 34?

Yes. Enter on line 43 the **smaller** of your total foreign tax or the amount on Form 1040, line 40.

No. See Form 1116 to find out if you can take the credit and, if you can, if you have to file Form 1116.

Line 44

Credit for Child and Dependent Care Expenses

You may be able to take this credit if you paid someone to care for your child **under age 13** or your dependent or spouse who could not care for himself or herself. For details, use TeleTax topic 602 (see page 11) or see **Form 2441**.

Line 45

Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 2000 **(1)** you were age 65 or older or **(2)** you retired on **permanent and total disability** and you had taxable disability income. But you usually **cannot** take the credit if the amount on Form 1040, line 34, is \$17,500 or more (\$20,000 if married filing jointly and only one spouse is eligible for the credit; \$25,000 if married filing jointly and both spouses are eligible; \$12,500 if married filing separately). See **Schedule R** and its instructions for details.

Line 46

Education Credits

If you (or your dependent) paid qualified expenses in 2000 for yourself, your spouse, or your dependent to enroll in or attend an eligible educational institution, you may be able to take an education credit. See **Form 8863** for details. However, you **cannot** take an education credit if **any** of the following apply.

- You are claimed as a dependent on someone's (such as your parent's) 2000 tax return.

- Your filing status is married filing separately.

- The amount on Form 1040, line 34, is \$50,000 or more (\$100,000 or more if married filing jointly).

- You (or your spouse) were a nonresident alien for any part of 2000 unless your filing status is married filing jointly.

Line 47—Child Tax Credit

What Is the Child Tax Credit?

This credit is for people who have a qualifying child as defined in the instructions for line 6c, column (4), on page 20. It is in addition to the credit for child and dependent care expenses on Form 1040, line 44, and the earned income credit on Form 1040, line 60a.



If you only have one or two qualifying children and the amount on Form 1040, line 42, is zero, you cannot take this credit. You also cannot take the additional child tax credit on Form 1040, line 62.

Three Steps To Take the Child Tax Credit!

- Step 1.** Make sure you have a qualifying child for the child tax credit. See the instructions for line 6c, column (4), on page 20.
- Step 2.** Make sure you checked the box in column (4) of line 6c on Form 1040 for each qualifying child.
- Step 3.** Answer the questions on this page to see if you may use the worksheet on page 37 to figure your credit or if you must use Pub. 972, Child Tax Credit. If you need Pub. 972, see page 7.

You
Will
Need:





Questions


Who Must Use Pub. 972



- Are you excluding income from Puerto Rico **or** are you filing any of the following forms?
 - Form 2555 or 2555-EZ (relating to foreign earned income)
 - Form 4563 (exclusion of income for residents of American Samoa)

No. *Continue* → **Yes.**  You must use Pub. 972 to figure your credit instead of the worksheet on page 37.
- Is the amount on Form 1040, line 34, more than the amount shown below for your filing status?
 - Married filing jointly – \$110,000
 - Single, head of household, or qualifying widow(er) – \$75,000
 - Married filing separately – \$55,000

No. *Continue* → **Yes.**  You must use Pub. 972 to figure your credit instead of the worksheet on page 37.
- Do you have three or more qualifying children for the child tax credit?

No.  Use the worksheet on page 37 to figure your credit. **Yes.** *Continue* →
- Are you claiming any of the following credits?
 - Adoption credit, Form 8839 (see the instructions for Form 1040, line 48, on page 38)
 - Mortgage interest credit, Form 8396 (see the instructions for Form 1040, line 49, on page 38)
 - District of Columbia first-time homebuyer credit, Form 8859

No. Use the worksheet on page 37 to figure your child tax credit. **Yes.** You must use Pub. 972 to figure your child tax credit instead of the worksheet on page 37. You will also need the form(s) listed above for any credit(s) you are claiming.

Child Tax Credit Worksheet—Line 47

Keep for Your Records



Do not use this worksheet if you answered “Yes” to question 1, 2, or 4 on page 36. Instead, use Pub. 972.



1. Number of qualifying children: _____ × \$500. Enter the result.

1	
----------	--

2. Enter the amount from Form 1040, line 42.

2	
----------	--

3. Add the amounts from Form 1040:

Line 43 _____

Line 44 + _____

Line 45 + _____

Line 46 + _____ Enter the total.

3	
----------	--

4. Are the amounts on lines 2 and 3 the same?

Yes.

You cannot take this credit because there is no tax to reduce. However, see the **TIP** below before completing the rest of your Form 1040.

No. Subtract line 3 from line 2.

4	
----------	--

5. Is the amount on line 1 more than the amount on line 4?

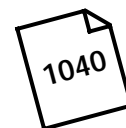
Yes. Enter the amount from line 4. See the **TIP** below.

No. Enter the amount from line 1.

This is your child tax credit.

5	
----------	--

Enter this amount on Form 1040, line 47.



You may be able to take the **additional child tax credit** on Form 1040, line 62, only if you answered “Yes” on line 4 **or** line 5 above **and** the amount on line 1 is \$1,500 or more.

- First, complete your Form 1040 through line 61.
- Then, use Form 8812 to figure any additional child tax credit.

Line 48**Adoption Credit**

You may be able to take this credit if you paid expenses in 2000 to adopt a child. See **Form 8839** for details.

Line 49**Other Credits**

Include in the total on line 49 any of the following credits and check the appropriate box(es). If box **d** is checked, also enter the form number. To find out if you can take the credit, see the form or publication indicated.

- Mortgage interest credit. If a state or local government gave you a mortgage credit certificate, see **Form 8396**.
- Credit for prior year minimum tax. If you paid alternative minimum tax in a prior year, see **Form 8801**.
- Qualified electric vehicle credit. If you placed a new electric vehicle in service in 2000, see **Form 8834**.
- General business credit. This credit consists of a number of credits that usually apply only to individuals who are partners, shareholders in an S corporation, self-employed, or who have rental property. See **Form 3800** or **Pub. 334**.
- Empowerment zone employment credit. See **Form 8844**.
- District of Columbia first-time home-buyer credit. See **Form 8859**.

Line 50

If you sold fuel produced from a nonconventional source, see Internal Revenue Code section 29 to find out if you can take the **nonconventional source fuel credit**. If you can, attach a schedule showing how you figured the credit. Include the credit in the total on line 50. Enter the amount and "FNS" on the dotted line next to line 50.

Other Taxes**Line 53****Social Security and Medicare 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, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. You must also pay this tax if your W-2 form(s) shows allocated tips that you are including in your income on Form 1040, line 7.

To figure the tax, use **Form 4137**. To pay the RRTA tax, contact your employer. Your employer will figure and collect the tax.



You may be charged a penalty equal to 50% of the social security and Medicare tax due on tips you received but did not report to your employer.

Line 54**Tax on IRAs, Other Retirement Plans, and MSAs**

If **any** of the following apply, see **Form 5329** and its instructions to find out if you owe this tax and if you must file Form 5329.

1. You received any early distributions from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.
2. You made excess contributions to your IRA or MSA.
3. You were born before July 1, 1929, and did not take the minimum required distribution from your IRA or other qualified retirement plan.

Exception. If **only** item 1 applies to you and distribution code 1 is correctly shown in box 7 of your **Form 1099-R**, you do not have to file Form 5329. Instead, multiply the taxable amount of the distribution by 10% (.10) and enter the result on line 54. The taxable amount of the distribution is the part of the distribution you reported on line 15b or line 16b of Form 1040 or on Form 4972. Also, put "No" next to line 54 to indicate that you do not have to file Form 5329. **But** if distribution code 1 is incorrectly shown in box 7, you must file Form 5329.

Line 55**Advance Earned Income Credit Payments**

Enter the total amount of advance earned income credit (EIC) payments you received. These payments are shown in box 9 of your W-2 form(s).

Line 56**Household Employment Taxes**

If **any** of the following apply, see **Schedule H** and its instructions to find out if you owe these taxes.

1. You paid **any one** household employee (defined below) cash wages of \$1,200 or more in 2000. Cash wages include wages paid by checks, money orders, etc.
2. You withheld Federal income tax during 2000 at the request of any household employee.
3. You paid **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 1999 or 2000 to household employees.



For item 1, do not count amounts paid to an employee who was under age 18 at any time in 2000 and was a student.

Household Employee. Any person who does household work is a household employee if you can control what will be done and how it will be done. Household work includes work done in or around your home by babysitters, nannies, health aides, maids, yard workers, and similar domestic workers.

Line 57**Total Tax**

Include in the total on line 57 any of the following taxes. To find out if you owe the tax, see the form or publication indicated. On the dotted line next to line 57, enter the amount of the tax and identify it as indicated.

Recapture of the Following Credits.

- Investment credit (see **Form 4255**). Identify as "ICR."
- Low-income housing credit (see **Form 8611**). Identify as "LIHCR."

(Continued on page 39)

- Qualified electric vehicle credit (see **Pub. 535**). Identify as “QEVCRCR.”
- Indian employment credit. Identify as “IECR.”

Recapture of Federal Mortgage Subsidy. If you sold your home in 2000 and it was financed (in whole or in part) from the proceeds of any tax-exempt qualified mortgage bond or you claimed the mortgage interest credit, see **Form 8828**. Identify as “FMSR.”

Section 72(m)(5) Excess Benefits Tax (see **Pub. 560**). Identify as “Sec. 72(m)(5).”

Uncollected Social Security and Medicare or RRTA Tax on Tips or Group-Term Life Insurance. This tax should be shown in box 13 of your Form W-2 with codes **A** and **B** or **M** and **N**. Identify as “UT.”

Golden Parachute Payments. If you received an excess parachute payment (EPP), you must pay a 20% tax on it. This tax should be shown in box 13 of your W-2 form with code **K**. If you received a **Form 1099-MISC**, the tax is 20% of the EPP shown in box 13. Identify as “EPP.”

Tax on Accumulation Distribution of Trusts. Enter the amount from **Form 4970** and identify as “ADT.”

Payments

Line 58

Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G,** and **1099-R**. Enter the total on line 58. The amount withheld should be shown in box 2 of Form W-2 or W-2G, and in box 4 of Form 1099-R. If line 58 includes amounts withheld as shown on Form 1099-R, attach the Form 1099-R to the front of your return.

If you received a 2000 Form 1099 showing Federal income tax withheld on dividends, interest income, unemployment compensation, social security benefits, or other income you received, include the amount withheld in the total on line 58. This should be shown in box 4 of the 1099 form or box 6 of **Form SSA-1099**.

Line 59

2000 Estimated Tax Payments

Enter any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 2000. Include any overpayment from your 1999 return that you applied to your 2000 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 part of it. See **Pub. 505** for details on how to report your payments. Be sure to show both social security numbers (SSNs) in the space provided on the separate returns. If you or your spouse paid separate estimated tax but you are now filing a joint return, add the amounts you each paid. Follow these instructions even if your spouse died in 2000 or in 2001 before filing a 2000 return.

Divorced Taxpayers

If you got divorced in 2000 and you made joint estimated tax payments with your former spouse, put your former spouse's SSN in the space provided on the front of Form 1040. If you were divorced and remarried in 2000, put your present spouse's SSN in the space provided on the front of Form 1040. Also, under the heading “Payments” to the left of line 59, put your former spouse's SSN, 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. On the statement, explain all the payments you and your spouse made in 2000 and the name(s) and SSN(s) under which you made them.

Lines 60a and 60b— Earned Income Credit (EIC)

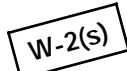
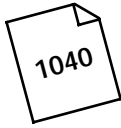
What Is the EIC?

The EIC is a credit for certain people who work. The credit may give you a refund even if you do not owe any tax.

To Take the EIC:

- Follow the steps below.
- Complete the worksheet that applies to you **or** let the IRS figure the credit for you.
- If you have a qualifying child, complete and attach Schedule EIC.

You Will Need:



If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

Step 1 All Filers

1. Is the amount on Form 1040, line 34, less than \$31,152 (or \$10,380 if a child did not live with you in 2000)?
 Yes. *Continue* → **No.** You cannot take the credit.
2. Do you, and your spouse if filing a joint return, have a social security number that allows you to work (see page 43)?
 Yes. *Continue* → **No.** You cannot take the credit. Put "No" directly to the right of line 60a.
3. Is your filing status married filing separately?
 Yes. You cannot take the credit. **No.** *Continue* →
4. Are you filing Form 2555 or 2555-EZ (relating to foreign earned income)?
 Yes. You cannot take the credit. **No.** *Continue* →
5. Were you a nonresident alien for any part of 2000?
 Yes. See *Nonresident Aliens* on page 43. **No.** Go to Step 2.

Step 2 Investment Income

1. Add the amounts from Form 1040:

Line 8a	=	
Line 8b	+	
Line 9	+	
Line 13	+	
Investment Income		=
2. Is your investment income more than \$2,400?
 Yes. *Continue* → **No.** *Skip the next question; go to Step 3.*
3. Are you filing Form 4797 (relating to sales of business property)?
 Yes. See *Form 4797 Filers* on page 43. **No.** You cannot take the credit.

Step 3 Who Must Use Pub. 596

Some people must use Pub. 596, Earned Income Credit, to see if they can take the credit and how to figure it. To see if you must use Pub. 596, answer the following questions.

1. Are you filing Schedule E?
 No. *Continue* → **Yes.** →
2. Are you claiming a loss on Form 1040, line 12, 13, or 18?
 No. *Continue* → **Yes.** →
3. Are you reporting income or a loss from the rental of personal property not used in a trade or business?
 No. *Continue* → **Yes.** →
4. Did you, or your spouse if filing a joint return, receive a distribution from a pension, annuity, or IRA that is not fully taxable?
 No. *Continue* → **Yes.** →
5. Are you reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child's interest and dividends)?
 No. *Continue* → **Yes.** →
6. Did you enter an amount other than zero on Form 1040, line 41?
 No. *Continue* → **Yes.** →
7. Did a child live with you in 2000?
 Yes. Go to Step 4 on page 41. **No.** Go to Step 5 on page 41.

You must use Pub. 596 to see if you can take the credit and how to figure it.



To get Pub. 596, see page 7.

Continued from page 40

Step 4 Qualifying Child

A qualifying child is a child who is your...

- Son Grandchild
- Daughter Stepchild
- Adopted child Foster child (see page 43)
- If the child was married, see page 43.



was at the end of 2000...

Under age 19

or

Under age 24 and a student (see page 43)

or

Any age and permanently and totally disabled (see page 43)



who...

Lived with you in the United States for more than half of 2000 or, if a foster child, for all of 2000.
If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 43.

1. Look at the qualifying child conditions above. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2000?

- Yes.** You cannot take the credit. Put "No" directly to the right of line 60a.
- No.** Continue →

2. Do you have at least one child who meets the above conditions to be your qualifying child?

- Yes.** Continue →
- No.** Skip the next question; go to Step 5, question 2.

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2000?

- Yes.** See *Qualifying Child of More Than One Person on page 43.*
- No.** This child is your qualifying child. The child must have a social security number as defined on page 43 unless the child was born and died in 2000. Skip Step 5; go to Step 6.

Step 5 Filers Without a Qualifying Child

1. Look at the qualifying child conditions in Step 4. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2000?

- Yes.** You cannot take the credit. Put "No" directly to the right of line 60a.
- No.** Continue →

2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2000 tax return?

- Yes.** You cannot take the credit.
- No.** Continue →

3. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2000?

- Yes.** Continue →
- No.** You cannot take the credit. Put "No" directly to the right of line 60a.

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2000? Members of the military stationed outside the United States, see page 43 before you answer.

- Yes.** Go to Step 6.
- No.** You cannot take the credit. Put "No" directly to the right of line 60a.

Step 6 Modified Adjusted Gross Income

1. Add the amounts from Line 8b _____
Form 1040: Line 34 + _____

Modified Adjusted Gross Income = _____

2. If you have:

- 2 or more qualifying children, is Box A less than \$31,152?
- 1 qualifying child, is Box A less than \$27,413?
- No qualifying children, is Box A less than \$10,380?

- Yes.** Go to Step 7 on page 42.
- No.** You cannot take the credit.

(Continued on page 42)

Continued from page 41

Step 7 Nontaxable and Taxable Earned Income

- Add all your nontaxable earned income, including your spouse's if filing a joint return. This includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Types of nontaxable earned income are listed below.
 - Salary deferrals, such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. See page 43.
 - Salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form. See page 43.
 - Mandatory contributions to a state or local retirement plan.
 - Military employee basic housing, subsistence, and combat zone compensation. These amounts are shown in box 13 of your W-2 form with code Q.
 - Meals and lodging provided for the convenience of your employer.
 - Housing allowances or rental value of a parsonage for clergy members. If filing Schedule SE, see Clergy on this page.
 - Excludable dependent care benefits from Form 2441, line 18, employer-provided adoption benefits from Form 8839, line 26, and educational assistance benefits (these benefits may be shown in box 14 of your W-2 form).
 - Certain amounts received by Native Americans. See Pub. 596.

Note. Nontaxable earned income does not include welfare benefits or workfare payments (see page 43), or qualified foster care payments.

Nontaxable Earned Income =

Box B	
----------	--

Enter the amount and type of your nontaxable earned income on Form 1040, line 60b.



- Are you filing Schedule SE because you had church employee income of \$108.28 or more?
 - Yes.** See Church Employees on this page.
 - No.** Continue

3. Figure taxable earned income:
Form 1040, line 7 _____

Subtract:

- Any taxable scholarship or fellowship grant not reported on a W-2 form
- Any amount paid to an inmate in a penal institution for work (put "PRI" and the amount subtracted on the dotted line next to line 7 of Form 1040)

Taxable Earned Income =

Box C	
----------	--

- Were you self-employed, or are you filing Schedule SE because you had church employee income, or are you filing Schedule C or C-EZ as a statutory employee?
 - Yes.** Skip Steps 8 and 9; go to Worksheet B on page 45.
 - No.** Go to Step 8.

Step 8 Total Earned Income

- Nontaxable Earned Income (Step 7, Box B) _____
Taxable Earned Income (Step 7, Box C) + _____

Total Earned Income =

Box D	
----------	--

- If you have:
 - 2 or more qualifying children, is Box D less than \$31,152?
 - 1 qualifying child, is Box D less than \$27,413?
 - No qualifying children, is Box D less than \$10,380?

Yes. Go to Step 9. **No.**

STOP

You cannot take the credit. Put "No" directly to the right of line 60a.

Step 9 How To Figure the Credit

- Do you want the IRS to figure the credit for you?
 - Yes.** See Credit Figured by the IRS below.
 - No.** Go to Worksheet A on page 44.

Definitions and Special Rules

(listed in alphabetical order)

Adopted Child. Any child placed with you by an authorized placement agency for legal adoption. An authorized placement agency includes any person authorized by state law to place children for legal adoption. The adoption does not have to be final.

Church Employees. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 5a. Subtract that amount from the amount on Form 1040, line 7, and enter the result in the first space of Step 7, line 3. Be sure to answer "Yes" on line 4 of Step 7.

Clergy. If you are filing Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7:

- Put "Clergy" directly to the right of line 60a of Form 1040.
- Do not include any housing allowance or rental value of the parsonage as nontaxable earned income in Box B if it is required to be included on Schedule SE, line 2.
- Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
- Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 7, line 3.
- Be sure to answer "Yes" on line 4 of Step 7.

Credit Figured by the IRS. To have the IRS figure the credit for you:

- Put "EIC" directly to the right of line 60a of Form 1040.
- Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on this page) on Form 1040, line 60b.
- If you have a qualifying child, complete and attach Schedule EIC. If your 1997, 1998, or 1999 EIC was reduced or disallowed, see Form 8862, Who Must File, on page 43.

(Continued on page 43)

Continued from page 42

Exception to “Time Lived With You” Condition. A child is considered to have lived with you for all of 2000 if the child was born or died in 2000 and your home was this child’s home for the entire time he or she was alive in 2000. Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. If you were in the military stationed outside the United States, see Members of the Military below.

Form 4797 Filers. If the amount on Form 1040, line 13, includes an amount from Form 4797, you must use Pub. 596 to see if you can take the EIC and how to figure it. To get Pub. 596, see page 7. Otherwise, stop; you cannot take the EIC.

Form 8862, Who Must File. You must file Form 8862 if your 1997, 1998, or 1999 EIC was reduced or disallowed for any reason other than a math or clerical error. But do not file Form 8862 if, after your EIC was reduced or disallowed in an earlier year:

- You filed Form 8862 (or other documents) and your EIC was then allowed and
- Your EIC has not been reduced or disallowed again for any reason other than a math or clerical error.

Also, do not file Form 8862 or take the credit if it was determined that your error was due to reckless or intentional disregard of the EIC rules or fraud.

Foster Child. Any child you cared for as your own child **and** who is (1) your brother, sister, stepbrother, or stepsister; (2) a descendant (such as a child, including an adopted child) of your brother, sister, stepbrother, or stepsister; or (3) a child placed with you by an authorized placement agency. For example, if you acted as the parent of your niece or nephew, this child is considered your foster child.

Grandchild. Any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

Married Child. A child who was married at the end of 2000 is a qualifying child only if (1) you can claim him or her as your dependent on Form 1040, line 6c, or (2) this child’s other parent claims him or her as a dependent under the rules in Pub. 501 for children of divorced or separated parents.

Members of the Military. If you were on extended active duty outside the United States, your home is considered to be in the United States during that duty period. Extended active duty is military duty ordered for an indefinite period or for a period of more than 90 days. Once you begin serving extended active duty, you are considered to be on extended active duty even if you serve fewer than 90 days.

Nonresident Aliens. If your filing status is married filing jointly, go to Step 2 on page 40. Otherwise, stop; you cannot take the EIC.

Permanently and Totally Disabled Child. A child who cannot engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition:

- Has lasted or can be expected to last continuously for at least a year or
- Can lead to death.

Qualifying Child of More Than One Person. If the child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** modified AGI (adjusted gross income) for 2000 may treat that child as a qualifying child. The other person(s) cannot take the EIC for people who do not have a qualifying child. If the other person is your spouse and you are filing a joint return, this rule does not apply. If you have the highest modified AGI, this child is your qualifying child. The child must have a social security number as defined on this page unless the child was born and died in 2000. Skip Step 5; go to Step 6 on page 41. If you do not have the highest modified AGI, stop; you cannot take the EIC. Put “No” directly to the right of line 60a.

Modified AGI is the total of the amounts on Form 1040, lines 8b and 34, increased by:

- Any loss claimed on Form 1040, line 13,
- Any loss from the rental of personal property not used in a trade or business,
- 75% of any losses on Form 1040, lines 12 and 18,
- Certain nontaxable distributions from a pension, annuity, or IRA (see Pub. 596), and
- Certain amounts reported on Schedule E (see Pub. 596).

Example. You and your 5-year-old daughter moved in with your mother in April 2000. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your modified AGI for 2000 was \$8,000 and your mother’s was \$14,000. Because your mother’s modified AGI was higher, your daughter is your mother’s qualifying child. You **cannot** take any EIC, even if your mother does not claim the credit. You would put “No” directly to the right of line 60a.

Salary Deferrals. Contributions from your pay to certain retirement plans, such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. The “Deferred compensation” box in box 15 of your W-2 form should be checked.

Salary Reductions. Amounts you could have been paid but chose instead to have your employer contribute to certain benefit plans, such as a cafeteria plan. A cafeteria plan is a plan that allows you to choose to receive either cash or certain benefits that are not taxed (such as accident and health insurance).

Social Security Number (SSN). For purposes of taking the EIC, an SSN is a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States. It does not include an SSN issued only to allow a person to apply for or receive Federally funded benefits. If your social security card, or your spouse’s if filing a joint return, says “Not valid for employment,” you cannot take the EIC.

To find out how to get an SSN, see page 19. If you will not have an SSN by April 16, 2001, see What if You Cannot File on Time? on page 15.

Student. A child who during any 5 months of 2000:

- Was enrolled as a full-time student at a school or
- Took a full-time, on-farm training course given by a school or a state, county, or local government agency.

A **school** includes technical, trade, and mechanical schools. It does not include on-the-job training courses, correspondence schools, or night schools.

Welfare Benefits, Effect of Credit on. Any refund you receive as a result of taking the EIC will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

- Temporary Assistance for Needy Families (TANF).
- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

Workfare Payments. Cash payments certain people receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as:

- Work experience activities (including work associated with remodeling or repairing publicly assisted housing) if sufficient private sector employment is not available or
- Community service program activities.

Worksheet **A**—Earned Income Credit (EIC)—Lines 60a and 60b

Keep for Your Records

Before you begin: ✓ Be sure you are using the correct worksheet. **Do not** use this worksheet if you were self-employed, or you are filing Schedule SE because you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee. Instead, use Worksheet B on page 45.



Part 1

All Filers Using Worksheet A

1. Enter your total earned income from Step 8, Box D, on page 42. 1

2. Look up the amount on line 1 above in the EIC Table on pages 47–49 to find the credit. Enter the credit here. 2

If line 2 is zero, You cannot take the credit. Put “No” directly to the right of line 60a.

3. Enter your modified adjusted gross income from Step 6, Box A, on page 41. 3

4. Are the amounts on lines 3 and 1 the same?

Yes. Skip line 5; enter the amount from line 2 on line 6.

No. Go to line 5.

Part 2

Filers Who Answered “No” on Line 4

5. Is the amount on line 3 less than:

- \$5,800 if you do not have a qualifying child **or**
- \$12,700 if you have one or more qualifying children?

Yes. Leave line 5 blank; enter the amount from line 2 on line 6.

No. Look up the amount on line 3 in the EIC Table on pages 47–49 to find the credit. Enter the credit here. 5

Look at the amounts on lines 5 and 2. Then, enter the **smaller** amount on line 6.

Part 3

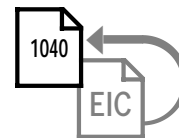
Your Earned Income Credit

6. **This is your earned income credit.** 6

Reminder—

- ✓ Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on page 42) on Form 1040, line 60b.
- ✓ If you have a qualifying child, complete and attach Schedule EIC.

Enter this amount on Form 1040, line 60a.



If your 1997, 1998, or 1999 EIC was reduced or disallowed, see page 43 to find out if you must file Form 8862 to take the credit for 2000.

Worksheet B—Earned Income Credit (EIC)—Lines 60a and 60b

Keep for Your Records



Use this worksheet if you were self-employed, or you are filing Schedule SE because you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee.

- ✓ Complete the parts below (Parts 1 through 3) that apply to you. Then, continue to Part 4.
- ✓ If you are married filing a joint return, include your spouse's amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

<p>Part 1</p> <p>Self-Employed and People With Church Employee Income Filing Schedule SE</p>	<p>1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.</p> <hr/> <p>1b. Enter any amount from Schedule SE, Section B, line 4b, and line 5a.</p> <hr/> <p>1c. Add lines 1a and 1b.</p> <hr/> <p>1d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.</p> <hr/> <p>1e. Subtract line 1d from 1c.</p>	<p>1a</p> <hr/> <p>1b</p> <hr/> <p>1c</p> <hr/> <p>1d</p> <hr/> <p>1e</p>	<p></p> <hr/> <p>+</p> <hr/> <p>=</p> <hr/> <p>-</p> <hr/> <p>=</p>	<p></p> <hr/> <p></p> <hr/> <p></p> <hr/> <p></p> <hr/> <p></p>	<p></p> <hr/> <p></p> <hr/> <p></p> <hr/> <p></p> <hr/> <p></p>
<p>Part 2</p> <p>Self-Employed NOT Filing Schedule SE</p> <p><small>For example, your net earnings from self-employment were less than \$400.</small></p>	<p>2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.</p> <hr/> <p>a. Enter any net farm profit from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a.</p> <hr/> <p>b. Enter any net profit from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9.</p> <hr/> <p>c. Add lines 2a and 2b.</p>	<p>2a</p> <hr/> <p>2b</p> <hr/> <p>2c</p>	<p></p> <hr/> <p>+</p> <hr/> <p>=</p>	<p></p> <hr/> <p></p> <hr/> <p></p>	<p></p> <hr/> <p></p> <hr/> <p></p>
<p>Part 3</p> <p>Statutory Employees Filing Schedule C or C-EZ</p>	<p>3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.</p>	<p>3</p>	<p></p>	<p></p>	<p></p>
<p>Part 4</p> <p>All Filers Using Worksheet B</p> <p><small>Note. If line 4d includes income on which you should have paid self-employment tax but did not, we may reduce your credit by the amount of self-employment tax not paid.</small></p>	<p>4a. Add lines 1e, 2c, and 3.</p> <hr/> <p>b. Enter your nontaxable earned income from Step 7, Box B, on page 42.</p> <hr/> <p>c. Enter your taxable earned income from Step 7, Box C, on page 42.</p> <hr/> <p>d. Add lines 4a, 4b, and 4c. This is your total earned income.</p> <hr/> <p>5. If you have:</p> <ul style="list-style-type: none"> • 2 or more qualifying children, is line 4d less than \$31,152? • 1 qualifying child, is line 4d less than \$27,413? • No qualifying children, is line 4d less than \$10,380? <p><input type="checkbox"/> Yes. If you want the IRS to figure your credit, see page 42. <i>If you want to figure the credit yourself, enter the amount from line 4d on line 6 (page 46).</i></p> <p><input type="checkbox"/> No. You cannot take the credit. Put "No" directly to the right of line 60a.</p>	<p>4a</p> <hr/> <p>4b</p> <hr/> <p>4c</p> <hr/> <p>4d</p>	<p></p> <hr/> <p>+</p> <hr/> <p>+</p> <hr/> <p>=</p>	<p></p> <hr/> <p></p> <hr/> <p></p> <hr/> <p></p>	<p></p> <hr/> <p></p> <hr/> <p></p> <hr/> <p></p>

(Continued on page 46)

Worksheet **B**—Continued from page 45


Keep for Your Records

Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4d, on page 45. 6

7. Look up the amount on line 6 above in the EIC Table on pages 47–49 to find the credit. Enter the credit here. 7

If line 7 is zero,  You cannot take the credit. Put “No” directly to the right of line 60a.

8. Enter your modified adjusted gross income from Step 6, Box A, on page 41. 8

9. Are the amounts on lines 8 and 6 the same?
 Yes. Skip line 10; enter the amount from line 7 on line 11.
 No. Go to line 10.

10. Is the amount on line 8 less than:
 • \$5,800 if you do not have a qualifying child **or**
 • \$12,700 if you have one or more qualifying children?
 Yes. Leave line 10 blank; enter the amount from line 7 on line 11.
 No. Look up the amount on line 8 in the EIC Table on pages 47–49 to find the credit. Enter the credit here. 10
 Look at the amounts on lines 10 and 7. Then, enter the **smaller** amount on line 11.

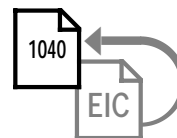
Part 6

Your Earned Income Credit

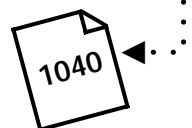
11. **This is your earned income credit.** 11

Reminder—

- ✓ Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on page 42) on Form 1040, line 60b.
- ✓ If you have a qualifying child, complete and attach Schedule EIC.



Enter this amount on Form 1040, line 60a.



If your 1997, 1998, or 1999 EIC was reduced or disallowed, see page 43 to find out if you must file Form 8862 to take the credit for 2000.

2000 Earned Income Credit (EIC) Table



This is not a tax table.

1. To find your credit, read down the "At least - But less than" columns and find the line that includes the amount you were told to look up from your EIC Worksheet.

2. Then, read across to the column that includes the number of qualifying children you have. Enter the credit from that column on your EIC Worksheet.

Example. If you have one qualifying child and the amount you are looking up from your EIC Worksheet is \$4,875, you would enter \$1,658.

If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children
At least	But less than	Your credit is—		
4,800	4,850	353	1,641	1,930
4,850	4,900	353	1,658	1,950
4,900	4,950	353	1,675	1,970
4,950	5,000	353	1,692	1,990

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children					
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
\$1	\$50	\$2	\$9	\$10	2,200	2,250	170	757	890	4,400	4,450	339	1,505	1,770	6,600	6,650	287	2,253	2,650
50	100	6	26	30	2,250	2,300	174	774	910	4,450	4,500	342	1,522	1,790	6,650	6,700	283	2,270	2,670
100	150	10	43	50	2,300	2,350	178	791	930	4,500	4,550	346	1,539	1,810	6,700	6,750	280	2,287	2,690
150	200	13	60	70	2,350	2,400	182	808	950	4,550	4,600	350	1,556	1,830	6,750	6,800	276	2,304	2,710
200	250	17	77	90	2,400	2,450	186	825	970	4,600	4,650	353	1,573	1,850	6,800	6,850	272	2,321	2,730
250	300	21	94	110	2,450	2,500	189	842	990	4,650	4,700	353	1,590	1,870	6,850	6,900	268	2,338	2,750
300	350	25	111	130	2,500	2,550	193	859	1,010	4,700	4,750	353	1,607	1,890	6,900	6,950	264	2,353	2,770
350	400	29	128	150	2,550	2,600	197	876	1,030	4,750	4,800	353	1,624	1,910	6,950	7,000	260	2,353	2,790
400	450	33	145	170	2,600	2,650	201	893	1,050	4,800	4,850	353	1,641	1,930	7,000	7,050	257	2,353	2,810
450	500	36	162	190	2,650	2,700	205	910	1,070	4,850	4,900	353	1,658	1,950	7,050	7,100	253	2,353	2,830
500	550	40	179	210	2,700	2,750	208	927	1,090	4,900	4,950	353	1,675	1,970	7,100	7,150	249	2,353	2,850
550	600	44	196	230	2,750	2,800	212	944	1,110	4,950	5,000	353	1,692	1,990	7,150	7,200	245	2,353	2,870
600	650	48	213	250	2,800	2,850	216	961	1,130	5,000	5,050	353	1,709	2,010	7,200	7,250	241	2,353	2,890
650	700	52	230	270	2,850	2,900	220	978	1,150	5,050	5,100	353	1,726	2,030	7,250	7,300	238	2,353	2,910
700	750	55	247	290	2,900	2,950	224	995	1,170	5,100	5,150	353	1,743	2,050	7,300	7,350	234	2,353	2,930
750	800	59	264	310	2,950	3,000	228	1,012	1,190	5,150	5,200	353	1,760	2,070	7,350	7,400	230	2,353	2,950
800	850	63	281	330	3,000	3,050	231	1,029	1,210	5,200	5,250	353	1,777	2,090	7,400	7,450	226	2,353	2,970
850	900	67	298	350	3,050	3,100	235	1,046	1,230	5,250	5,300	353	1,794	2,110	7,450	7,500	222	2,353	2,990
900	950	71	315	370	3,100	3,150	239	1,063	1,250	5,300	5,350	353	1,811	2,130	7,500	7,550	218	2,353	3,010
950	1,000	75	332	390	3,150	3,200	243	1,080	1,270	5,350	5,400	353	1,828	2,150	7,550	7,600	215	2,353	3,030
1,000	1,050	78	349	410	3,200	3,250	247	1,097	1,290	5,400	5,450	353	1,845	2,170	7,600	7,650	211	2,353	3,050
1,050	1,100	82	366	430	3,250	3,300	251	1,114	1,310	5,450	5,500	353	1,862	2,190	7,650	7,700	207	2,353	3,070
1,100	1,150	86	383	450	3,300	3,350	254	1,131	1,330	5,500	5,550	353	1,879	2,210	7,700	7,750	203	2,353	3,090
1,150	1,200	90	400	470	3,350	3,400	258	1,148	1,350	5,550	5,600	353	1,896	2,230	7,750	7,800	199	2,353	3,110
1,200	1,250	94	417	490	3,400	3,450	262	1,165	1,370	5,600	5,650	353	1,913	2,250	7,800	7,850	195	2,353	3,130
1,250	1,300	98	434	510	3,450	3,500	266	1,182	1,390	5,650	5,700	353	1,930	2,270	7,850	7,900	192	2,353	3,150
1,300	1,350	101	451	530	3,500	3,550	270	1,199	1,410	5,700	5,750	353	1,947	2,290	7,900	7,950	188	2,353	3,170
1,350	1,400	105	468	550	3,550	3,600	273	1,216	1,430	5,750	5,800	353	1,964	2,310	7,950	8,000	184	2,353	3,190
1,400	1,450	109	485	570	3,600	3,650	277	1,233	1,450	5,800	5,850	348	1,981	2,330	8,000	8,050	180	2,353	3,210
1,450	1,500	113	502	590	3,650	3,700	281	1,250	1,470	5,850	5,900	345	1,998	2,350	8,050	8,100	176	2,353	3,230
1,500	1,550	117	519	610	3,700	3,750	285	1,267	1,490	5,900	5,950	341	2,015	2,370	8,100	8,150	173	2,353	3,250
1,550	1,600	120	536	630	3,750	3,800	289	1,284	1,510	5,950	6,000	337	2,032	2,390	8,150	8,200	169	2,353	3,270
1,600	1,650	124	553	650	3,800	3,850	293	1,301	1,530	6,000	6,050	333	2,049	2,410	8,200	8,250	165	2,353	3,290
1,650	1,700	128	570	670	3,850	3,900	296	1,318	1,550	6,050	6,100	329	2,066	2,430	8,250	8,300	161	2,353	3,310
1,700	1,750	132	587	690	3,900	3,950	300	1,335	1,570	6,100	6,150	326	2,083	2,450	8,300	8,350	157	2,353	3,330
1,750	1,800	136	604	710	3,950	4,000	304	1,352	1,590	6,150	6,200	322	2,100	2,470	8,350	8,400	153	2,353	3,350
1,800	1,850	140	621	730	4,000	4,050	308	1,369	1,610	6,200	6,250	318	2,117	2,490	8,400	8,450	150	2,353	3,370
1,850	1,900	143	638	750	4,050	4,100	312	1,386	1,630	6,250	6,300	314	2,134	2,510	8,450	8,500	146	2,353	3,390
1,900	1,950	147	655	770	4,100	4,150	316	1,403	1,650	6,300	6,350	310	2,151	2,530	8,500	8,550	142	2,353	3,410
1,950	2,000	151	672	790	4,150	4,200	319	1,420	1,670	6,350	6,400	306	2,168	2,550	8,550	8,600	138	2,353	3,430
2,000	2,050	155	689	810	4,200	4,250	323	1,437	1,690	6,400	6,450	303	2,185	2,570	8,600	8,650	134	2,353	3,450
2,050	2,100	159	706	830	4,250	4,300	327	1,454	1,710	6,450	6,500	299	2,202	2,590	8,650	8,700	130	2,353	3,470
2,100	2,150	163	723	850	4,300	4,350	331	1,471	1,730	6,500	6,550	295	2,219	2,610	8,700	8,750	127	2,353	3,490
2,150	2,200	166	740	870	4,350	4,400	335	1,488	1,750	6,550	6,600	291	2,236	2,630	8,750	8,800	123	2,353	3,510

(Continued on page 48)

2000 Earned Income Credit (EIC) Table *Continued* (Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children	No children	One child	Two children		
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
8,800	8,850	119	2,353	3,530	13,850	13,900	0	2,163	3,638	16,650	16,700	0	1,716	3,049	19,450	19,500	0	1,269	2,459
8,850	8,900	115	2,353	3,550	13,900	13,950	0	2,155	3,628	16,700	16,750	0	1,708	3,038	19,500	19,550	0	1,261	2,449
8,900	8,950	111	2,353	3,570	13,950	14,000	0	2,147	3,617	16,750	16,800	0	1,700	3,028	19,550	19,600	0	1,253	2,438
8,950	9,000	107	2,353	3,590	14,000	14,050	0	2,139	3,607	16,800	16,850	0	1,692	3,017	19,600	19,650	0	1,245	2,427
9,000	9,050	104	2,353	3,610	14,050	14,100	0	2,131	3,596	16,850	16,900	0	1,684	3,007	19,650	19,700	0	1,237	2,417
9,050	9,100	100	2,353	3,630	14,100	14,150	0	2,123	3,586	16,900	16,950	0	1,676	2,996	19,700	19,750	0	1,229	2,406
9,100	9,150	96	2,353	3,650	14,150	14,200	0	2,115	3,575	16,950	17,000	0	1,668	2,986	19,750	19,800	0	1,221	2,396
9,150	9,200	92	2,353	3,670	14,200	14,250	0	2,108	3,565	17,000	17,050	0	1,660	2,975	19,800	19,850	0	1,213	2,385
9,200	9,250	88	2,353	3,690	14,250	14,300	0	2,100	3,554	17,050	17,100	0	1,652	2,965	19,850	19,900	0	1,205	2,375
9,250	9,300	85	2,353	3,710	14,300	14,350	0	2,092	3,544	17,100	17,150	0	1,644	2,954	19,900	19,950	0	1,197	2,364
9,300	9,350	81	2,353	3,730	14,350	14,400	0	2,084	3,533	17,150	17,200	0	1,636	2,943	19,950	20,000	0	1,189	2,354
9,350	9,400	77	2,353	3,750	14,400	14,450	0	2,076	3,523	17,200	17,250	0	1,628	2,933	20,000	20,050	0	1,181	2,343
9,400	9,450	73	2,353	3,770	14,450	14,500	0	2,068	3,512	17,250	17,300	0	1,620	2,922	20,050	20,100	0	1,173	2,333
9,450	9,500	69	2,353	3,790	14,500	14,550	0	2,060	3,502	17,300	17,350	0	1,612	2,912	20,100	20,150	0	1,165	2,322
9,500	9,550	65	2,353	3,810	14,550	14,600	0	2,052	3,491	17,350	17,400	0	1,604	2,901	20,150	20,200	0	1,157	2,312
9,550	9,600	62	2,353	3,830	14,600	14,650	0	2,044	3,480	17,400	17,450	0	1,596	2,891	20,200	20,250	0	1,149	2,301
9,600	9,650	58	2,353	3,850	14,650	14,700	0	2,036	3,470	17,450	17,500	0	1,588	2,880	20,250	20,300	0	1,141	2,291
9,650	9,700	54	2,353	3,870	14,700	14,750	0	2,028	3,459	17,500	17,550	0	1,580	2,870	20,300	20,350	0	1,133	2,280
9,700	9,750	50	2,353	3,888	14,750	14,800	0	2,020	3,449	17,550	17,600	0	1,572	2,859	20,350	20,400	0	1,125	2,270
9,750	9,800	46	2,353	3,888	14,800	14,850	0	2,012	3,438	17,600	17,650	0	1,564	2,849	20,400	20,450	0	1,117	2,259
9,800	9,850	42	2,353	3,888	14,850	14,900	0	2,004	3,428	17,650	17,700	0	1,556	2,838	20,450	20,500	0	1,109	2,248
9,850	9,900	39	2,353	3,888	14,900	14,950	0	1,996	3,417	17,700	17,750	0	1,548	2,828	20,500	20,550	0	1,101	2,238
9,900	9,950	35	2,353	3,888	14,950	15,000	0	1,988	3,407	17,750	17,800	0	1,540	2,817	20,550	20,600	0	1,093	2,227
9,950	10,000	31	2,353	3,888	15,000	15,050	0	1,980	3,396	17,800	17,850	0	1,532	2,807	20,600	20,650	0	1,085	2,217
10,000	10,050	27	2,353	3,888	15,050	15,100	0	1,972	3,386	17,850	17,900	0	1,524	2,796	20,650	20,700	0	1,077	2,206
10,050	10,100	23	2,353	3,888	15,100	15,150	0	1,964	3,375	17,900	17,950	0	1,516	2,786	20,700	20,750	0	1,069	2,196
10,100	10,150	20	2,353	3,888	15,150	15,200	0	1,956	3,365	17,950	18,000	0	1,508	2,775	20,750	20,800	0	1,061	2,185
10,150	10,200	16	2,353	3,888	15,200	15,250	0	1,948	3,354	18,000	18,050	0	1,500	2,764	20,800	20,850	0	1,053	2,175
10,200	10,250	12	2,353	3,888	15,250	15,300	0	1,940	3,344	18,050	18,100	0	1,492	2,754	20,850	20,900	0	1,045	2,164
10,250	10,300	8	2,353	3,888	15,300	15,350	0	1,932	3,333	18,100	18,150	0	1,484	2,743	20,900	20,950	0	1,037	2,154
10,300	10,350	4	2,353	3,888	15,350	15,400	0	1,924	3,323	18,150	18,200	0	1,476	2,733	20,950	21,000	0	1,029	2,143
10,350	10,400	*	2,353	3,888	15,400	15,450	0	1,916	3,312	18,200	18,250	0	1,468	2,722	21,000	21,050	0	1,021	2,133
10,400	12,700	0	2,353	3,888	15,450	15,500	0	1,908	3,301	18,250	18,300	0	1,460	2,712	21,050	21,100	0	1,013	2,122
12,700	12,750	0	2,347	3,881	15,500	15,550	0	1,900	3,291	18,300	18,350	0	1,452	2,701	21,100	21,150	0	1,005	2,112
12,750	12,800	0	2,339	3,870	15,550	15,600	0	1,892	3,280	18,350	18,400	0	1,444	2,691	21,150	21,200	0	997	2,101
12,800	12,850	0	2,331	3,860	15,600	15,650	0	1,884	3,270	18,400	18,450	0	1,436	2,680	21,200	21,250	0	989	2,091
12,850	12,900	0	2,323	3,849	15,650	15,700	0	1,876	3,259	18,450	18,500	0	1,428	2,670	21,250	21,300	0	981	2,080
12,900	12,950	0	2,315	3,839	15,700	15,750	0	1,868	3,249	18,500	18,550	0	1,420	2,659	21,300	21,350	0	973	2,069
12,950	13,000	0	2,307	3,828	15,750	15,800	0	1,860	3,238	18,550	18,600	0	1,412	2,649	21,350	21,400	0	965	2,059
13,000	13,050	0	2,299	3,817	15,800	15,850	0	1,852	3,228	18,600	18,650	0	1,404	2,638	21,400	21,450	0	957	2,048
13,050	13,100	0	2,291	3,807	15,850	15,900	0	1,844	3,217	18,650	18,700	0	1,396	2,628	21,450	21,500	0	949	2,038
13,100	13,150	0	2,283	3,796	15,900	15,950	0	1,836	3,207	18,700	18,750	0	1,388	2,617	21,500	21,550	0	941	2,027
13,150	13,200	0	2,275	3,786	15,950	16,000	0	1,828	3,196	18,750	18,800	0	1,380	2,606	21,550	21,600	0	933	2,017
13,200	13,250	0	2,267	3,775	16,000	16,050	0	1,820	3,186	18,800	18,850	0	1,372	2,596	21,600	21,650	0	925	2,006
13,250	13,300	0	2,259	3,765	16,050	16,100	0	1,812	3,175	18,850	18,900	0	1,364	2,585	21,650	21,700	0	917	1,996
13,300	13,350	0	2,251	3,754	16,100	16,150	0	1,804	3,165	18,900	18,950	0	1,356	2,575	21,700	21,750	0	909	1,985
13,350	13,400	0	2,243	3,744	16,150	16,200	0	1,796	3,154	18,950	19,000	0	1,348	2,564	21,750	21,800	0	901	1,975
13,400	13,450	0	2,235	3,733	16,200	16,250	0	1,788	3,144	19,000	19,050	0	1,340	2,554	21,800	21,850	0	893	1,964
13,450	13,500	0	2,227	3,723	16,250	16,300	0	1,780	3,133	19,050	19,100	0	1,332	2,543	21,850	21,900	0	885	1,954
13,500	13,550	0	2,219	3,712	16,300	16,350	0	1,772	3,122	19,100	19,150	0	1,324	2,533	21,900	21,950	0	877	1,943
13,550	13,600	0	2,211	3,702	16,350	16,400	0	1,764	3,112	19,150	19,200	0	1,316	2,522	21,950	22,000	0	869	1,933
13,600	13,650	0	2,203	3,691	16,400	16,450	0	1,756	3,101	19,200	19,250	0	1,309	2,512	22,000	22,050	0	861	1,922
13,650	13,700	0	2,195	3,681	16,450	16,500	0	1,748	3,091	19,250	19,300	0	1,301	2,501	22,050	22,100	0	853	1,912
13,700	13,750	0	2,187	3,670	16,500	16,550	0	1,740	3,080	19,300	19,350	0	1,293	2,491	22,100	22,150	0	845	1,901
13,750	13,800	0	2,179	3,659	16,550	16,600	0	1,732	3,070	19,350	19,400	0	1,285	2,480	22,150	22,200	0	837	1,890
13,800	13,850	0	2,171	3,649	16,600	16,650	0	1,724	3,059	19,400	19,450	0	1,277	2,470	22,200	22,250	0	829	1,880

*If the amount you are looking up from the worksheet is at least \$10,350 but less than \$10,380, your credit is \$1. Otherwise, you cannot take the credit.

2000 Earned Income Credit (EIC) Table *Continued* (Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—							
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children	No children	One child	Two children		
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
22,250	22,300	0	821	1,869	24,650	24,700	0	438	1,364	27,050	27,100	0	54	859	29,450	29,500	0	0	353
22,300	22,350	0	813	1,859	24,700	24,750	0	430	1,353	27,100	27,150	0	46	848	29,500	29,550	0	0	343
22,350	22,400	0	805	1,848	24,750	24,800	0	422	1,343	27,150	27,200	0	38	837	29,550	29,600	0	0	332
22,400	22,450	0	797	1,838	24,800	24,850	0	414	1,332	27,200	27,250	0	30	827	29,600	29,650	0	0	321
22,450	22,500	0	789	1,827	24,850	24,900	0	406	1,322	27,250	27,300	0	22	816	29,650	29,700	0	0	311
22,500	22,550	0	781	1,817	24,900	24,950	0	398	1,311	27,300	27,350	0	14	806	29,700	29,750	0	0	300
22,550	22,600	0	773	1,806	24,950	25,000	0	390	1,301	27,350	27,400	0	6	795	29,750	29,800	0	0	290
22,600	22,650	0	765	1,796	25,000	25,050	0	382	1,290	27,400	27,450	0	**	785	29,800	29,850	0	0	279
22,650	22,700	0	757	1,785	25,050	25,100	0	374	1,280	27,450	27,500	0	0	774	29,850	29,900	0	0	269
22,700	22,750	0	749	1,775	25,100	25,150	0	366	1,269	27,500	27,550	0	0	764	29,900	29,950	0	0	258
22,750	22,800	0	741	1,764	25,150	25,200	0	358	1,259	27,550	27,600	0	0	753	29,950	30,000	0	0	248
22,800	22,850	0	733	1,754	25,200	25,250	0	350	1,248	27,600	27,650	0	0	743	30,000	30,050	0	0	237
22,850	22,900	0	725	1,743	25,250	25,300	0	342	1,238	27,650	27,700	0	0	732	30,050	30,100	0	0	227
22,900	22,950	0	717	1,733	25,300	25,350	0	334	1,227	27,700	27,750	0	0	722	30,100	30,150	0	0	216
22,950	23,000	0	709	1,722	25,350	25,400	0	326	1,217	27,750	27,800	0	0	711	30,150	30,200	0	0	206
23,000	23,050	0	701	1,711	25,400	25,450	0	318	1,206	27,800	27,850	0	0	701	30,200	30,250	0	0	195
23,050	23,100	0	693	1,701	25,450	25,500	0	310	1,195	27,850	27,900	0	0	690	30,250	30,300	0	0	185
23,100	23,150	0	685	1,690	25,500	25,550	0	302	1,185	27,900	27,950	0	0	680	30,300	30,350	0	0	174
23,150	23,200	0	677	1,680	25,550	25,600	0	294	1,174	27,950	28,000	0	0	669	30,350	30,400	0	0	164
23,200	23,250	0	669	1,669	25,600	25,650	0	286	1,164	28,000	28,050	0	0	658	30,400	30,450	0	0	153
23,250	23,300	0	661	1,659	25,650	25,700	0	278	1,153	28,050	28,100	0	0	648	30,450	30,500	0	0	142
23,300	23,350	0	653	1,648	25,700	25,750	0	270	1,143	28,100	28,150	0	0	637	30,500	30,550	0	0	132
23,350	23,400	0	645	1,638	25,750	25,800	0	262	1,132	28,150	28,200	0	0	627	30,550	30,600	0	0	121
23,400	23,450	0	637	1,627	25,800	25,850	0	254	1,122	28,200	28,250	0	0	616	30,600	30,650	0	0	111
23,450	23,500	0	629	1,617	25,850	25,900	0	246	1,111	28,250	28,300	0	0	606	30,650	30,700	0	0	100
23,500	23,550	0	621	1,606	25,900	25,950	0	238	1,101	28,300	28,350	0	0	595	30,700	30,750	0	0	90
23,550	23,600	0	613	1,596	25,950	26,000	0	230	1,090	28,350	28,400	0	0	585	30,750	30,800	0	0	79
23,600	23,650	0	605	1,585	26,000	26,050	0	222	1,080	28,400	28,450	0	0	574	30,800	30,850	0	0	69
23,650	23,700	0	597	1,575	26,050	26,100	0	214	1,069	28,450	28,500	0	0	564	30,850	30,900	0	0	58
23,700	23,750	0	589	1,564	26,100	26,150	0	206	1,059	28,500	28,550	0	0	553	30,900	30,950	0	0	48
23,750	23,800	0	581	1,553	26,150	26,200	0	198	1,048	28,550	28,600	0	0	543	30,950	31,000	0	0	37
23,800	23,850	0	573	1,543	26,200	26,250	0	190	1,038	28,600	28,650	0	0	532	31,000	31,050	0	0	27
23,850	23,900	0	565	1,532	26,250	26,300	0	182	1,027	28,650	28,700	0	0	522	31,050	31,100	0	0	16
23,900	23,950	0	557	1,522	26,300	26,350	0	174	1,016	28,700	28,750	0	0	511	31,100	31,150	0	0	6
23,950	24,000	0	549	1,511	26,350	26,400	0	166	1,006	28,750	28,800	0	0	500	31,150	31,152	0	0	1
24,000	24,050	0	541	1,501	26,400	26,450	0	158	995	28,800	28,850	0	0	490	31,152	or more	0	0	0
24,050	24,100	0	533	1,490	26,450	26,500	0	150	985	28,850	28,900	0	0	479					
24,100	24,150	0	525	1,480	26,500	26,550	0	142	974	28,900	28,950	0	0	469					
24,150	24,200	0	517	1,469	26,550	26,600	0	134	964	28,950	29,000	0	0	458					
24,200	24,250	0	510	1,459	26,600	26,650	0	126	953	29,000	29,050	0	0	448					
24,250	24,300	0	502	1,448	26,650	26,700	0	118	943	29,050	29,100	0	0	437					
24,300	24,350	0	494	1,438	26,700	26,750	0	110	932	29,100	29,150	0	0	427					
24,350	24,400	0	486	1,427	26,750	26,800	0	102	922	29,150	29,200	0	0	416					
24,400	24,450	0	478	1,417	26,800	26,850	0	94	911	29,200	29,250	0	0	406					
24,450	24,500	0	470	1,406	26,850	26,900	0	86	901	29,250	29,300	0	0	395					
24,500	24,550	0	462	1,396	26,900	26,950	0	78	890	29,300	29,350	0	0	385					
24,550	24,600	0	454	1,385	26,950	27,000	0	70	880	29,350	29,400	0	0	374					
24,600	24,650	0	446	1,374	27,000	27,050	0	62	869	29,400	29,450	0	0	364					

*If the amount you are looking up from the worksheet is at least \$27,400 but less than \$27,413, your credit is \$1. Otherwise, you cannot take the credit.

Line 61**Excess Social Security and RRTA Tax Withheld**

If you, or your spouse if filing a joint return, had more than one employer for 2000 and total wages of more than \$76,200, too much social security tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$4,724.40. But if any one employer withheld more than \$4,724.40, you must ask that employer to refund the excess to you. You cannot claim it on your return. Figure this amount separately for you and your spouse.

If you had more than one railroad employer for 2000 and your total compensation was over \$56,700, too much railroad retirement (RRTA) tax may have been withheld.

For more details, see **Pub. 505**.

Line 62**Additional Child Tax Credit****What Is the Additional Child Tax Credit?**

This credit is for certain people who have three or more qualifying children as defined in the instructions for line 6c, column (4), on page 20. The additional child tax credit may give you a refund even if you do not owe any tax.

Two Steps To Take the Additional Child Tax Credit!

Step 1. Be sure you figured the amount, if any, of your child tax credit. See the instructions for line 47 that begin on page 36.

Step 2. Read the **TIP** at the end of your Child Tax Credit Worksheet. Use Form 8812 to see if you can take the additional child tax credit only if you meet the two conditions given in that **TIP**.

Line 63**Amount Paid With Request for Extension To File**

If you either filed **Form 4868** or used direct debit or your credit card to get an automatic extension of time to file Form 1040, enter any amount you paid with that form or by direct debit or credit card. If you paid by credit card, do not include on line 63 the convenience fee you were charged. Also,

include any amounts paid with **Form 2688** or **2350**.

Line 64**Other Payments**

Check the box(es) on line 64 to report any credit from **Form 2439** or **4136**.

Refund

Line 66**Amount Overpaid**

If line 66 is under \$1, we will send a refund only on written request.

If you want to check the status of your refund, please wait at least 4 weeks from the date you filed your return to do so. See page 11 for details.



If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay. See **Income Tax Withholding and Estimated Tax Payments for 2001** on page 53.

Refund Offset

If you owe past-due Federal tax, state income tax, child support, spousal support, or certain Federal nontax debts, such as student loans, all or part of the overpayment on line 66 may be used (offset) to pay the past-due amount. Offsets for Federal taxes are made by the IRS. All other offsets are made by the Treasury Department's Financial Management Service (FMS). You will receive a notice from FMS showing the amount of the offset and the agency receiving it. To find out if you may have an offset or if you have any questions about it, contact the agency(ies) you owe the debt to.

Injured Spouse Claim

If you file a joint return and your spouse has not paid past-due Federal tax, state income tax, child support, spousal support, or a Federal nontax debt, such as a student loan, part or all of the overpayment on line 66 may be used (offset) to pay the past-due amount. But **your** part of the overpayment may be refunded to you after the offset occurs if certain conditions apply and you complete **Form 8379**. For details, use TeleTax topic 203 (see page 11) or see Form 8379.

Lines 67b Through 67d**Direct Deposit of Refund**

Complete lines 67b through 67d if you want us to directly deposit the amount shown on line 67a into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

Why Use Direct Deposit?

- You get your refund fast—even faster if you *e-file!*
- Payment is more secure—there is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less than a check.



You can check with your financial institution to make sure your deposit will be accepted and to get the correct routing and account numbers. The IRS is not responsible for a lost refund if you enter the wrong account information.

If you file a joint return and fill in lines 67b through 67d, you are appointing your spouse as an agent to receive the refund. This appointment cannot be changed later.

Line 67b

The routing number **must** be **nine** digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check on page 51, the routing number is 250250025.

Your check may state that it is payable through a bank different from the financial institution at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on line 67b.

Line 67d

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check on page 51, the account number is 20202086. Be sure **not** to include the check number.

(Continued on page 51)



Some financial institutions will not allow a joint refund to be deposited into an individual account. If the direct deposit is rejected, a check will be sent instead. The IRS is not responsible if a financial institution rejects a direct deposit.

Line 68

Applied to 2001 Estimated Tax

Enter on line 68 the amount, if any, of the overpayment on line 66 you want applied to your 2001 estimated tax. We will apply this amount to your account unless you attach a statement requesting us to apply it to your spouse's account. Include your spouse's social security number in the attached statement. This election to apply part or all of the amount overpaid to your 2001 estimated tax cannot be changed later.

Amount You Owe

Line 69

Amount You Owe



You do not have to pay if line 69 is under \$1.

Include any estimated tax penalty from line 70 in the amount you enter on line 69.

Sample Check

FRANK MAPLE
KATHY MAPLE
123 Main Street
Anyplace, NJ 07000

PAY TO THE ORDER OF _____ \$

ANYPLACE BANK
Anyplace, NJ 07000

Routing number (line 67b) Account number (line 67d)

For _____

1:250250025:20202088:1234

15-00000000 1234

DOLLARS

Do not include the check number.

Note. The routing and account numbers may be in different places on your check.

You can pay by check, money order, or credit card. **Do not** include any estimated tax payment in your check, money order, or amount you charge. Instead, make the estimated tax payment separately.

To Pay by Check or Money Order. Make your check or money order payable to the “United States Treasury” for the full amount due. **Do not** send cash. **Do not** attach the payment to your return. Write “2000 Form 1040” and your name, address, daytime phone number, and social security number (SSN) on your payment. If you are filing a joint return, enter the SSN shown first on your tax return.

To help us process your payment, enter the amount on the right side of the check like this: \$ XXX.XX. Do not use dashes or lines (for example, do not enter “\$ XXX-” or “\$ XXX ^{XX}/₁₀₀”).

Then, please complete **Form 1040-V** following the instructions on that form and enclose it in the envelope with your payment. Although you do not have to use Form 1040-V, doing so allows us to process your payment more accurately and efficiently.

To Pay by Credit Card. You may use your American Express® Card, Discover® Card, or MasterCard® card. To pay by credit card, call toll free or access by Internet one of the service providers listed on this page and follow the instructions of the provider. A convenience fee will be charged by the service provider based on the amount you are paying. Fees may vary between the providers. You will be told what the fee is during the transaction and you will have the option to either continue or cancel the transaction. You can also find out what the fee will be by calling the provider's toll-free automated

customer service number or visiting the provider's Web Site shown below. **If you paid by credit card**, enter on page 1 of Form 1040 in the upper left corner the confirmation number you were given at the end of the transaction and the amount you charged (not including the convenience fee).

Official Payments Corporation
1-800-2PAY-TAX (1-800-272-9829)
1-877-754-4413 (Customer Service)
www.officialpayments.com

PhoneCharge, Inc.
1-888-ALLTAXX (1-888-255-8299)
1-877-851-9964 (Customer Service)
www.About1888ALLTAXX.com



You may need to (a) increase the amount of income tax withheld from your pay or (b) make estimated tax payments for 2001.

See **Income Tax Withholding and Estimated Tax Payments for 2001** on page 53.

What if You Cannot Pay?

If you cannot pay the full amount shown on line 69 when you file, you may ask to make monthly **installment payments**. You may have up to 60 months to pay. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 16, 2001, even if your request to pay in installments is granted. You must also pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan.

To ask for an installment agreement, use **Form 9465**. You should receive a response to your request for installments within 30 days. But if you file your return after March 31, it may take us longer to reply.

Line 70

Estimated Tax Penalty



You must include household employment taxes reported on line 56 to see if you owe the penalty if line 58 is more than zero or you would owe the penalty even if you did not include those taxes. But if you entered an amount on Schedule H, line 7, include the total of that amount plus the amount on Form 1040, line 56.

You may owe this penalty if:

- Line 69 is at least \$1,000 and it is more than 10% of the tax shown on your return or
- You did not pay enough estimated tax by any of the due dates. This is true even if you are due a refund.

For most people, the “tax shown on your return” is the amount on line 57 minus the total of any amounts shown on lines 60a and 62 and Forms 8828, 4137, 4136, and 5329 (Parts III, IV, V, VI, and VII only).

Exceptions. You will not owe the penalty if your 1999 tax return was for a tax year of 12 full months **and either** of the following applies.

1. You had no tax liability for 1999 and you were a U.S. citizen or resident for all of 1999 **or**
2. The total of lines 58, 59, and 61 on your 2000 return is at least as much as the tax liability shown on your 1999 return. Your estimated tax payments for 2000 must have been made on time and for the required amount.



If your 1999 adjusted gross income was over \$150,000 (over \$75,000 if your 2000 filing status is married filing separately), item 2 above applies only if the total of lines 58, 59, and 61 on your 2000 return is at least 108.6% of the tax liability shown on your 1999 return. This rule does not apply to farmers and fishermen.

Figuring the Penalty

If the **Exceptions** above do not apply and you choose to figure the penalty yourself, see **Form 2210** (or **2210-F** for farmers and fishermen) to find out if you owe the penalty. If you do, you can use the form to figure the amount. In certain situations, you may be able to lower your penalty. For details, see the Instructions for Form 2210 (or 2210-F). Enter the penalty on Form 1040, line 70. Add the penalty to any tax due and

enter the total on line 69. If you are due a refund, subtract the penalty from the overpayment you show on line 66. **Do not** file Form 2210 with your return unless Form 2210 indicates that you must do so. Instead, keep it for your records.



Because Form 2210 is complicated, if you want to, you can leave line 70 blank and the IRS will figure the penalty and send you a bill. We will not charge you interest on the penalty if you pay by the date specified on the bill.

Sign Your Return

Form 1040 is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. If your spouse cannot sign the return, see **Pub. 501**. If you have someone prepare your return, you are still responsible for the correctness of the return. If you are filing a joint return as a surviving spouse, see **Death of a Taxpayer** on page 54.

Child's Return

If your child cannot sign the return, either parent may sign the child's name in the space provided. Then, add “By (your signature), parent for minor child.”

Daytime Phone Number

Providing your daytime phone number may help speed the processing of your return. We may have questions about items on your return, such as the earned income credit, credit for child and dependent care expenses, etc. By answering our questions over the phone, we may be able to continue processing your return without mailing you a letter. If you are filing a joint return, you may enter either your or your spouse's daytime phone number.

Paid Preparer Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it by hand in the space provided. Signature stamps or labels cannot be used. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

Paid Preparer Authorization

If you want to allow the IRS to discuss your 2000 tax return with the paid preparer who signed it, check the “Yes” box in the signature area of the return. This authorization applies only to the individual whose signature appears in the “Paid Preparer's Use Only” section of your return. It does not apply to the firm, if any, shown in that section.

If you check the “Yes” box, you, and your spouse if filing a joint return, are authorizing the IRS to call the paid preparer to answer any questions that may arise during the processing of your return. You are also authorizing the paid preparer to:

- Give the IRS any information that is missing from your return,
- Call the IRS for information about the processing of your return or the status of your refund or payment(s), and
- Respond to certain IRS notices that you have shared with the preparer about math errors, offsets, and return preparation. The notices will not be sent to the preparer.

You are not authorizing the paid preparer to receive any refund check, bind you to anything (including any additional tax liability), or otherwise represent you before the IRS. If you want to expand the paid preparer's authorization, see **Pub. 947**.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2001 tax return. This is April 15, 2002, for most people.

Assemble Your Return

Assemble any schedules and forms behind Form 1040 in order of the “Attachment Sequence No.” shown in the upper right corner of the schedule or form. If you have supporting statements, arrange them in the same order as the schedules or forms they support and attach them last. **Do not** attach correspondence or other items unless required to do so. Attach a copy of Forms W-2, W-2G, and 2439 to the front of Form 1040. Also attach Form(s) 1099-R if tax was withheld.

General Information

How To Avoid Common Mistakes

Mistakes may delay your refund or result in notices being sent to you.

1. Make sure you entered the correct name and SSN for each dependent you claim on line 6c. Also, make sure you check the box in column (4) of line 6c for each dependent who is also a qualifying child for the child tax credit.

2. Check your math, especially for the child tax credit, earned income credit, taxable social security benefits, total income, itemized deductions or standard deduction, deduction for exemptions, taxable income, total tax, Federal income tax withheld, and refund or amount you owe.

3. Be sure you use the correct method to figure your tax. See the instructions for line 40 that begin on page 32.

4. Be sure to enter your social security number (SSN) in the space provided on page 1 of Form 1040. If you are married filing a joint or separate return, also enter your spouse's SSN. Be sure to enter your SSN in the space next to your name.

5. Make sure your name and address are correct on the peel-off label. If not, enter the correct information. If you did not get a peel-off label, enter your (and your spouse's) name in the same order as shown on your last return.

6. If you are taking the standard deduction and you checked any box on line 35a or you (or your spouse if filing jointly) can be claimed as a dependent on someone else's 2000 return, see page 31 to be sure you entered the correct amount on line 36.

7. If you received capital gain distributions but were not required to file Schedule D, make sure you check the box on line 13.

8. Remember to **sign** and date Form 1040 and enter your occupation.

9. Attach your W-2 form(s) and other required forms and schedules. Put all forms and schedules in the proper order. See **Assemble Your Return** on page 52.

10. If you owe tax and are paying by check or money order, be sure to include all the required information on your payment. See the instructions for line 69 on page 51 for details.

What Are Your Rights as a Taxpayer?

You have the right to be treated fairly, professionally, promptly, and courteously by IRS employees. Our goal at the IRS is to protect your rights so that you will have the highest confidence in the integrity, efficiency, and fairness of our tax system. To ensure that you always receive such treatment, you should know about the many rights you have at each step of the tax process. For details, see **Pub. 1**.

Innocent Spouse Relief

You may qualify for relief from liability for tax on a joint return if (1) there is an understatement of tax because your spouse omitted income or claimed false deductions or credits, (2) you are divorced, separated, or no longer living with your spouse, or (3) given all the facts and circumstances, it would not be fair to hold you liable for the tax. See **Form 8857** or **Pub. 971** for more details.

Income Tax Withholding and Estimated Tax Payments for 2001

If the amount you owe or the amount you overpaid is large, you may want to file a new **Form W-4** with your employer to change the amount of income tax withheld from your 2001 pay. In general, you do not have to make estimated tax payments if you expect that your 2001 Form 1040 will show a tax refund or a tax balance due the IRS of less than \$1,000. If your total estimated tax (including any household employment taxes or alternative minimum tax) for 2001 is \$1,000 or more, see **Form 1040-ES**. It has a worksheet you can use to see if you have to make estimated tax payments. For more details, see **Pub. 505**.

Do Both the Name and SSN on Your Tax Forms Agree With Your Social Security Card?

If not, certain deductions and credits may be reduced or disallowed, your refund may be delayed, and you may not receive credit for your social security earnings. If your Form W-2, Form 1099, or other tax document shows an incorrect SSN or name, notify your employer or the form-issuing agent as soon as possible to make sure your earnings are credited to your social security record. If the name or SSN on your social security card is incorrect, call the Social Security Administration at 1-800-772-1213.

How Do You Make a Gift To Reduce the Public Debt?

If you wish to do so, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, P.O. Box 2188, Parkersburg, WV 26106-2188. Or you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. See page 51 for details on how to pay any tax you owe.



If you itemize your deductions for 2001, you may be able to deduct this gift.

Address Change

If you move after you file, always notify the IRS in writing of your new address. To do this, you can use **Form 8822**.

How Long Should Records Be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) 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. You should keep some records longer. For

example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property. For more details, see **Pub. 552**.

Amended Return

File **Form 1040X** to change a 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. But you may have more time to file Form 1040X if you are physically or mentally unable to manage your financial affairs. See **Pub. 556** for details.

Need a Copy of Your Tax Return?

If you need a copy of your tax return, use **Form 4506**. If you have questions about your account, call or write your local IRS office. If you want a printed copy of your account, it will be mailed to you free of charge.

Death of a Taxpayer

If a taxpayer died before filing a return for 2000, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the deceased 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 enter "DECEASED," the deceased taxpayer's name, and the date of death across the top of the return.

If your spouse died in 2000 and you did not remarry in 2000, you can file a joint return. You can also file a joint return if your spouse died in 2001 before filing a return for 2000. A joint return should show your spouse's 2000 income before death and your income for all of 2000. Enter "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.

The surviving spouse or personal representative should promptly notify all payers of income, including financial institutions, of the taxpayer's death. This will ensure the proper reporting of income earned by the taxpayer's estate or heirs. A deceased taxpayer's social security number should not be used for tax years after the year of death, except for estate tax return purposes.

Claiming a Refund for a Deceased Taxpayer

If you are filing a joint return as a surviving spouse, you only need to file 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 the deceased taxpayer's refund must file the return and attach **Form 1310**.

For more details, use TeleTax topic 356 (see page 11) or see **Pub. 559**.



CLICK.ZIP.FAST ROUND TRIP

- **Fast Refunds**
- **Secure**
- **Accurate**

Join the 40 million taxpayers who *e-file*! You can file and get your refund or even pay electronically. IRS *e-file* offers fast, safe, accurate, and easy alternatives to traditional paper returns. There is a quick and automatic IRS computer check for errors or other missing information upon receipt of the tax return information. This year, more forms and schedules can be *e-filed*—even those with a foreign address! The chance of an audit of an *e-filed* tax return is no greater than a paper tax return. Millions of taxpayers just like you filed their tax returns electronically using an IRS *e-file* option because of the many benefits:

- **FREE Filing!**
- **Fast Refunds!**
- **Security!**
- **Accuracy!**
- **NEW Paperless Filing!**
- **Proof of Acceptance!**
- **Electronic Payments!**
- **File Federal and State Tax Returns Together!**

Here's How You Can Participate in IRS e-file



Use an **Authorized IRS e-file Provider**. Many tax professionals file tax returns electronically for their clients. Ask for IRS *e-file*. You can prepare

your own return and have a professional electronically transmit it to the IRS or you can have your return prepared and transmitted by a tax professional. Depending on the tax professional and the specific services requested, a fee may be charged. Look for the "Authorized IRS *e-file* Provider" sign or

check the IRS Web Site and click on "Electronic Services" for an "Authorized IRS *e-file* Provider" near you.

IRS e-file Through Your Personal Computer. You can file your tax return in a fast, safe, convenient way through your personal computer right from home. And now it's paperless! Find free filing opportunities at our Web Site, click on "Electronic Services" and then click on "IRS *e-file* Partners." For a list of software companies that participate in the IRS *e-file* program, visit our Web Site, click on "Electronic Services" and then click on "On-Line Filing Software Companies." Depending on which software program you use to file your taxes, you will need a modem and/or Internet access. IRS *e-file* using a personal computer is available 24 hours a day, 7 days a week.



IRS e-file Using a Telephone. For millions of eligible taxpayers, TeleFile is the easiest way to file.

TeleFile allows you to file your simple Federal tax return using a touch-tone phone. Only taxpayers who met the qualifications for Form 1040EZ in the prior year may qualify to use TeleFile for the current year. A TeleFile Tax Package is automatically mailed to those who qualify. TeleFile is completely paperless—there are no forms to mail. Just complete the TeleFile Tax Record in the booklet, pick up a telephone, and call the toll-free number any time day or night. TeleFile usually takes about 10 minutes and it's absolutely FREE. **Parents: If your children receive a TeleFile Tax Package, please encourage them to use TeleFile.**

IRS e-file Through Employers and Financial Institutions. Some businesses offer free *e-file* to their employees, members, or customers. Others offer it for a fee. Ask your employer or financial institution if they offer IRS *e-file* as an employee, member, or customer benefit.

Visit a VITA or TCE Site. Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites are open to low-income individuals, others who need help with their tax returns, and the elderly. Both programs are free and can be found in community locations such as libraries, colleges, universities, shopping malls, and retirement and senior centers. Find the closest VITA or TCE site by calling 1-800-829-1040. Remember to take your, your spouse's, and your dependent's social security card and other identifying documents. Ask for IRS *e-file* at these sites.

More About IRS e-file Benefits

Get a Fast Refund. Choose Direct Deposit—a fast, simple, safe, secure way to have your Federal income tax refund deposited automatically into your checking or sav-

ings account. To choose Direct Deposit, taxpayers indicate on the refund portion of the electronic return, the financial institution's routing number, the account number, and the type of account—either checking or savings. Taxpayers who file electronically and choose Direct Deposit receive their refunds in less than half the time that paper filers do!

Paperless Filing. Paperless filing is available to most taxpayers who file electronically using tax preparation software or file through a tax professional. The process includes self-selecting a five-digit Personal Identification Number (PIN) and entering two pieces of information from your 1999 tax return. If you don't have your 1999 return, call the IRS (see page 13) to get a free transcript of your account. It may take 7 to 10 days to receive the transcript. *Paperless filing is also available for first-time filers who were 16 or older on December 31, 2000.* There's nothing to sign and nothing to mail; not even your W-2s.

Electronic Payment Options. If you have a balance due, you can make your payment electronically.

Direct Debit. You can file and pay in a single step by authorizing a direct debit (automatic withdrawal) payment from your checking or savings account. This option is available through tax software packages, tax professionals, and TeleFile. If you select the direct debit payment option, you will be prompted to enter your account number, your financial institution's routing number, and account type (checking or savings). You can schedule the payment for a future date up to and including the tax return due date (April 16, 2001). Check with your financial institution to make sure that an automatic withdrawal is allowed and to get the correct routing and account numbers.

Credit Card. You can also file and pay in a single step by authorizing a credit card payment. This option is available through some tax software packages and tax professionals. Two other ways to pay by credit card are by phone or Internet (see page 51, "Amount You Owe" for details). Service providers charge a convenience fee for credit card payments.

File Federal and State Tax Returns Together. File Federal and state tax returns together using *e-file* and double the benefits of *e-file*! The tax preparation software automatically transfers relevant data from the Federal return to the state return as the information is entered. All states that have income taxes support *e-file*. Most states offer the same benefits that IRS *e-file* offers. Check the IRS Web Site for a list of companies that provide state on-line filing software.

Form 1040PC Is History! The IRS no longer accepts the Form 1040PC format. If you used Form 1040PC in the past, the IRS encourages you to file using the fastest, most accurate way to file—IRS *e-file*!

Other Ways To Get Help

Send Your Written Tax Questions to the IRS. You should get an answer in about 30 days. If you do not have the address, call us. See page 13 for the number. Do not send questions with your return.

Assistance With Your Return. IRS offices can help you prepare your return. An assister will explain a Form 1040EZ, 1040A, or 1040 with Schedules A and B to you and other taxpayers in a group setting. You may also be able to file your return electronically by computer free of charge at some IRS offices. To find the IRS office nearest you, look in the phone book under "United States Government, Internal Revenue Service" or call us. See page 13 for the number.

VITA and TCE. These programs help older, disabled, low-income, and non-English-speaking people fill in their returns. For details, call us. See page 13 for the number. If you received a Federal income tax package in the mail, take it with you when you go for help. Also take a copy of your 1999 tax return if you have it. **Or** to find the nearest AARP Tax-Aide site, visit AARP's Web Site at www.aarp.org/taxaide or call **1-877-227-7844**.

On-Line Services. If you subscribe to an on-line service, ask about on-line filing or tax information.

Large-Print Forms and Instructions. **Pub. 1614** has large-print copies of Form 1040, Schedules A, B, D, E, EIC, and R, and Form 1040-V, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file on them. You can get Pub. 1614 by phone or mail. See pages 7 and 57.

Help for People With Disabilities. Telephone help is available using TTY/TDD equipment. See page 13 for the number. Braille materials are available at libraries that have special services for people with disabilities.

Interest and Penalties



You do not have to figure the amount of any interest or penalties you may owe. Because figuring these amounts can be complicated, we will do it for you if you want. We will send you a bill for any amount due.

If you include interest or penalties (other than the estimated tax penalty) with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. Please **do not** include interest or penalties (other than the estimated tax penalty) in the **amount you owe** on line 69.

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, substantial valuation misstatements, and substantial understatements of tax. Interest is charged on the penalty from the due date of the return (including extensions).

Penalties

Late Filing. If you do not file your return by the due date (including extensions), the penalty is usually 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 can be as much as 25% (more in some cases) 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 can be as much as 25% of the unpaid amount. It applies to any unpaid tax on the return. This penalty is in addition to interest charges on late payments.

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 altering or striking out the preprinted language above the space where you sign.

Other. Other penalties 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. See **Pub. 17** for details on some of these penalties.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and Paperwork Reduction Act of 1980 require that when we ask you for information we must first tell you 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 all papers you file with us, including this tax return. 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 these sections. Code section 6109 requires that you provide your social security number or individual taxpayer identification number on what you file. This is so we know who you are, and can process your return and other papers. You must fill in all parts of the tax form that apply to you. But you do not have to check the boxes for the Presidential Election Campaign Fund or for authorizing the IRS to discuss your return with the paid preparer shown. You also do not have to provide your daytime phone number.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or

records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

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.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, you may be charged penalties and 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.

Generally, tax returns and return information are confidential, as stated in Code section 6103. However, Code section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice, to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, U.S. commonwealths or possessions, and certain foreign governments to carry out their tax laws. We may disclose your tax information to the Department of Treasury and contractors for tax administration purposes; and to other persons as necessary to obtain information which we cannot get in any other way in order to determine the amount of or to collect the tax you owe. We may disclose your tax information to the Comptroller General of the United States to permit the Comptroller General to review the Internal Revenue Service. We may also disclose your tax

information to Committees of Congress; Federal, state, and local child support agencies; and to other Federal agencies for the purposes of determining entitlement for benefits or the eligibility for and the repayment of loans.

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 can be easily understood. Often this is difficult to do because our tax laws are very complex. For some people with income mostly from wages, filling in the forms is easy. For others who have businesses, pensions, stocks, rental income, or other investments, it is more difficult.

We Welcome Comments on Forms

If you have comments concerning the accuracy of the time estimates shown below or suggestions for making these forms simpler, we would be happy to hear from you. You can e-mail us your suggestions and comments through the IRS Internet Home Page (www.irs.gov/help/email.html) or write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send your return to this address. Instead, see the back cover.

Estimated Preparation Time

The time needed to complete and file Form 1040, its schedules, and accompanying worksheets 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 the IRS	Totals
Form 1040	2 hr., 45 min.	3 hr., 25 min.	6 hr., 16 min.	35 min.	13 hr., 1 min.
Sch. A	3 hr., 4 min.	39 min.	1 hr., 34 min.	20 min.	5 hr., 37 min.
Sch. B	33 min.	8 min.	25 min.	20 min.	1 hr., 26 min.
Sch. C	6 hr., 2 min.	1 hr., 21 min.	2 hr., 19 min.	41 min.	10 hr., 23 min.
Sch. C-EZ	45 min.	3 min.	35 min.	20 min.	1 hr., 43 min.
Sch. D	1 hr., 30 min.	3 hr., 4 min.	1 hr., 50 min.	34 min.	6 hr., 58 min.
Sch. D-1	13 min.	1 min.	11 min.	34 min.	59 min.
Sch. E	3 hr., 3 min.	1 hr., 1 min.	1 hr., 25 min.	34 min.	6 hr., 3 min.
Sch. EIC	-----	1 min.	13 min.	20 min.	34 min.
Sch. F:					
Cash Method	3 hr., 29 min.	36 min.	1 hr., 27 min.	20 min.	5 hr., 52 min.
Accrual Method	3 hr., 36 min.	26 min.	1 hr., 25 min.	20 min.	5 hr., 47 min.
Sch. H	1 hr., 38 min.	30 min.	53 min.	34 min.	3 hr., 35 min.
Sch. J	19 min.	10 min.	1 hr., 11 min.	20 min.	2 hr.
Sch. R	19 min.	15 min.	30 min.	34 min.	1 hr., 38 min.
Sch. SE:					
Short	13 min.	14 min.	12 min.	13 min.	52 min.
Long	26 min.	20 min.	33 min.	20 min.	1 hr., 39 min.

Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. See pages 8 through 10 for the titles of the forms and publications. We will mail you two copies of each form and one copy of each publication you order. To help reduce waste, please order only the items you need to prepare your return.



For faster ways of getting the items you need, such as by computer or fax, see page 7.

How To Use the Order Blank

Circle the items you need on the order blank below. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper.

Print or type your name and address accurately in the space provided below. An accurate address is necessary to ensure delivery of your order. Cut the order blank on the dotted line. Enclose the order blank in your own envelope and send it to the IRS address shown below that applies to you. You should

receive your order within 10 days after we receive your request.

Do not send your tax return to any of the addresses listed on this page. Instead, see the back cover.



Where To Mail Your Order Blank for Free Forms and Publications

IF you live in the . . .	THEN mail to . . .	AT this address . . .
Western United States	Western Area Distribution Center	Rancho Cordova, CA 95743-0001
Central United States	Central Area Distribution Center	P.O. Box 8903 Bloomington, IL 61702-8903
Eastern United States or a foreign country	Eastern Area Distribution Center	P.O. Box 85074 Richmond, VA 23261-5074

Detach at this line

Order Blank

Fill in your name and address.

Name		
Number and street	Apt./Suite/Room	
City	State	ZIP code
Foreign country	International postal code	
Daytime phone number ()		

The items in bold may be picked up at many IRS offices, post offices, and libraries. You may also download all these items from the Internet at www.irs.gov or place an electronic order for them.

Circle the forms and publications you need. The instructions for any form you order will be included.

1040	Schedule F (1040)	Schedule 3 (1040A)	2441	8812	Pub. 463	Pub. 527	Pub. 910
Schedules A&B (1040)	Schedule H (1040)	1040EZ	3903	8822	Pub. 501	Pub. 529	Pub. 926
Schedule C (1040)	Schedule J (1040)	1040-ES (2001)	4562	8829	Pub. 502	Pub. 535	Pub. 929
Schedule C-EZ (1040)	Schedule R (1040)	1040-V	4868	8863	Pub. 505	Pub. 550	Pub. 936
Schedule D (1040)	Schedule SE (1040)	1040X	5329	9465	Pub. 508	Pub. 554	Pub. 970
Schedule D-1 (1040)	1040A	2106	8283	Pub. 1	Pub. 521	Pub. 575	Pub. 972
Schedule E (1040)	Schedule 1 (1040A)	2106-EZ	8582	Pub. 17	Pub. 523	Pub. 590	
Schedule EIC (1040A or 1040)	Schedule 2 (1040A)	2210	8606	Pub. 334	Pub. 525	Pub. 596	

N

2000 Tax Table

Use if your taxable income is less than \$100,000.
If \$100,000 or more, use the Tax Rate Schedules.

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 39 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 should enter on line 40 of their Form 1040.

Sample Table

At least	But less than	Single	Married filing jointly*	Married filing separately	Head of a household
Your tax is—					
25,200	25,250	3,784	3,784	4,213	3,784
25,250	25,300	3,791	3,791	4,227	3,791
25,300	25,350	3,799	3,799	4,241	3,799
25,350	25,400	3,806	3,806	4,255	3,806

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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
Your tax is—		Your tax is—				Your tax is—		Your tax is—				Your tax is—		Your tax is—			
0	5	0	0	0	0	1,300	1,325	197	197	197	197	2,700	2,725	407	407	407	407
5	15	2	2	2	2	1,325	1,350	201	201	201	201	2,725	2,750	411	411	411	411
15	25	3	3	3	3	1,350	1,375	204	204	204	204	2,750	2,775	414	414	414	414
25	50	6	6	6	6	1,375	1,400	208	208	208	208	2,775	2,800	418	418	418	418
50	75	9	9	9	9	1,400	1,425	212	212	212	212	2,800	2,825	422	422	422	422
75	100	13	13	13	13	1,425	1,450	216	216	216	216	2,825	2,850	426	426	426	426
100	125	17	17	17	17	1,450	1,475	219	219	219	219	2,850	2,875	429	429	429	429
125	150	21	21	21	21	1,475	1,500	223	223	223	223	2,875	2,900	433	433	433	433
150	175	24	24	24	24	1,500	1,525	227	227	227	227	2,900	2,925	437	437	437	437
175	200	28	28	28	28	1,525	1,550	231	231	231	231	2,925	2,950	441	441	441	441
200	225	32	32	32	32	1,550	1,575	234	234	234	234	2,950	2,975	444	444	444	444
225	250	36	36	36	36	1,575	1,600	238	238	238	238	2,975	3,000	448	448	448	448
250	275	39	39	39	39	1,600	1,625	242	242	242	242	3,000					
275	300	43	43	43	43	1,625	1,650	246	246	246	246	3,000	3,050	454	454	454	454
300	325	47	47	47	47	1,650	1,675	249	249	249	249	3,050	3,100	461	461	461	461
325	350	51	51	51	51	1,675	1,700	253	253	253	253	3,100	3,150	469	469	469	469
350	375	54	54	54	54	1,700	1,725	257	257	257	257	3,150	3,200	476	476	476	476
375	400	58	58	58	58	1,725	1,750	261	261	261	261	3,200	3,250	484	484	484	484
400	425	62	62	62	62	1,750	1,775	264	264	264	264	3,250	3,300	491	491	491	491
425	450	66	66	66	66	1,775	1,800	268	268	268	268	3,300	3,350	499	499	499	499
450	475	69	69	69	69	1,800	1,825	272	272	272	272	3,350	3,400	506	506	506	506
475	500	73	73	73	73	1,825	1,850	276	276	276	276	3,400	3,450	514	514	514	514
500	525	77	77	77	77	1,850	1,875	279	279	279	279	3,450	3,500	521	521	521	521
525	550	81	81	81	81	1,875	1,900	283	283	283	283	3,500	3,550	529	529	529	529
550	575	84	84	84	84	1,900	1,925	287	287	287	287	3,550	3,600	536	536	536	536
575	600	88	88	88	88	1,925	1,950	291	291	291	291	3,600	3,650	544	544	544	544
600	625	92	92	92	92	1,950	1,975	294	294	294	294	3,650	3,700	551	551	551	551
625	650	96	96	96	96	1,975	2,000	298	298	298	298	3,700	3,750	559	559	559	559
650	675	99	99	99	99	2,000						3,750	3,800	566	566	566	566
675	700	103	103	103	103	2,000	2,025	302	302	302	302	3,800	3,850	574	574	574	574
700	725	107	107	107	107	2,025	2,050	306	306	306	306	3,850	3,900	581	581	581	581
725	750	111	111	111	111	2,050	2,075	309	309	309	309	3,900	3,950	589	589	589	589
750	775	114	114	114	114	2,075	2,100	313	313	313	313	3,950	4,000	596	596	596	596
775	800	118	118	118	118	2,100	2,125	317	317	317	317	4,000					
800	825	122	122	122	122	2,125	2,150	321	321	321	321	4,000	4,050	604	604	604	604
825	850	126	126	126	126	2,150	2,175	324	324	324	324	4,050	4,100	611	611	611	611
850	875	129	129	129	129	2,175	2,200	328	328	328	328	4,100	4,150	619	619	619	619
875	900	133	133	133	133	2,200	2,225	332	332	332	332	4,150	4,200	626	626	626	626
900	925	137	137	137	137	2,225	2,250	336	336	336	336	4,200	4,250	634	634	634	634
925	950	141	141	141	141	2,250	2,275	339	339	339	339	4,250	4,300	641	641	641	641
950	975	144	144	144	144	2,275	2,300	343	343	343	343	4,300	4,350	649	649	649	649
975	1,000	148	148	148	148	2,300	2,325	347	347	347	347	4,350	4,400	656	656	656	656
1,000						2,325	2,350	351	351	351	351	4,400	4,450	664	664	664	664
1,000	1,025	152	152	152	152	2,350	2,375	354	354	354	354	4,450	4,500	671	671	671	671
1,025	1,050	156	156	156	156	2,375	2,400	358	358	358	358	4,500	4,550	679	679	679	679
1,050	1,075	159	159	159	159	2,400	2,425	362	362	362	362	4,550	4,600	686	686	686	686
1,075	1,100	163	163	163	163	2,425	2,450	366	366	366	366	4,600	4,650	694	694	694	694
1,100	1,125	167	167	167	167	2,450	2,475	369	369	369	369	4,650	4,700	701	701	701	701
1,125	1,150	171	171	171	171	2,475	2,500	373	373	373	373	4,700	4,750	709	709	709	709
1,150	1,175	174	174	174	174	2,500	2,525	377	377	377	377	4,750	4,800	716	716	716	716
1,175	1,200	178	178	178	178	2,525	2,550	381	381	381	381	4,800	4,850	724	724	724	724
1,200	1,225	182	182	182	182	2,550	2,575	384	384	384	384	4,850	4,900	731	731	731	731
1,225	1,250	186	186	186	186	2,575	2,600	388	388	388	388	4,900	4,950	739	739	739	739
1,250	1,275	189	189	189	189	2,600	2,625	392	392	392	392	4,950	5,000	746	746	746	746
1,275	1,300	193	193	193	193	2,625	2,650	396	396	396	396	<i>(Continued on page 60)</i>					
		189	189	189	189	2,650	2,675	399	399	399	399						
		193	193	193	193	2,675	2,700	403	403	403	403						

* This column must also be used by a qualifying widow(er).

2000 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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
		Your tax is—						Your tax is—						Your tax is—			
5,000						8,000						11,000					
5,000	5,050	754	754	754	754	8,000	8,050	1,204	1,204	1,204	1,204	11,000	11,050	1,654	1,654	1,654	1,654
5,050	5,100	761	761	761	761	8,050	8,100	1,211	1,211	1,211	1,211	11,050	11,100	1,661	1,661	1,661	1,661
5,100	5,150	769	769	769	769	8,100	8,150	1,219	1,219	1,219	1,219	11,100	11,150	1,669	1,669	1,669	1,669
5,150	5,200	776	776	776	776	8,150	8,200	1,226	1,226	1,226	1,226	11,150	11,200	1,676	1,676	1,676	1,676
5,200	5,250	784	784	784	784	8,200	8,250	1,234	1,234	1,234	1,234	11,200	11,250	1,684	1,684	1,684	1,684
5,250	5,300	791	791	791	791	8,250	8,300	1,241	1,241	1,241	1,241	11,250	11,300	1,691	1,691	1,691	1,691
5,300	5,350	799	799	799	799	8,300	8,350	1,249	1,249	1,249	1,249	11,300	11,350	1,699	1,699	1,699	1,699
5,350	5,400	806	806	806	806	8,350	8,400	1,256	1,256	1,256	1,256	11,350	11,400	1,706	1,706	1,706	1,706
5,400	5,450	814	814	814	814	8,400	8,450	1,264	1,264	1,264	1,264	11,400	11,450	1,714	1,714	1,714	1,714
5,450	5,500	821	821	821	821	8,450	8,500	1,271	1,271	1,271	1,271	11,450	11,500	1,721	1,721	1,721	1,721
5,500	5,550	829	829	829	829	8,500	8,550	1,279	1,279	1,279	1,279	11,500	11,550	1,729	1,729	1,729	1,729
5,550	5,600	836	836	836	836	8,550	8,600	1,286	1,286	1,286	1,286	11,550	11,600	1,736	1,736	1,736	1,736
5,600	5,650	844	844	844	844	8,600	8,650	1,294	1,294	1,294	1,294	11,600	11,650	1,744	1,744	1,744	1,744
5,650	5,700	851	851	851	851	8,650	8,700	1,301	1,301	1,301	1,301	11,650	11,700	1,751	1,751	1,751	1,751
5,700	5,750	859	859	859	859	8,700	8,750	1,309	1,309	1,309	1,309	11,700	11,750	1,759	1,759	1,759	1,759
5,750	5,800	866	866	866	866	8,750	8,800	1,316	1,316	1,316	1,316	11,750	11,800	1,766	1,766	1,766	1,766
5,800	5,850	874	874	874	874	8,800	8,850	1,324	1,324	1,324	1,324	11,800	11,850	1,774	1,774	1,774	1,774
5,850	5,900	881	881	881	881	8,850	8,900	1,331	1,331	1,331	1,331	11,850	11,900	1,781	1,781	1,781	1,781
5,900	5,950	889	889	889	889	8,900	8,950	1,339	1,339	1,339	1,339	11,900	11,950	1,789	1,789	1,789	1,789
5,950	6,000	896	896	896	896	8,950	9,000	1,346	1,346	1,346	1,346	11,950	12,000	1,796	1,796	1,796	1,796
6,000						9,000						12,000					
6,000	6,050	904	904	904	904	9,000	9,050	1,354	1,354	1,354	1,354	12,000	12,050	1,804	1,804	1,804	1,804
6,050	6,100	911	911	911	911	9,050	9,100	1,361	1,361	1,361	1,361	12,050	12,100	1,811	1,811	1,811	1,811
6,100	6,150	919	919	919	919	9,100	9,150	1,369	1,369	1,369	1,369	12,100	12,150	1,819	1,819	1,819	1,819
6,150	6,200	926	926	926	926	9,150	9,200	1,376	1,376	1,376	1,376	12,150	12,200	1,826	1,826	1,826	1,826
6,200	6,250	934	934	934	934	9,200	9,250	1,384	1,384	1,384	1,384	12,200	12,250	1,834	1,834	1,834	1,834
6,250	6,300	941	941	941	941	9,250	9,300	1,391	1,391	1,391	1,391	12,250	12,300	1,841	1,841	1,841	1,841
6,300	6,350	949	949	949	949	9,300	9,350	1,399	1,399	1,399	1,399	12,300	12,350	1,849	1,849	1,849	1,849
6,350	6,400	956	956	956	956	9,350	9,400	1,406	1,406	1,406	1,406	12,350	12,400	1,856	1,856	1,856	1,856
6,400	6,450	964	964	964	964	9,400	9,450	1,414	1,414	1,414	1,414	12,400	12,450	1,864	1,864	1,864	1,864
6,450	6,500	971	971	971	971	9,450	9,500	1,421	1,421	1,421	1,421	12,450	12,500	1,871	1,871	1,871	1,871
6,500	6,550	979	979	979	979	9,500	9,550	1,429	1,429	1,429	1,429	12,500	12,550	1,879	1,879	1,879	1,879
6,550	6,600	986	986	986	986	9,550	9,600	1,436	1,436	1,436	1,436	12,550	12,600	1,886	1,886	1,886	1,886
6,600	6,650	994	994	994	994	9,600	9,650	1,444	1,444	1,444	1,444	12,600	12,650	1,894	1,894	1,894	1,894
6,650	6,700	1,001	1,001	1,001	1,001	9,650	9,700	1,451	1,451	1,451	1,451	12,650	12,700	1,901	1,901	1,901	1,901
6,700	6,750	1,009	1,009	1,009	1,009	9,700	9,750	1,459	1,459	1,459	1,459	12,700	12,750	1,909	1,909	1,909	1,909
6,750	6,800	1,016	1,016	1,016	1,016	9,750	9,800	1,466	1,466	1,466	1,466	12,750	12,800	1,916	1,916	1,916	1,916
6,800	6,850	1,024	1,024	1,024	1,024	9,800	9,850	1,474	1,474	1,474	1,474	12,800	12,850	1,924	1,924	1,924	1,924
6,850	6,900	1,031	1,031	1,031	1,031	9,850	9,900	1,481	1,481	1,481	1,481	12,850	12,900	1,931	1,931	1,931	1,931
6,900	6,950	1,039	1,039	1,039	1,039	9,900	9,950	1,489	1,489	1,489	1,489	12,900	12,950	1,939	1,939	1,939	1,939
6,950	7,000	1,046	1,046	1,046	1,046	9,950	10,000	1,496	1,496	1,496	1,496	12,950	13,000	1,946	1,946	1,946	1,946
7,000						10,000						13,000					
7,000	7,050	1,054	1,054	1,054	1,054	10,000	10,050	1,504	1,504	1,504	1,504	13,000	13,050	1,954	1,954	1,954	1,954
7,050	7,100	1,061	1,061	1,061	1,061	10,050	10,100	1,511	1,511	1,511	1,511	13,050	13,100	1,961	1,961	1,961	1,961
7,100	7,150	1,069	1,069	1,069	1,069	10,100	10,150	1,519	1,519	1,519	1,519	13,100	13,150	1,969	1,969	1,969	1,969
7,150	7,200	1,076	1,076	1,076	1,076	10,150	10,200	1,526	1,526	1,526	1,526	13,150	13,200	1,976	1,976	1,976	1,976
7,200	7,250	1,084	1,084	1,084	1,084	10,200	10,250	1,534	1,534	1,534	1,534	13,200	13,250	1,984	1,984	1,984	1,984
7,250	7,300	1,091	1,091	1,091	1,091	10,250	10,300	1,541	1,541	1,541	1,541	13,250	13,300	1,991	1,991	1,991	1,991
7,300	7,350	1,099	1,099	1,099	1,099	10,300	10,350	1,549	1,549	1,549	1,549	13,300	13,350	1,999	1,999	1,999	1,999
7,350	7,400	1,106	1,106	1,106	1,106	10,350	10,400	1,556	1,556	1,556	1,556	13,350	13,400	2,006	2,006	2,006	2,006
7,400	7,450	1,114	1,114	1,114	1,114	10,400	10,450	1,564	1,564	1,564	1,564	13,400	13,450	2,014	2,014	2,014	2,014
7,450	7,500	1,121	1,121	1,121	1,121	10,450	10,500	1,571	1,571	1,571	1,571	13,450	13,500	2,021	2,021	2,021	2,021
7,500	7,550	1,129	1,129	1,129	1,129	10,500	10,550	1,579	1,579	1,579	1,579	13,500	13,550	2,029	2,029	2,029	2,029
7,550	7,600	1,136	1,136	1,136	1,136	10,550	10,600	1,586	1,586	1,586	1,586	13,550	13,600	2,036	2,036	2,036	2,036
7,600	7,650	1,144	1,144	1,144	1,144	10,600	10,650	1,594	1,594	1,594	1,594	13,600	13,650	2,044	2,044	2,044	2,044
7,650	7,700	1,151	1,151	1,151	1,151	10,650	10,700	1,601	1,601	1,601	1,601	13,650	13,700	2,051	2,051	2,051	2,051
7,700	7,750	1,159	1,159	1,159	1,159	10,700	10,750	1,609	1,609	1,609	1,609	13,700	13,750	2,059	2,059	2,059	2,059
7,750	7,800	1,166	1,166	1,166	1,166	10,750	10,800	1,616	1,616	1,616	1,616	13,750	13,800	2,066	2,066	2,066	2,066
7,800	7,850	1,174	1,174	1,174	1,174	10,800	10,850	1,624	1,624	1,624	1,624	13,800	13,850	2,074	2,074	2,074	2,074
7,850	7,900	1,181	1,181	1,181	1,181	10,850	10,900	1,631	1,631	1,631	1,631	13,850	13,900	2,081	2,081	2,081	2,081
7,900	7,950	1,189	1,189	1,189	1,189	10,900	10,950	1,639	1,639	1,639	1,639	13,900	13,950	2,089	2,089	2,089	2,089
7,950	8,000	1,196	1,196	1,196	1,196	10,950	11,000	1,646	1,646	1,646	1,646	13,950	14,000	2,096	2,096	2,096	2,096

* This column must also be used by a qualifying widow(er).

(Continued on page 61)

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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
		Your tax is—						Your tax is—						Your tax is—			
14,000						17,000						20,000					
14,000	14,050	2,104	2,104	2,104	2,104	17,000	17,050	2,554	2,554	2,554	2,554	20,000	20,050	3,004	3,004	3,004	3,004
14,050	14,100	2,111	2,111	2,111	2,111	17,050	17,100	2,561	2,561	2,561	2,561	20,050	20,100	3,011	3,011	3,011	3,011
14,100	14,150	2,119	2,119	2,119	2,119	17,100	17,150	2,569	2,569	2,569	2,569	20,100	20,150	3,019	3,019	3,019	3,019
14,150	14,200	2,126	2,126	2,126	2,126	17,150	17,200	2,576	2,576	2,576	2,576	20,150	20,200	3,026	3,026	3,026	3,026
14,200	14,250	2,134	2,134	2,134	2,134	17,200	17,250	2,584	2,584	2,584	2,584	20,200	20,250	3,034	3,034	3,034	3,034
14,250	14,300	2,141	2,141	2,141	2,141	17,250	17,300	2,591	2,591	2,591	2,591	20,250	20,300	3,041	3,041	3,041	3,041
14,300	14,350	2,149	2,149	2,149	2,149	17,300	17,350	2,599	2,599	2,599	2,599	20,300	20,350	3,049	3,049	3,049	3,049
14,350	14,400	2,156	2,156	2,156	2,156	17,350	17,400	2,606	2,606	2,606	2,606	20,350	20,400	3,056	3,056	3,056	3,056
14,400	14,450	2,164	2,164	2,164	2,164	17,400	17,450	2,614	2,614	2,614	2,614	20,400	20,450	3,064	3,064	3,064	3,064
14,450	14,500	2,171	2,171	2,171	2,171	17,450	17,500	2,621	2,621	2,621	2,621	20,450	20,500	3,071	3,071	3,071	3,071
14,500	14,550	2,179	2,179	2,179	2,179	17,500	17,550	2,629	2,629	2,629	2,629	20,500	20,550	3,079	3,079	3,079	3,079
14,550	14,600	2,186	2,186	2,186	2,186	17,550	17,600	2,636	2,636	2,636	2,636	20,550	20,600	3,086	3,086	3,086	3,086
14,600	14,650	2,194	2,194	2,194	2,194	17,600	17,650	2,644	2,644	2,644	2,644	20,600	20,650	3,094	3,094	3,094	3,094
14,650	14,700	2,201	2,201	2,201	2,201	17,650	17,700	2,651	2,651	2,651	2,651	20,650	20,700	3,101	3,101	3,101	3,101
14,700	14,750	2,209	2,209	2,209	2,209	17,700	17,750	2,659	2,659	2,659	2,659	20,700	20,750	3,109	3,109	3,109	3,109
14,750	14,800	2,216	2,216	2,216	2,216	17,750	17,800	2,666	2,666	2,666	2,666	20,750	20,800	3,116	3,116	3,116	3,116
14,800	14,850	2,224	2,224	2,224	2,224	17,800	17,850	2,674	2,674	2,674	2,674	20,800	20,850	3,124	3,124	3,124	3,124
14,850	14,900	2,231	2,231	2,231	2,231	17,850	17,900	2,681	2,681	2,681	2,681	20,850	20,900	3,131	3,131	3,131	3,131
14,900	14,950	2,239	2,239	2,239	2,239	17,900	17,950	2,689	2,689	2,689	2,689	20,900	20,950	3,139	3,139	3,139	3,139
14,950	15,000	2,246	2,246	2,246	2,246	17,950	18,000	2,696	2,696	2,696	2,696	20,950	21,000	3,146	3,146	3,146	3,146
15,000						18,000						21,000					
15,000	15,050	2,254	2,254	2,254	2,254	18,000	18,050	2,704	2,704	2,704	2,704	21,000	21,050	3,154	3,154	3,154	3,154
15,050	15,100	2,261	2,261	2,261	2,261	18,050	18,100	2,711	2,711	2,711	2,711	21,050	21,100	3,161	3,161	3,161	3,161
15,100	15,150	2,269	2,269	2,269	2,269	18,100	18,150	2,719	2,719	2,719	2,719	21,100	21,150	3,169	3,169	3,169	3,169
15,150	15,200	2,276	2,276	2,276	2,276	18,150	18,200	2,726	2,726	2,726	2,726	21,150	21,200	3,176	3,176	3,176	3,176
15,200	15,250	2,284	2,284	2,284	2,284	18,200	18,250	2,734	2,734	2,734	2,734	21,200	21,250	3,184	3,184	3,184	3,184
15,250	15,300	2,291	2,291	2,291	2,291	18,250	18,300	2,741	2,741	2,741	2,741	21,250	21,300	3,191	3,191	3,191	3,191
15,300	15,350	2,299	2,299	2,299	2,299	18,300	18,350	2,749	2,749	2,749	2,749	21,300	21,350	3,199	3,199	3,199	3,199
15,350	15,400	2,306	2,306	2,306	2,306	18,350	18,400	2,756	2,756	2,756	2,756	21,350	21,400	3,206	3,206	3,206	3,206
15,400	15,450	2,314	2,314	2,314	2,314	18,400	18,450	2,764	2,764	2,764	2,764	21,400	21,450	3,214	3,214	3,214	3,214
15,450	15,500	2,321	2,321	2,321	2,321	18,450	18,500	2,771	2,771	2,771	2,771	21,450	21,500	3,221	3,221	3,221	3,221
15,500	15,550	2,329	2,329	2,329	2,329	18,500	18,550	2,779	2,779	2,779	2,779	21,500	21,550	3,229	3,229	3,229	3,229
15,550	15,600	2,336	2,336	2,336	2,336	18,550	18,600	2,786	2,786	2,786	2,786	21,550	21,600	3,236	3,236	3,236	3,236
15,600	15,650	2,344	2,344	2,344	2,344	18,600	18,650	2,794	2,794	2,794	2,794	21,600	21,650	3,244	3,244	3,244	3,244
15,650	15,700	2,351	2,351	2,351	2,351	18,650	18,700	2,801	2,801	2,801	2,801	21,650	21,700	3,251	3,251	3,251	3,251
15,700	15,750	2,359	2,359	2,359	2,359	18,700	18,750	2,809	2,809	2,809	2,809	21,700	21,750	3,259	3,259	3,259	3,259
15,750	15,800	2,366	2,366	2,366	2,366	18,750	18,800	2,816	2,816	2,816	2,816	21,750	21,800	3,266	3,266	3,266	3,266
15,800	15,850	2,374	2,374	2,374	2,374	18,800	18,850	2,824	2,824	2,824	2,824	21,800	21,850	3,274	3,274	3,274	3,274
15,850	15,900	2,381	2,381	2,381	2,381	18,850	18,900	2,831	2,831	2,831	2,831	21,850	21,900	3,281	3,281	3,281	3,281
15,900	15,950	2,389	2,389	2,389	2,389	18,900	18,950	2,839	2,839	2,839	2,839	21,900	21,950	3,289	3,289	3,289	3,289
15,950	16,000	2,396	2,396	2,396	2,396	18,950	19,000	2,846	2,846	2,846	2,846	21,950	22,000	3,296	3,296	3,303	3,296
16,000						19,000						22,000					
16,000	16,050	2,404	2,404	2,404	2,404	19,000	19,050	2,854	2,854	2,854	2,854	22,000	22,050	3,304	3,304	3,317	3,304
16,050	16,100	2,411	2,411	2,411	2,411	19,050	19,100	2,861	2,861	2,861	2,861	22,050	22,100	3,311	3,311	3,331	3,311
16,100	16,150	2,419	2,419	2,419	2,419	19,100	19,150	2,869	2,869	2,869	2,869	22,100	22,150	3,319	3,319	3,345	3,319
16,150	16,200	2,426	2,426	2,426	2,426	19,150	19,200	2,876	2,876	2,876	2,876	22,150	22,200	3,326	3,326	3,359	3,326
16,200	16,250	2,434	2,434	2,434	2,434	19,200	19,250	2,884	2,884	2,884	2,884	22,200	22,250	3,334	3,334	3,373	3,334
16,250	16,300	2,441	2,441	2,441	2,441	19,250	19,300	2,891	2,891	2,891	2,891	22,250	22,300	3,341	3,341	3,387	3,341
16,300	16,350	2,449	2,449	2,449	2,449	19,300	19,350	2,899	2,899	2,899	2,899	22,300	22,350	3,349	3,349	3,401	3,349
16,350	16,400	2,456	2,456	2,456	2,456	19,350	19,400	2,906	2,906	2,906	2,906	22,350	22,400	3,356	3,356	3,415	3,356
16,400	16,450	2,464	2,464	2,464	2,464	19,400	19,450	2,914	2,914	2,914	2,914	22,400	22,450	3,364	3,364	3,429	3,364
16,450	16,500	2,471	2,471	2,471	2,471	19,450	19,500	2,921	2,921	2,921	2,921	22,450	22,500	3,371	3,371	3,443	3,371
16,500	16,550	2,479	2,479	2,479	2,479	19,500	19,550	2,929	2,929	2,929	2,929	22,500	22,550	3,379	3,379	3,457	3,379
16,550	16,600	2,486	2,486	2,486	2,486	19,550	19,600	2,936	2,936	2,936	2,936	22,550	22,600	3,386	3,386	3,471	3,386
16,600	16,650	2,494	2,494	2,494	2,494	19,600	19,650	2,944	2,944	2,944	2,944	22,600	22,650	3,394	3,394	3,485	3,394
16,650	16,700	2,501	2,501	2,501	2,501	19,650	19,700	2,951	2,951	2,951	2,951	22,650	22,700	3,401	3,401	3,499	3,401
16,700	16,750	2,509	2,509	2,509	2,509	19,700	19,750	2,959	2,959	2,959	2,959	22,700	22,750	3,409	3,409	3,513	3,409
16,750	16,800	2,516	2,516	2,516	2,516	19,750	19,800	2,966	2,966	2,966	2,966	22,750	22,800	3,416	3,416	3,527	3,416
16,800	16,850	2,524	2,524	2,524	2,524	19,800	19,850	2,974	2,974	2,974	2,974	22,800	22,850	3,424	3,424	3,541	3,424
16,850	16,900	2,531	2,531	2,531	2,531	19,850	19,900	2,981	2,981	2,981	2,981	22,850	22,900	3,431	3,431	3,555	3,431
16,900	16,950	2,539	2,539	2,539	2,539	19,900	19,950	2,989	2,989	2,989	2,989	22,900	22,950	3,439	3,439	3,569	3,439
16,950	17,000	2,546	2,546	2,546	2,546	19,950	20,000	2,996	2,996	2,996							

2000 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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
		Your tax is—						Your tax is—						Your tax is—			
23,000						26,000						29,000					
23,000	23,050	3,454	3,454	3,597	3,454	26,000	26,050	3,904	3,904	4,437	3,904	29,000	29,050	4,715	4,354	5,277	4,354
23,050	23,100	3,461	3,461	3,611	3,461	26,050	26,100	3,911	3,911	4,451	3,911	29,050	29,100	4,729	4,361	5,291	4,361
23,100	23,150	3,469	3,469	3,625	3,469	26,100	26,150	3,919	3,919	4,465	3,919	29,100	29,150	4,743	4,369	5,305	4,369
23,150	23,200	3,476	3,476	3,639	3,476	26,150	26,200	3,926	3,926	4,479	3,926	29,150	29,200	4,757	4,376	5,319	4,376
23,200	23,250	3,484	3,484	3,653	3,484	26,200	26,250	3,934	3,934	4,493	3,934	29,200	29,250	4,771	4,384	5,333	4,384
23,250	23,300	3,491	3,491	3,667	3,491	26,250	26,300	3,945	3,941	4,507	3,941	29,250	29,300	4,785	4,391	5,347	4,391
23,300	23,350	3,499	3,499	3,681	3,499	26,300	26,350	3,959	3,949	4,521	3,949	29,300	29,350	4,799	4,399	5,361	4,399
23,350	23,400	3,506	3,506	3,695	3,506	26,350	26,400	3,973	3,956	4,535	3,956	29,350	29,400	4,813	4,406	5,375	4,406
23,400	23,450	3,514	3,514	3,709	3,514	26,400	26,450	3,987	3,964	4,549	3,964	29,400	29,450	4,827	4,414	5,389	4,414
23,450	23,500	3,521	3,521	3,723	3,521	26,450	26,500	4,001	3,971	4,563	3,971	29,450	29,500	4,841	4,421	5,403	4,421
23,500	23,550	3,529	3,529	3,737	3,529	26,500	26,550	4,015	3,979	4,577	3,979	29,500	29,550	4,855	4,429	5,417	4,429
23,550	23,600	3,536	3,536	3,751	3,536	26,550	26,600	4,029	3,986	4,591	3,986	29,550	29,600	4,869	4,436	5,431	4,436
23,600	23,650	3,544	3,544	3,765	3,544	26,600	26,650	4,043	3,994	4,605	3,994	29,600	29,650	4,883	4,444	5,445	4,444
23,650	23,700	3,551	3,551	3,779	3,551	26,650	26,700	4,057	4,001	4,619	4,001	29,650	29,700	4,897	4,451	5,459	4,451
23,700	23,750	3,559	3,559	3,793	3,559	26,700	26,750	4,071	4,009	4,633	4,009	29,700	29,750	4,911	4,459	5,473	4,459
23,750	23,800	3,566	3,566	3,807	3,566	26,750	26,800	4,085	4,016	4,647	4,016	29,750	29,800	4,925	4,466	5,487	4,466
23,800	23,850	3,574	3,574	3,821	3,574	26,800	26,850	4,099	4,024	4,661	4,024	29,800	29,850	4,939	4,474	5,501	4,474
23,850	23,900	3,581	3,581	3,835	3,581	26,850	26,900	4,113	4,031	4,675	4,031	29,850	29,900	4,953	4,481	5,515	4,481
23,900	23,950	3,589	3,589	3,849	3,589	26,900	26,950	4,127	4,039	4,689	4,039	29,900	29,950	4,967	4,489	5,529	4,489
23,950	24,000	3,596	3,596	3,863	3,596	26,950	27,000	4,141	4,046	4,703	4,046	29,950	30,000	4,981	4,496	5,543	4,496
24,000						27,000						30,000					
24,000	24,050	3,604	3,604	3,877	3,604	27,000	27,050	4,155	4,054	4,717	4,054	30,000	30,050	4,995	4,504	5,557	4,504
24,050	24,100	3,611	3,611	3,891	3,611	27,050	27,100	4,169	4,061	4,731	4,061	30,050	30,100	5,009	4,511	5,571	4,511
24,100	24,150	3,619	3,619	3,905	3,619	27,100	27,150	4,183	4,069	4,745	4,069	30,100	30,150	5,023	4,519	5,585	4,519
24,150	24,200	3,626	3,626	3,919	3,626	27,150	27,200	4,197	4,076	4,759	4,076	30,150	30,200	5,037	4,526	5,599	4,526
24,200	24,250	3,634	3,634	3,933	3,634	27,200	27,250	4,211	4,084	4,773	4,084	30,200	30,250	5,051	4,534	5,613	4,534
24,250	24,300	3,641	3,641	3,947	3,641	27,250	27,300	4,225	4,091	4,787	4,091	30,250	30,300	5,065	4,541	5,627	4,541
24,300	24,350	3,649	3,649	3,961	3,649	27,300	27,350	4,239	4,099	4,801	4,099	30,300	30,350	5,079	4,549	5,641	4,549
24,350	24,400	3,656	3,656	3,975	3,656	27,350	27,400	4,253	4,106	4,815	4,106	30,350	30,400	5,093	4,556	5,655	4,556
24,400	24,450	3,664	3,664	3,989	3,664	27,400	27,450	4,267	4,114	4,829	4,114	30,400	30,450	5,107	4,564	5,669	4,564
24,450	24,500	3,671	3,671	4,003	3,671	27,450	27,500	4,281	4,121	4,843	4,121	30,450	30,500	5,121	4,571	5,683	4,571
24,500	24,550	3,679	3,679	4,017	3,679	27,500	27,550	4,295	4,129	4,857	4,129	30,500	30,550	5,135	4,579	5,697	4,579
24,550	24,600	3,686	3,686	4,031	3,686	27,550	27,600	4,309	4,136	4,871	4,136	30,550	30,600	5,149	4,586	5,711	4,586
24,600	24,650	3,694	3,694	4,045	3,694	27,600	27,650	4,323	4,144	4,885	4,144	30,600	30,650	5,163	4,594	5,725	4,594
24,650	24,700	3,701	3,701	4,059	3,701	27,650	27,700	4,337	4,151	4,899	4,151	30,650	30,700	5,177	4,601	5,739	4,601
24,700	24,750	3,709	3,709	4,073	3,709	27,700	27,750	4,351	4,159	4,913	4,159	30,700	30,750	5,191	4,609	5,753	4,609
24,750	24,800	3,716	3,716	4,087	3,716	27,750	27,800	4,365	4,166	4,927	4,166	30,750	30,800	5,205	4,616	5,767	4,616
24,800	24,850	3,724	3,724	4,101	3,724	27,800	27,850	4,379	4,174	4,941	4,174	30,800	30,850	5,219	4,624	5,781	4,624
24,850	24,900	3,731	3,731	4,115	3,731	27,850	27,900	4,393	4,181	4,955	4,181	30,850	30,900	5,233	4,631	5,795	4,631
24,900	24,950	3,739	3,739	4,129	3,739	27,900	27,950	4,407	4,189	4,969	4,189	30,900	30,950	5,247	4,639	5,809	4,639
24,950	25,000	3,746	3,746	4,143	3,746	27,950	28,000	4,421	4,196	4,983	4,196	30,950	31,000	5,261	4,646	5,823	4,646
25,000						28,000						31,000					
25,000	25,050	3,754	3,754	4,157	3,754	28,000	28,050	4,435	4,204	4,997	4,204	31,000	31,050	5,275	4,654	5,837	4,654
25,050	25,100	3,761	3,761	4,171	3,761	28,050	28,100	4,449	4,211	5,011	4,211	31,050	31,100	5,289	4,661	5,851	4,661
25,100	25,150	3,769	3,769	4,185	3,769	28,100	28,150	4,463	4,219	5,025	4,219	31,100	31,150	5,303	4,669	5,865	4,669
25,150	25,200	3,776	3,776	4,199	3,776	28,150	28,200	4,477	4,226	5,039	4,226	31,150	31,200	5,317	4,676	5,879	4,676
25,200	25,250	3,784	3,784	4,213	3,784	28,200	28,250	4,491	4,234	5,053	4,234	31,200	31,250	5,331	4,684	5,893	4,684
25,250	25,300	3,791	3,791	4,227	3,791	28,250	28,300	4,505	4,241	5,067	4,241	31,250	31,300	5,345	4,691	5,907	4,691
25,300	25,350	3,799	3,799	4,241	3,799	28,300	28,350	4,519	4,249	5,081	4,249	31,300	31,350	5,359	4,699	5,921	4,699
25,350	25,400	3,806	3,806	4,255	3,806	28,350	28,400	4,533	4,256	5,095	4,256	31,350	31,400	5,373	4,706	5,935	4,706
25,400	25,450	3,814	3,814	4,269	3,814	28,400	28,450	4,547	4,264	5,109	4,264	31,400	31,450	5,387	4,714	5,949	4,714
25,450	25,500	3,821	3,821	4,283	3,821	28,450	28,500	4,561	4,271	5,123	4,271	31,450	31,500	5,401	4,721	5,963	4,721
25,500	25,550	3,829	3,829	4,297	3,829	28,500	28,550	4,575	4,279	5,137	4,279	31,500	31,550	5,415	4,729	5,977	4,729
25,550	25,600	3,836	3,836	4,311	3,836	28,550	28,600	4,589	4,286	5,151	4,286	31,550	31,600	5,429	4,736	5,991	4,736
25,600	25,650	3,844	3,844	4,325	3,844	28,600	28,650	4,603	4,294	5,165	4,294	31,600	31,650	5,443	4,744	6,005	4,744
25,650	25,700	3,851	3,851	4,339	3,851	28,650	28,700	4,617	4,301	5,179	4,301	31,650	31,700	5,457	4,751	6,019	4,751
25,700	25,750	3,859	3,859	4,353	3,859	28,700	28,750	4,631	4,309	5,193	4,309	31,700	31,750	5,471	4,759	6,033	4,759
25,750	25,800	3,866	3,866	4,367	3,866	28,750	28,800	4,645	4,316	5,207	4,316	31,750	31,800	5,485	4,766	6,047	4,766
25,800	25,850	3,874	3,874	4,381	3,874	28,800	28,850	4,659	4,324	5,221	4,324	31,800	31,850	5,499	4,774	6,061	4,774
25,850	25,900	3,881	3,881	4,395	3,881	28,850	28,900	4,673	4,331	5,235	4,331	31,850	31,900	5,513	4,781	6,075	4,781
25,900	25,950	3,889	3,889	4,409	3,889	28,900	28,950	4,687	4,339	5,249	4,339	31,900	31,950	5,527	4,789	6,089	4,789
25,950	26,000	3,896	3,896	4,423	3,896	28,950	29,000	4,701	4,346	5,263							

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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
		Your tax is—						Your tax is—						Your tax is—			
32,000						35,000						38,000					
32,000	32,050	5,555	4,804	6,117	4,804	35,000	35,050	6,395	5,254	6,957	5,254	38,000	38,050	7,235	5,704	7,797	6,078
32,050	32,100	5,569	4,811	6,131	4,811	35,050	35,100	6,409	5,261	6,971	5,261	38,050	38,100	7,249	5,711	7,811	6,092
32,100	32,150	5,583	4,819	6,145	4,819	35,100	35,150	6,423	5,269	6,985	5,269	38,100	38,150	7,263	5,719	7,825	6,106
32,150	32,200	5,597	4,826	6,159	4,826	35,150	35,200	6,437	5,276	6,999	5,280	38,150	38,200	7,277	5,726	7,839	6,120
32,200	32,250	5,611	4,834	6,173	4,834	35,200	35,250	6,451	5,284	7,013	5,294	38,200	38,250	7,291	5,734	7,853	6,134
32,250	32,300	5,625	4,841	6,187	4,841	35,250	35,300	6,465	5,291	7,027	5,308	38,250	38,300	7,305	5,741	7,867	6,148
32,300	32,350	5,639	4,849	6,201	4,849	35,300	35,350	6,479	5,299	7,041	5,322	38,300	38,350	7,319	5,749	7,881	6,162
32,350	32,400	5,653	4,856	6,215	4,856	35,350	35,400	6,493	5,306	7,055	5,336	38,350	38,400	7,333	5,756	7,895	6,176
32,400	32,450	5,667	4,864	6,229	4,864	35,400	35,450	6,507	5,314	7,069	5,350	38,400	38,450	7,347	5,764	7,909	6,190
32,450	32,500	5,681	4,871	6,243	4,871	35,450	35,500	6,521	5,321	7,083	5,364	38,450	38,500	7,361	5,771	7,923	6,204
32,500	32,550	5,695	4,879	6,257	4,879	35,500	35,550	6,535	5,329	7,097	5,378	38,500	38,550	7,375	5,779	7,937	6,218
32,550	32,600	5,709	4,886	6,271	4,886	35,550	35,600	6,549	5,336	7,111	5,392	38,550	38,600	7,389	5,786	7,951	6,232
32,600	32,650	5,723	4,894	6,285	4,894	35,600	35,650	6,563	5,344	7,125	5,406	38,600	38,650	7,403	5,794	7,965	6,246
32,650	32,700	5,737	4,901	6,299	4,901	35,650	35,700	6,577	5,351	7,139	5,420	38,650	38,700	7,417	5,801	7,979	6,260
32,700	32,750	5,751	4,909	6,313	4,909	35,700	35,750	6,591	5,359	7,153	5,434	38,700	38,750	7,431	5,809	7,993	6,274
32,750	32,800	5,765	4,916	6,327	4,916	35,750	35,800	6,605	5,366	7,167	5,448	38,750	38,800	7,445	5,816	8,007	6,288
32,800	32,850	5,779	4,924	6,341	4,924	35,800	35,850	6,619	5,374	7,181	5,462	38,800	38,850	7,459	5,824	8,021	6,302
32,850	32,900	5,793	4,931	6,355	4,931	35,850	35,900	6,633	5,381	7,195	5,476	38,850	38,900	7,473	5,831	8,035	6,316
32,900	32,950	5,807	4,939	6,369	4,939	35,900	35,950	6,647	5,389	7,209	5,490	38,900	38,950	7,487	5,839	8,049	6,330
32,950	33,000	5,821	4,946	6,383	4,946	35,950	36,000	6,661	5,396	7,223	5,504	38,950	39,000	7,501	5,846	8,063	6,344
33,000						36,000						39,000					
33,000	33,050	5,835	4,954	6,397	4,954	36,000	36,050	6,675	5,404	7,237	5,518	39,000	39,050	7,515	5,854	8,077	6,358
33,050	33,100	5,849	4,961	6,411	4,961	36,050	36,100	6,689	5,411	7,251	5,532	39,050	39,100	7,529	5,861	8,091	6,372
33,100	33,150	5,863	4,969	6,425	4,969	36,100	36,150	6,703	5,419	7,265	5,546	39,100	39,150	7,543	5,869	8,105	6,386
33,150	33,200	5,877	4,976	6,439	4,976	36,150	36,200	6,717	5,426	7,279	5,560	39,150	39,200	7,557	5,876	8,119	6,400
33,200	33,250	5,891	4,984	6,453	4,984	36,200	36,250	6,731	5,434	7,293	5,574	39,200	39,250	7,571	5,884	8,133	6,414
33,250	33,300	5,905	4,991	6,467	4,991	36,250	36,300	6,745	5,441	7,307	5,588	39,250	39,300	7,585	5,891	8,147	6,428
33,300	33,350	5,919	4,999	6,481	4,999	36,300	36,350	6,759	5,449	7,321	5,602	39,300	39,350	7,599	5,899	8,161	6,442
33,350	33,400	5,933	5,006	6,495	5,006	36,350	36,400	6,773	5,456	7,335	5,616	39,350	39,400	7,613	5,906	8,175	6,456
33,400	33,450	5,947	5,014	6,509	5,014	36,400	36,450	6,787	5,464	7,349	5,630	39,400	39,450	7,627	5,914	8,189	6,470
33,450	33,500	5,961	5,021	6,523	5,021	36,450	36,500	6,801	5,471	7,363	5,644	39,450	39,500	7,641	5,921	8,203	6,484
33,500	33,550	5,975	5,029	6,537	5,029	36,500	36,550	6,815	5,479	7,377	5,658	39,500	39,550	7,655	5,929	8,217	6,498
33,550	33,600	5,989	5,036	6,551	5,036	36,550	36,600	6,829	5,486	7,391	5,672	39,550	39,600	7,669	5,936	8,231	6,512
33,600	33,650	6,003	5,044	6,565	5,044	36,600	36,650	6,843	5,494	7,405	5,686	39,600	39,650	7,683	5,944	8,245	6,526
33,650	33,700	6,017	5,051	6,579	5,051	36,650	36,700	6,857	5,501	7,419	5,700	39,650	39,700	7,697	5,951	8,259	6,540
33,700	33,750	6,031	5,059	6,593	5,059	36,700	36,750	6,871	5,509	7,433	5,714	39,700	39,750	7,711	5,959	8,273	6,554
33,750	33,800	6,045	5,066	6,607	5,066	36,750	36,800	6,885	5,516	7,447	5,728	39,750	39,800	7,725	5,966	8,287	6,568
33,800	33,850	6,059	5,074	6,621	5,074	36,800	36,850	6,899	5,524	7,461	5,742	39,800	39,850	7,739	5,974	8,301	6,582
33,850	33,900	6,073	5,081	6,635	5,081	36,850	36,900	6,913	5,531	7,475	5,756	39,850	39,900	7,753	5,981	8,315	6,596
33,900	33,950	6,087	5,089	6,649	5,089	36,900	36,950	6,927	5,539	7,489	5,770	39,900	39,950	7,767	5,989	8,329	6,610
33,950	34,000	6,101	5,096	6,663	5,096	36,950	37,000	6,941	5,546	7,503	5,784	39,950	40,000	7,781	5,996	8,343	6,624
34,000						37,000						40,000					
34,000	34,050	6,115	5,104	6,677	5,104	37,000	37,050	6,955	5,554	7,517	5,798	40,000	40,050	7,795	6,004	8,357	6,638
34,050	34,100	6,129	5,111	6,691	5,111	37,050	37,100	6,969	5,561	7,531	5,812	40,050	40,100	7,809	6,011	8,371	6,652
34,100	34,150	6,143	5,119	6,705	5,119	37,100	37,150	6,983	5,569	7,545	5,826	40,100	40,150	7,823	6,019	8,385	6,666
34,150	34,200	6,157	5,126	6,719	5,126	37,150	37,200	6,997	5,576	7,559	5,840	40,150	40,200	7,837	6,026	8,399	6,680
34,200	34,250	6,171	5,134	6,733	5,134	37,200	37,250	7,011	5,584	7,573	5,854	40,200	40,250	7,851	6,034	8,413	6,694
34,250	34,300	6,185	5,141	6,747	5,141	37,250	37,300	7,025	5,591	7,587	5,868	40,250	40,300	7,865	6,041	8,427	6,708
34,300	34,350	6,199	5,149	6,761	5,149	37,300	37,350	7,039	5,599	7,601	5,882	40,300	40,350	7,879	6,049	8,441	6,722
34,350	34,400	6,213	5,156	6,775	5,156	37,350	37,400	7,053	5,606	7,615	5,896	40,350	40,400	7,893	6,056	8,455	6,736
34,400	34,450	6,227	5,164	6,789	5,164	37,400	37,450	7,067	5,614	7,629	5,910	40,400	40,450	7,907	6,064	8,469	6,750
34,450	34,500	6,241	5,171	6,803	5,171	37,450	37,500	7,081	5,621	7,643	5,924	40,450	40,500	7,921	6,071	8,483	6,764
34,500	34,550	6,255	5,179	6,817	5,179	37,500	37,550	7,095	5,629	7,657	5,938	40,500	40,550	7,935	6,079	8,497	6,778
34,550	34,600	6,269	5,186	6,831	5,186	37,550	37,600	7,109	5,636	7,671	5,952	40,550	40,600	7,949	6,086	8,511	6,792
34,600	34,650	6,283	5,194	6,845	5,194	37,600	37,650	7,123	5,644	7,685	5,966	40,600	40,650	7,963	6,094	8,525	6,806
34,650	34,700	6,297	5,201	6,859	5,201	37,650	37,700	7,137	5,651	7,699	5,980	40,650	40,700	7,977	6,101	8,539	6,820
34,700	34,750	6,311	5,209	6,873	5,209	37,700	37,750	7,151	5,659	7,713	5,994	40,700	40,750	7,991	6,109	8,553	6,834
34,750	34,800	6,325	5,216	6,887	5,216	37,											

2000 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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
		Your tax is—						Your tax is—						Your tax is—			
41,000						44,000						47,000					
41,000	41,050	8,075	6,154	8,637	6,918	44,000	44,050	8,915	6,627	9,477	7,758	47,000	47,050	9,755	7,467	10,317	8,598
41,050	41,100	8,089	6,161	8,651	6,932	44,050	44,100	8,929	6,641	9,491	7,772	47,050	47,100	9,769	7,481	10,331	8,612
41,100	41,150	8,103	6,169	8,665	6,946	44,100	44,150	8,943	6,655	9,505	7,786	47,100	47,150	9,783	7,495	10,345	8,626
41,150	41,200	8,117	6,176	8,679	6,960	44,150	44,200	8,957	6,669	9,519	7,800	47,150	47,200	9,797	7,509	10,359	8,640
41,200	41,250	8,131	6,184	8,693	6,974	44,200	44,250	8,971	6,683	9,533	7,814	47,200	47,250	9,811	7,523	10,373	8,654
41,250	41,300	8,145	6,191	8,707	6,988	44,250	44,300	8,985	6,697	9,547	7,828	47,250	47,300	9,825	7,537	10,387	8,668
41,300	41,350	8,159	6,199	8,721	7,002	44,300	44,350	8,999	6,711	9,561	7,842	47,300	47,350	9,839	7,551	10,401	8,682
41,350	41,400	8,173	6,206	8,735	7,016	44,350	44,400	9,013	6,725	9,575	7,856	47,350	47,400	9,853	7,565	10,415	8,696
41,400	41,450	8,187	6,214	8,749	7,030	44,400	44,450	9,027	6,739	9,589	7,870	47,400	47,450	9,867	7,579	10,429	8,710
41,450	41,500	8,201	6,221	8,763	7,044	44,450	44,500	9,041	6,753	9,603	7,884	47,450	47,500	9,881	7,593	10,443	8,724
41,500	41,550	8,215	6,229	8,777	7,058	44,500	44,550	9,055	6,767	9,617	7,898	47,500	47,550	9,895	7,607	10,457	8,738
41,550	41,600	8,229	6,236	8,791	7,072	44,550	44,600	9,069	6,781	9,631	7,912	47,550	47,600	9,909	7,621	10,471	8,752
41,600	41,650	8,243	6,244	8,805	7,086	44,600	44,650	9,083	6,795	9,645	7,926	47,600	47,650	9,923	7,635	10,485	8,766
41,650	41,700	8,257	6,251	8,819	7,100	44,650	44,700	9,097	6,809	9,659	7,940	47,650	47,700	9,937	7,649	10,499	8,780
41,700	41,750	8,271	6,259	8,833	7,114	44,700	44,750	9,111	6,823	9,673	7,954	47,700	47,750	9,951	7,663	10,513	8,794
41,750	41,800	8,285	6,266	8,847	7,128	44,750	44,800	9,125	6,837	9,687	7,968	47,750	47,800	9,965	7,677	10,527	8,808
41,800	41,850	8,299	6,274	8,861	7,142	44,800	44,850	9,139	6,851	9,701	7,982	47,800	47,850	9,979	7,691	10,541	8,822
41,850	41,900	8,313	6,281	8,875	7,156	44,850	44,900	9,153	6,865	9,715	7,996	47,850	47,900	9,993	7,705	10,555	8,836
41,900	41,950	8,327	6,289	8,889	7,170	44,900	44,950	9,167	6,879	9,729	8,010	47,900	47,950	10,007	7,719	10,569	8,850
41,950	42,000	8,341	6,296	8,903	7,184	44,950	45,000	9,181	6,893	9,743	8,024	47,950	48,000	10,021	7,733	10,583	8,864
42,000						45,000						48,000					
42,000	42,050	8,355	6,304	8,917	7,198	45,000	45,050	9,195	6,907	9,757	8,038	48,000	48,050	10,035	7,747	10,597	8,878
42,050	42,100	8,369	6,311	8,931	7,212	45,050	45,100	9,209	6,921	9,771	8,052	48,050	48,100	10,049	7,761	10,611	8,892
42,100	42,150	8,383	6,319	8,945	7,226	45,100	45,150	9,223	6,935	9,785	8,066	48,100	48,150	10,063	7,775	10,625	8,906
42,150	42,200	8,397	6,326	8,959	7,240	45,150	45,200	9,237	6,949	9,799	8,080	48,150	48,200	10,077	7,789	10,639	8,920
42,200	42,250	8,411	6,334	8,973	7,254	45,200	45,250	9,251	6,963	9,813	8,094	48,200	48,250	10,091	7,803	10,653	8,934
42,250	42,300	8,425	6,341	8,987	7,268	45,250	45,300	9,265	6,977	9,827	8,108	48,250	48,300	10,105	7,817	10,667	8,948
42,300	42,350	8,439	6,349	9,001	7,282	45,300	45,350	9,279	6,991	9,841	8,122	48,300	48,350	10,119	7,831	10,681	8,962
42,350	42,400	8,453	6,356	9,015	7,296	45,350	45,400	9,293	7,005	9,855	8,136	48,350	48,400	10,133	7,845	10,695	8,976
42,400	42,450	8,467	6,364	9,029	7,310	45,400	45,450	9,307	7,019	9,869	8,150	48,400	48,450	10,147	7,859	10,709	8,990
42,450	42,500	8,481	6,371	9,043	7,324	45,450	45,500	9,321	7,033	9,883	8,164	48,450	48,500	10,161	7,873	10,723	9,004
42,500	42,550	8,495	6,379	9,057	7,338	45,500	45,550	9,335	7,047	9,897	8,178	48,500	48,550	10,175	7,887	10,737	9,018
42,550	42,600	8,509	6,386	9,071	7,352	45,550	45,600	9,349	7,061	9,911	8,192	48,550	48,600	10,189	7,901	10,751	9,032
42,600	42,650	8,523	6,394	9,085	7,366	45,600	45,650	9,363	7,075	9,925	8,206	48,600	48,650	10,203	7,915	10,765	9,046
42,650	42,700	8,537	6,401	9,099	7,380	45,650	45,700	9,377	7,089	9,939	8,220	48,650	48,700	10,217	7,929	10,779	9,060
42,700	42,750	8,551	6,409	9,113	7,394	45,700	45,750	9,391	7,103	9,953	8,234	48,700	48,750	10,231	7,943	10,793	9,074
42,750	42,800	8,565	6,416	9,127	7,408	45,750	45,800	9,405	7,117	9,967	8,248	48,750	48,800	10,245	7,957	10,807	9,088
42,800	42,850	8,579	6,424	9,141	7,422	45,800	45,850	9,419	7,131	9,981	8,262	48,800	48,850	10,259	7,971	10,821	9,102
42,850	42,900	8,593	6,431	9,155	7,436	45,850	45,900	9,433	7,145	9,995	8,276	48,850	48,900	10,273	7,985	10,835	9,116
42,900	42,950	8,607	6,439	9,169	7,450	45,900	45,950	9,447	7,159	10,009	8,290	48,900	48,950	10,287	7,999	10,849	9,130
42,950	43,000	8,621	6,446	9,183	7,464	45,950	46,000	9,461	7,173	10,023	8,304	48,950	49,000	10,301	8,013	10,863	9,144
43,000						46,000						49,000					
43,000	43,050	8,635	6,454	9,197	7,478	46,000	46,050	9,475	7,187	10,037	8,318	49,000	49,050	10,315	8,027	10,877	9,158
43,050	43,100	8,649	6,461	9,211	7,492	46,050	46,100	9,489	7,201	10,051	8,332	49,050	49,100	10,329	8,041	10,891	9,172
43,100	43,150	8,663	6,469	9,225	7,506	46,100	46,150	9,503	7,215	10,065	8,346	49,100	49,150	10,343	8,055	10,905	9,186
43,150	43,200	8,677	6,476	9,239	7,520	46,150	46,200	9,517	7,229	10,079	8,360	49,150	49,200	10,357	8,069	10,919	9,200
43,200	43,250	8,691	6,484	9,253	7,534	46,200	46,250	9,531	7,243	10,093	8,374	49,200	49,250	10,371	8,083	10,933	9,214
43,250	43,300	8,705	6,491	9,267	7,548	46,250	46,300	9,545	7,257	10,107	8,388	49,250	49,300	10,385	8,097	10,947	9,228
43,300	43,350	8,719	6,499	9,281	7,562	46,300	46,350	9,559	7,271	10,121	8,402	49,300	49,350	10,399	8,111	10,961	9,242
43,350	43,400	8,733	6,506	9,295	7,576	46,350	46,400	9,573	7,285	10,135	8,416	49,350	49,400	10,413	8,125	10,975	9,256
43,400	43,450	8,747	6,514	9,309	7,590	46,400	46,450	9,587	7,299	10,149	8,430	49,400	49,450	10,427	8,139	10,989	9,270
43,450	43,500	8,761	6,521	9,323	7,604	46,450	46,500	9,601	7,313	10,163	8,444	49,450	49,500	10,441	8,153	11,003	9,284
43,500	43,550	8,775	6,529	9,337	7,618	46,500	46,550	9,615	7,327	10,177	8,458	49,500	49,550	10,455	8,167	11,017	9,298
43,550	43,600	8,789	6,536	9,351	7,632	46,550	46,600	9,629	7,341	10,191	8,472	49,550	49,600	10,469	8,181	11,031	9,312
43,600	43,650	8,803	6,544	9,365	7,646	46,600	46,650	9,643	7,355	10,205	8,486	49,600	49,650	10,483	8,195	11,045	9,326
43,650	43,700	8,817	6,551	9,379	7,660	46,650	46,700	9,657	7,369	10,219	8,500	49,650	49,700	10,497	8,209	11,059	9,340
43,700	43,750	8,831	6,559	9,393	7,674	46,700	46,750	9,671	7,383	10,233	8,514	49,700	49,750	10,511	8,223	11,073	9,354
43,750	43,800	8,845	6,566	9,407	7,688	46,750	46,800	9,685	7,397	10,247	8,528	49,750	49,800	10,525	8,237	11,087	9,368
43,800	43,850	8,859	6,574	9,421	7,702	46,800	46,850	9,699	7,411	10,261	8,542	49,800	49,850	10,539	8,251	11,101	9,382
43,850	43,900	8,873	6,585	9,435	7,716	46,850	46,900	9,713	7,425	10,275	8,556	49,850	49,900	10,553	8,265	11,115	9,396
43,900	43,950	8,887	6,599	9,449	7,730	46,900	46,950	9,727	7,439	10,289	8,570	49,900	49,950	10,567	8,279	11,129	9,410

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (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
		Your tax is—						Your tax is—						Your tax is—			
50,000						53,000						56,000					
50,000	50,050	10,595	8,307	11,157	9,438	53,000	53,050	11,435	9,147	11,998	10,278	56,000	56,050	12,275	9,987	12,928	11,118
50,050	50,100	10,609	8,321	11,171	9,452	53,050	53,100	11,449	9,161	12,014	10,292	56,050	56,100	12,289	10,001	12,944	11,132
50,100	50,150	10,623	8,335	11,185	9,466	53,100	53,150	11,463	9,175	12,029	10,306	56,100	56,150	12,303	10,015	12,959	11,146
50,150	50,200	10,637	8,349	11,199	9,480	53,150	53,200	11,477	9,189	12,045	10,320	56,150	56,200	12,317	10,029	12,975	11,160
50,200	50,250	10,651	8,363	11,213	9,494	53,200	53,250	11,491	9,203	12,060	10,334	56,200	56,250	12,331	10,043	12,990	11,174
50,250	50,300	10,665	8,377	11,227	9,508	53,250	53,300	11,505	9,217	12,076	10,348	56,250	56,300	12,345	10,057	13,006	11,188
50,300	50,350	10,679	8,391	11,241	9,522	53,300	53,350	11,519	9,231	12,091	10,362	56,300	56,350	12,359	10,071	13,021	11,202
50,350	50,400	10,693	8,405	11,255	9,536	53,350	53,400	11,533	9,245	12,107	10,376	56,350	56,400	12,373	10,085	13,037	11,216
50,400	50,450	10,707	8,419	11,269	9,550	53,400	53,450	11,547	9,259	12,122	10,390	56,400	56,450	12,387	10,099	13,052	11,230
50,450	50,500	10,721	8,433	11,283	9,564	53,450	53,500	11,561	9,273	12,138	10,404	56,450	56,500	12,401	10,113	13,068	11,244
50,500	50,550	10,735	8,447	11,297	9,578	53,500	53,550	11,575	9,287	12,153	10,418	56,500	56,550	12,415	10,127	13,083	11,258
50,550	50,600	10,749	8,461	11,311	9,592	53,550	53,600	11,589	9,301	12,169	10,432	56,550	56,600	12,429	10,141	13,099	11,272
50,600	50,650	10,763	8,475	11,325	9,606	53,600	53,650	11,603	9,315	12,184	10,446	56,600	56,650	12,443	10,155	13,114	11,286
50,650	50,700	10,777	8,489	11,339	9,620	53,650	53,700	11,617	9,329	12,200	10,460	56,650	56,700	12,457	10,169	13,130	11,300
50,700	50,750	10,791	8,503	11,353	9,634	53,700	53,750	11,631	9,343	12,215	10,474	56,700	56,750	12,471	10,183	13,145	11,314
50,750	50,800	10,805	8,517	11,367	9,648	53,750	53,800	11,645	9,357	12,231	10,488	56,750	56,800	12,485	10,197	13,161	11,328
50,800	50,850	10,819	8,531	11,381	9,662	53,800	53,850	11,659	9,371	12,246	10,502	56,800	56,850	12,499	10,211	13,176	11,342
50,850	50,900	10,833	8,545	11,395	9,676	53,850	53,900	11,673	9,385	12,262	10,516	56,850	56,900	12,513	10,225	13,192	11,356
50,900	50,950	10,847	8,559	11,409	9,690	53,900	53,950	11,687	9,399	12,277	10,530	56,900	56,950	12,527	10,239	13,207	11,370
50,950	51,000	10,861	8,573	11,423	9,704	53,950	54,000	11,701	9,413	12,293	10,544	56,950	57,000	12,541	10,253	13,223	11,384
51,000						54,000						57,000					
51,000	51,050	10,875	8,587	11,437	9,718	54,000	54,050	11,715	9,427	12,308	10,558	57,000	57,050	12,555	10,267	13,238	11,398
51,050	51,100	10,889	8,601	11,451	9,732	54,050	54,100	11,729	9,441	12,324	10,572	57,050	57,100	12,569	10,281	13,254	11,412
51,100	51,150	10,903	8,615	11,465	9,746	54,100	54,150	11,743	9,455	12,339	10,586	57,100	57,150	12,583	10,295	13,269	11,426
51,150	51,200	10,917	8,629	11,479	9,760	54,150	54,200	11,757	9,469	12,355	10,600	57,150	57,200	12,597	10,309	13,285	11,440
51,200	51,250	10,931	8,643	11,493	9,774	54,200	54,250	11,771	9,483	12,370	10,614	57,200	57,250	12,611	10,323	13,300	11,454
51,250	51,300	10,945	8,657	11,507	9,788	54,250	54,300	11,785	9,497	12,386	10,628	57,250	57,300	12,625	10,337	13,316	11,468
51,300	51,350	10,959	8,671	11,521	9,802	54,300	54,350	11,799	9,511	12,401	10,642	57,300	57,350	12,639	10,351	13,331	11,482
51,350	51,400	10,973	8,685	11,535	9,816	54,350	54,400	11,813	9,525	12,417	10,656	57,350	57,400	12,653	10,365	13,347	11,496
51,400	51,450	10,987	8,699	11,549	9,830	54,400	54,450	11,827	9,539	12,432	10,670	57,400	57,450	12,667	10,379	13,362	11,510
51,450	51,500	11,001	8,713	11,563	9,844	54,450	54,500	11,841	9,553	12,448	10,684	57,450	57,500	12,681	10,393	13,378	11,524
51,500	51,550	11,015	8,727	11,577	9,858	54,500	54,550	11,855	9,567	12,463	10,698	57,500	57,550	12,695	10,407	13,393	11,538
51,550	51,600	11,029	8,741	11,591	9,872	54,550	54,600	11,869	9,581	12,479	10,712	57,550	57,600	12,709	10,421	13,409	11,552
51,600	51,650	11,043	8,755	11,605	9,886	54,600	54,650	11,883	9,595	12,494	10,726	57,600	57,650	12,723	10,435	13,424	11,566
51,650	51,700	11,057	8,769	11,619	9,900	54,650	54,700	11,897	9,609	12,510	10,740	57,650	57,700	12,737	10,449	13,440	11,580
51,700	51,750	11,071	8,783	11,633	9,914	54,700	54,750	11,911	9,623	12,525	10,754	57,700	57,750	12,751	10,463	13,455	11,594
51,750	51,800	11,085	8,797	11,647	9,928	54,750	54,800	11,925	9,637	12,541	10,768	57,750	57,800	12,765	10,477	13,471	11,608
51,800	51,850	11,099	8,811	11,661	9,942	54,800	54,850	11,939	9,651	12,556	10,782	57,800	57,850	12,779	10,491	13,486	11,622
51,850	51,900	11,113	8,825	11,675	9,956	54,850	54,900	11,953	9,665	12,572	10,796	57,850	57,900	12,793	10,505	13,502	11,636
51,900	51,950	11,127	8,839	11,689	9,970	54,900	54,950	11,967	9,679	12,587	10,810	57,900	57,950	12,807	10,519	13,517	11,650
51,950	52,000	11,141	8,853	11,703	9,984	54,950	55,000	11,981	9,693	12,603	10,824	57,950	58,000	12,821	10,533	13,533	11,664
52,000						55,000						58,000					
52,000	52,050	11,155	8,867	11,717	9,998	55,000	55,050	11,995	9,707	12,618	10,838	58,000	58,050	12,835	10,547	13,548	11,678
52,050	52,100	11,169	8,881	11,731	10,012	55,050	55,100	12,009	9,721	12,634	10,852	58,050	58,100	12,849	10,561	13,564	11,692
52,100	52,150	11,183	8,895	11,745	10,026	55,100	55,150	12,023	9,735	12,649	10,866	58,100	58,150	12,863	10,575	13,579	11,706
52,150	52,200	11,197	8,909	11,759	10,040	55,150	55,200	12,037	9,749	12,665	10,880	58,150	58,200	12,877	10,589	13,595	11,720
52,200	52,250	11,211	8,923	11,773	10,054	55,200	55,250	12,051	9,763	12,680	10,894	58,200	58,250	12,891	10,603	13,610	11,734
52,250	52,300	11,225	8,937	11,787	10,068	55,250	55,300	12,065	9,777	12,696	10,908	58,250	58,300	12,905	10,617	13,626	11,748
52,300	52,350	11,239	8,951	11,801	10,082	55,300	55,350	12,079	9,791	12,711	10,922	58,300	58,350	12,919	10,631	13,641	11,762
52,350	52,400	11,253	8,965	11,815	10,096	55,350	55,400	12,093	9,805	12,727	10,936	58,350	58,400	12,933	10,645	13,657	11,776
52,400	52,450	11,267	8,979	11,829	10,110	55,400	55,450	12,107	9,819	12,742	10,950	58,400	58,450	12,947	10,659	13,672	11,790
52,450	52,500	11,281	8,993	11,843	10,124	55,450	55,500	12,121	9,833	12,758	10,964	58,450	58,500	12,961	10,673	13,688	11,804
52,500	52,550	11,295	9,007	11,857	10,138	55,500	55,550	12,135	9,847	12,773	10,978	58,500	58,550	12,975	10,687	13,703	11,818
52,550	52,600	11,309	9,021	11,871	10,152	55,550	55,600	12,149	9,861	12,789	10,992	58,550	58,600	12,989	10,701	13,719	11,832
52,600	52,650	11,323	9,035	11,885	10,166	55,600	55,650	12,163	9,875	12,804	11,006	58,600	58,650	13,003	10,715	13,734	11,846
52,650	52,700	11,337	9,049	11,899	10,180	55,650	55,700	12,177	9,889	12,820	11,020	58,650	58,700	13,017	10,729	13,750	11,860
52,700	52,750	11,351	9,063	11,913	10,194	55,700	55,750	12,191	9,903	12,835	11,034	58,700	58,750	13,031	10,743	13,765	11,874
52,750	52,800	11,365	9,077	11,927	10,208	55,750	55,800	12,205	9,917	12,851	11,048	58,750	58,800	13,045	10,757	13,781	11,888
52,800	52,850	11,379	9,091	11,941	10,222	55,800	55,850	12,219	9,931	12,866	11,062	58,800	58,850	13,059	10,771	13,796	

2000 Tax Table—Continued

If line 39 (taxable income) is—		And you are—				If line 39 (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
		Your tax is—						Your tax is—			
95,000						98,000					
95,000	95,050	24,139	20,907	25,733	22,164	98,000	98,050	25,069	21,747	26,813	23,094
95,050	95,100	24,154	20,921	25,751	22,180	98,050	98,100	25,084	21,761	26,831	23,110
95,100	95,150	24,170	20,935	25,769	22,195	98,100	98,150	25,100	21,775	26,849	23,125
95,150	95,200	24,185	20,949	25,787	22,211	98,150	98,200	25,115	21,789	26,867	23,141
95,200	95,250	24,201	20,963	25,805	22,226	98,200	98,250	25,131	21,803	26,885	23,156
95,250	95,300	24,216	20,977	25,823	22,242	98,250	98,300	25,146	21,817	26,903	23,172
95,300	95,350	24,232	20,991	25,841	22,257	98,300	98,350	25,162	21,831	26,921	23,187
95,350	95,400	24,247	21,005	25,859	22,273	98,350	98,400	25,177	21,845	26,939	23,203
95,400	95,450	24,263	21,019	25,877	22,288	98,400	98,450	25,193	21,859	26,957	23,218
95,450	95,500	24,278	21,033	25,895	22,304	98,450	98,500	25,208	21,873	26,975	23,234
95,500	95,550	24,294	21,047	25,913	22,319	98,500	98,550	25,224	21,887	26,993	23,249
95,550	95,600	24,309	21,061	25,931	22,335	98,550	98,600	25,239	21,901	27,011	23,265
95,600	95,650	24,325	21,075	25,949	22,350	98,600	98,650	25,255	21,915	27,029	23,280
95,650	95,700	24,340	21,089	25,967	22,366	98,650	98,700	25,270	21,929	27,047	23,296
95,700	95,750	24,356	21,103	25,985	22,381	98,700	98,750	25,286	21,943	27,065	23,311
95,750	95,800	24,371	21,117	26,003	22,397	98,750	98,800	25,301	21,957	27,083	23,327
95,800	95,850	24,387	21,131	26,021	22,412	98,800	98,850	25,317	21,971	27,101	23,342
95,850	95,900	24,402	21,145	26,039	22,428	98,850	98,900	25,332	21,985	27,119	23,358
95,900	95,950	24,418	21,159	26,057	22,443	98,900	98,950	25,348	21,999	27,137	23,373
95,950	96,000	24,433	21,173	26,075	22,459	98,950	99,000	25,363	22,013	27,155	23,389
96,000						99,000					
96,000	96,050	24,449	21,187	26,093	22,474	99,000	99,050	25,379	22,027	27,173	23,404
96,050	96,100	24,464	21,201	26,111	22,490	99,050	99,100	25,394	22,041	27,191	23,420
96,100	96,150	24,480	21,215	26,129	22,505	99,100	99,150	25,410	22,055	27,209	23,435
96,150	96,200	24,495	21,229	26,147	22,521	99,150	99,200	25,425	22,069	27,227	23,451
96,200	96,250	24,511	21,243	26,165	22,536	99,200	99,250	25,441	22,083	27,245	23,466
96,250	96,300	24,526	21,257	26,183	22,552	99,250	99,300	25,456	22,097	27,263	23,482
96,300	96,350	24,542	21,271	26,201	22,567	99,300	99,350	25,472	22,111	27,281	23,497
96,350	96,400	24,557	21,285	26,219	22,583	99,350	99,400	25,487	22,125	27,299	23,513
96,400	96,450	24,573	21,299	26,237	22,598	99,400	99,450	25,503	22,139	27,317	23,528
96,450	96,500	24,588	21,313	26,255	22,614	99,450	99,500	25,518	22,153	27,335	23,544
96,500	96,550	24,604	21,327	26,273	22,629	99,500	99,550	25,534	22,167	27,353	23,559
96,550	96,600	24,619	21,341	26,291	22,645	99,550	99,600	25,549	22,181	27,371	23,575
96,600	96,650	24,635	21,355	26,309	22,660	99,600	99,650	25,565	22,195	27,389	23,590
96,650	96,700	24,650	21,369	26,327	22,676	99,650	99,700	25,580	22,209	27,407	23,606
96,700	96,750	24,666	21,383	26,345	22,691	99,700	99,750	25,596	22,223	27,425	23,621
96,750	96,800	24,681	21,397	26,363	22,707	99,750	99,800	25,611	22,237	27,443	23,637
96,800	96,850	24,697	21,411	26,381	22,722	99,800	99,850	25,627	22,251	27,461	23,652
96,850	96,900	24,712	21,425	26,399	22,738	99,850	99,900	25,642	22,265	27,479	23,668
96,900	96,950	24,728	21,439	26,417	22,753	99,900	99,950	25,658	22,279	27,497	23,683
96,950	97,000	24,743	21,453	26,435	22,769	99,950	100,000	25,673	22,293	27,515	23,699
97,000						<div style="border: 1px solid black; border-radius: 50%; padding: 20px; width: fit-content; margin: auto;"> <p>\$100,000 or over — use the Tax Rate Schedules on page 71</p> </div>					
97,000	97,050	24,759	21,467	26,453	22,784						
97,050	97,100	24,774	21,481	26,471	22,800						
97,100	97,150	24,790	21,495	26,489	22,815						
97,150	97,200	24,805	21,509	26,507	22,831						
97,200	97,250	24,821	21,523	26,525	22,846						
97,250	97,300	24,836	21,537	26,543	22,862						
97,300	97,350	24,852	21,551	26,561	22,877						
97,350	97,400	24,867	21,565	26,579	22,893						
97,400	97,450	24,883	21,579	26,597	22,908						
97,450	97,500	24,898	21,593	26,615	22,924						
97,500	97,550	24,914	21,607	26,633	22,939						
97,550	97,600	24,929	21,621	26,651	22,955						
97,600	97,650	24,945	21,635	26,669	22,970						
97,650	97,700	24,960	21,649	26,687	22,986						
97,700	97,750	24,976	21,663	26,705	23,001						
97,750	97,800	24,991	21,677	26,723	23,017						
97,800	97,850	25,007	21,691	26,741	23,032						
97,850	97,900	25,022	21,705	26,759	23,048						
97,900	97,950	25,038	21,719	26,777	23,063						
97,950	98,000	25,053	21,733	26,795	23,079						

* This column must also be used by a qualifying widow(er).

Instructions for Schedules to Form 1040

2000 Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) to figure your itemized deductions. In most cases, your Federal income tax will be less if you take the **larger** of your itemized deductions or your standard deduction.

If you itemize, you may deduct a part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You may also deduct certain casualty and theft losses.



Do not include on Schedule A items deducted elsewhere, such as on Schedule C, C-EZ, E, or F.

Medical and Dental Expenses

You may deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 34.

Pub. 502 discusses the types of expenses that may and may not be deducted. It also explains when you may deduct capital expenses and special care expenses for disabled persons.



If you received a distribution from your medical savings account in 2000, see **Pub. 969** to figure your deduction.

Examples of Medical and Dental Payments You May Deduct

To the extent you were **not reimbursed**, you may deduct what you paid for:

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see **Limit on Long-Term Care Premiums You May Deduct** on this page. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 28.



You **cannot** deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your W-2 form(s).

- Prescription medicines or insulin.
- Medical doctors, osteopathic doctors, dentists, eye doctors, podiatrists, chiropractors, psychiatrists, psychologists, physical therapists, occupational therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.

- Nursing help (including your share of the employment taxes paid). If you paid 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.

- Qualified long-term care services (see Pub. 502).

- The supplemental part of Medicare insurance (Medicare B).

- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.

- Medical treatment at a center for drug or alcohol addiction.

- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.

- Surgery to improve vision including radial keratotomy or other laser eye surgery.

- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility 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 **10 cents a mile**. Add parking and tolls to the amount you claim under either method.

Note. Certain medical expenses paid out of a deceased taxpayer's estate may be claimed on the deceased taxpayer's final return. See Pub. 502 for details.

Limit on Long-Term Care Premiums You May Deduct. The amount you may deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2000, of the person for whom the

premiums were paid. See the following chart for details.

IF the person was, at the end of 2000, age . . .	THEN the most you may deduct is . . .
40 or under	\$ 220
41–50	\$ 410
51–60	\$ 820
61–70	\$ 2,200
71 or older	\$ 2,750

Examples of Medical and Dental Payments You May Not Deduct

- The basic cost of Medicare insurance (Medicare A).



If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.

- Life insurance or income protection policies.

- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.

- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 44.

- Illegal operations or drugs.

- Nonprescription medicines (including nicotine gum and certain nicotine patches).

- Travel your doctor told you to take for rest or a change.

- Funeral, burial, or cremation costs.

Line 1

Medical and Dental Expenses

Enter the total of your medical and dental expenses (see page A-1), after you reduce these expenses by any payments received from insurance or other sources. See **Reimbursements** below.



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 28, reduce the premiums by the amount on line 28.

Whose Medical and Dental Expenses Can You Include? You may include medical and dental bills you paid for:

- Yourself and your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained in **Pub. 501** for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return if that person had not received \$2,800 or more of gross income or had not filed a joint return.

Example. You provided over half of your mother's support but may not claim her as a dependent because she received wages of \$2,800 in 2000. You may include on line 1 any medical and dental expenses you paid in 2000 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 **only** the amount you paid. If you received a reimbursement in 2000 for medical or dental expenses you paid in 2000, reduce your 2000 expenses by this amount. If you received a reimbursement in 2000 for prior year medical or dental expenses, do not reduce your 2000 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See **Pub. 502** for details on how to figure the amount to include.

Cafeteria Plans. Do not include on line 1 insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 1 of your W-2 form(s). Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your W-2 form(s).

Taxes You Paid

Taxes You May Not Deduct

- Federal income and excise taxes.
- Social security, Medicare, Federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 27 on page A-6.
- 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.).

Line 5

State and Local Income Taxes

Include on this line the state and local income taxes listed below.

- State and local income taxes withheld from your salary during 2000. Your W-2 form(s) will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.

- State and local income taxes paid in 2000 for a prior year, such as taxes paid with your 1999 state or local income tax return. **Do not** include penalties or interest.

- State and local estimated tax payments made during 2000, including any part of a prior year refund that you chose to have credited to your 2000 state or local income taxes.

- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

Do not reduce your deduction by:

- Any state or local income tax refund or credit you expect to receive for 2000 or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 2000. Instead, see the instructions for Form 1040, line 10.

Line 6

Real Estate Taxes

Include taxes (state, local, or foreign) you paid on real estate you own that was not used for business, but only if the taxes are based on the assessed value of the property. Also, the assessment must be made uniform-

ly on property throughout the community, and the proceeds must be used for general community or governmental purposes. **Pub. 530** explains the deductions homeowners may take.

Do not include the following amounts on line 6.

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).

- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you may deduct only the amount the mortgage company actually paid to the taxing authority in 2000.

If you sold your home in 2000, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any **Form 1099-S** you received. This amount is considered a refund of real estate taxes. See **Refunds and Rebates** next. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and Rebates. If you received a refund or rebate in 2000 of real estate taxes you paid in 2000, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2000 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. **Pub. 525** tells you how to figure the amount to include in income.

Line 7

Personal Property Taxes

Enter personal property tax you paid, but only if it is based on value alone and it is charged on a yearly basis.

Example. You paid a yearly fee for the registration of your car. Part of the fee was based on the car's value and part was based on its weight. You may deduct only the part of the fee that was based on the car's value.

Line 8

Other Taxes

If you had any deductible tax not listed on line 5, 6, or 7, list the type and amount of tax. Enter only one total on line 8. Include on this line income tax you paid to a foreign country or U.S. possession.



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 43, for details.

Interest You Paid

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. See **Pub. 535** for details.

In general, if you paid interest in 2000 that applies to any period after 2000, you may deduct only amounts that apply for 2000.

Lines 10 and 11

Home Mortgage Interest

A **home mortgage** is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

A **home** may be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

Limit on Home Mortgage Interest. If you took out any mortgages after October 13, 1987, your deduction may be limited. Any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date are treated as a mortgage taken out after October 13, 1987. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See **Pub. 936** to figure your deduction if **either 1 or 2** next applies. If you had more than one home at the same time, the dollar amounts in **1** and **2** apply to the total mortgages on both homes.

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during

2000. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 2000. The limit is \$500,000 if married filing separately.



If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See **Pub. 936**.

Line 10

Enter on line 10 mortgage interest and points reported to you on **Form 1098**. If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21.

If you paid more interest to the recipient than is shown on Form 1098, see **Pub. 936** to find out if you can deduct the additional interest. If you can, attach a statement explaining the difference and enter "See attached" next to line 10.

Note. If you are claiming the **mortgage interest credit** (see the instructions for Form 1040, line 49), subtract the amount shown on line 3 of **Form 8396** from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

Line 11

If you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 11.

If you bought your home from the recipient, be sure to show that recipient's name, identifying no., and address on the dotted lines next to line 11. If the recipient is an individual, the identifying no. is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a \$50 penalty.

If you and at least one other person (other than your spouse if filing 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 11, enter "See attached."

Line 12

Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid **only** to borrow money are generally deductible over the life of the loan. See **Pub. 936** to figure the amount you may deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

Refinancing. Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home.

If you used part of the proceeds to **improve your main home**, you may be able to deduct the part of the points related to the improvement in the year paid. See **Pub. 936** for details.



If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.

Line 13

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 passive activities or to securities that generate tax-exempt income.

Complete and attach **Form 4952** to figure your deduction.

Exception. You do not have to file Form 4952 if **all three** of the following apply.

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends.

2. You have no other deductible investment expenses.

3. You have no disallowed investment interest expense from 1999.

Note. Alaska Permanent Fund dividends, including those reported on **Form 8814**, are not investment income.

For more details, see **Pub. 550**.

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, mosques, 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.



If you do not know whether you may deduct what you gave to an organization, check with that organization or with the 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 earlier. If you drove to and from the volunteer work, you may take **14 cents a mile** or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts From Which You Benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you may generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see **Pub. 526**.

Example. You paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40. You may deduct only \$30.

Gifts of \$250 or More. You may deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in **1** and **2** on this page.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See **Pub. 526** if you made a separate gift of \$250 or more through payroll deduction.

1. The amount of any money contributed and a description (but not value) of any property donated.

2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe or value the benefit.



You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.

Limit on the Amount You May Deduct. See **Pub. 526** to figure the amount of your deduction if **any** of the following apply.

- Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 34.

- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 34.

- 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.

- 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 individuals and groups that are run for personal profit.

- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Israeli, and Mexican charities. See **Pub. 526** for details.

- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See **Internal Revenue Code** section 170(f)(9).

- Gifts to groups whose purpose is to lobby for changes in the laws.

- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.

- Value of benefits received in connection with a contribution to a charitable organization. See **Pub. 526** for exceptions.

Line 15

Gifts by Cash or Check

Enter the total contributions you made in cash or by check (including out-of-pocket expenses).

Line 16

Other Than by Cash or Check

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**. For this purpose, the "amount of your deduction" means your deduction **before** applying any income limits that could result in a carryover of contributions. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See **Form 8283** and its instructions for details.

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:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.

(Continued on page A-5)

- 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.

- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.

- Any conditions attached to the gift.

Note. If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a “qualified conservation contribution,” your records should contain additional information. See Pub. 526 for details.

Line 17

Carryover From Prior Year

Enter any carryover of contributions that you could not deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details.

Casualty and Theft Losses

Line 19

Complete and attach **Form 4684** to figure the amount of your loss to enter on line 19.

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. 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—

1. The amount of **each** separate casualty or theft loss is more than \$100 and
2. The total amount of **all** losses during the year is more than 10% of the amount on Form 1040, line 34.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See Form 4684 for details.

Use line 22 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 information on Federal disaster area losses, see **Pub. 547**.

Job Expenses and Most Other Miscellaneous Deductions

Pub. 529 discusses the types of expenses that may and may not be deducted.

Examples of expenses you may **not** deduct are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Commuting expenses. See Pub. 529 for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain Federal employees.
- Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues. See Pub. 529 for exceptions.
- Expenses of adopting a child. But you may be able to take a credit for your expenses. See **Form 8839** for details.
- Fines and penalties.
- Expenses of producing tax-exempt income.

Line 20

Unreimbursed Employee Expenses

Enter the total job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your W-2 form are not considered reimbursements.) But you **must** fill in and attach **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 you used your own vehicle and item 2 does not apply, you may be able to file **Form 2106-EZ** instead.

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted lines next to line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20.

Examples of other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies you needed for your job.
 - Uniforms required by your employer, and which you may not usually wear away from work.
 - Protective clothing required in your work, such as hard hats, 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.
 - Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 11 of the Form 1040 instructions) or see **Pub. 587**.
 - Certain educational expenses. For details, use TeleTax topic 513 (see page 11 of the Form 1040 instructions) or see **Pub. 508**.
- TIP** You may be able to take a credit for your educational expenses instead of a deduction. See **Form 8863** for details.

Line 21

Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically.

Line 22

Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But **do not** include any personal expenses. List the type and amount of each expense on the dotted lines next to line 22. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 22.

Examples of expenses to include on line 22 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.

(Continued on page A-6)

- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see **Pub. 529**.

- Casualty and theft losses from property used in performing services as an employee from **Form 4684**, lines 32 and 38b, or **Form 4797**, line 18b(1).

- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Other Miscellaneous Deductions

Line 27

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 27. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 27.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.

- Casualty and theft losses from income-producing property from **Form 4684**, lines 32 and 38b, or **Form 4797**, line 18b(1).

- 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 over \$3,000. See **Pub. 525** for details.

- Certain unrecovered investment in a pension.

- Impairment-related work expenses of a disabled person.

For more details, see **Pub. 529**.

Total Itemized Deductions




Line 28

Use the worksheet below to figure the amount to enter on line 28 if the amount on Form 1040, line 34, is over \$128,950 if single, married filing jointly, head of household, or qualifying widow(er); \$64,475 if married filing separately.

Itemized Deductions Worksheet—Line 28

Keep for Your Records



1. Add the amounts on Schedule A, lines 4, 9, 14, 18, 19, 26, and 27	1.	<input type="text"/>
2. Add the amounts on Schedule A, lines 4, 13, and 19, plus any gambling and casualty or theft losses included on line 27	2.	<input type="text"/>
 Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 27.		
3. Is the amount on line 2 less than the amount on line 1?		
<input type="checkbox"/> No.  Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.		
<input type="checkbox"/> Yes. Subtract line 2 from line 1	3.	<input type="text"/>
4. Multiply line 3 above by 80% (.80)	4.	<input type="text"/>
5. Enter the amount from Form 1040, line 34	5.	<input type="text"/>
6. Enter: \$128,950 if single, married filing jointly, head of household, or qualifying widow(er); \$64,475 if married filing separately	6.	<input type="text"/>
7. Is the amount on line 6 less than the amount on line 5?		
<input type="checkbox"/> No.  Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.		
<input type="checkbox"/> Yes. Subtract line 6 from line 5	7.	<input type="text"/>
8. Multiply line 7 above by 3% (.03)	8.	<input type="text"/>
9. Enter the smaller of line 4 or line 8	9.	<input type="text"/>
10. Total itemized deductions. Subtract line 9 from line 1. Enter the result here and on Schedule A, line 28	10.	<input type="text"/>

2000 Instructions for Schedule B, Interest and Ordinary Dividends

TIP You may list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate statements that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the statements and attach them at the end of your return.

Part I. Interest

Line 1

Interest

Report on line 1 **all** of your taxable interest. List each payer's name and show the amount.

Special Rules

Seller-Financed Mortgages

If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not show the buyer's name, address, and SSN, or let the buyer know your SSN, you may have to pay a \$50 penalty.

Nominees

If you received a **Form 1099-INT** that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put

Use Schedule B (Form 1040) if **any** of the following apply.

- You had over \$400 of taxable interest.
- Any of the **Special Rules** listed in the instructions for line 1 below apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You had over \$400 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You **(1)** had a foreign account or **(2)** received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.

a subtotal of all interest listed on line 1. Below this subtotal, enter "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.

TIP If you received interest as a nominee, you must give the actual owner a Form 1099-INT unless the owner is your spouse. You must also file a **Form 1096** and a Form 1099-INT with the IRS. For more details, see the **General Instructions for Forms 1099, 1098, 5498, and W-2G** and **Instructions for Forms 1099-INT and 1099-OID**.

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 earlier 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, follow the rules earlier under **Nominees** to see how to report the interest on Schedule B. But identify the amount to be subtracted as "Tax-Exempt Interest."

Original Issue Discount (OID)

If you are reporting OID in an amount less than the amount shown on Form 1099-OID, follow the rules earlier under **Nominees** 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, follow the rules earlier under **Nominees** to see how to report the interest

on Schedule B. But identify the amount to be subtracted as "ABP Adjustment."

Line 3

Excludable Interest on Series EE and I U.S. Savings Bonds Issued After 1989

If, during 2000, you cashed series EE or I U.S. savings bonds issued after 1989 and you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See **Form 8815** for details.

Part II. Ordinary Dividends

Note. You may have to file **Form 5471** if, in 2000, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2000, you owned 10% or more of the total **(1)** value of a foreign corporation's stock or **(2)** combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions.

Line 5

Ordinary Dividends

Report on line 5 **all** of your ordinary dividends. List each payer's name and show the amount.

TIP Do not report capital gain distributions on line 5. Instead, see the instructions for Form 1040, line 13.

(Continued on page B-2)

Nominees

If you received a **Form 1099-DIV** that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.



If you received ordinary dividends as a nominee, you must give the actual owner a **Form 1099-DIV** unless the owner is your spouse. You must also file a **Form 1096** and a **Form 1099-DIV** with the IRS. For more details, see the **General Instructions for Forms 1099, 1098, 5498, and W-2G** and **Instructions for Form 1099-DIV**.

Part III. Foreign Accounts and Trusts

Lines 7a and 7b

Foreign Accounts

Line 7a

Check the "Yes" box on line 7a if **either 1 or 2** below applies to you.

1. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

2. 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).

Note. Item **2** does not apply to foreign securities held in a U.S. securities account.

Exceptions. Check the "No" box 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 were 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 was in your employer's name; **and** you did not have a personal financial interest in the account.
- You were 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 was in your employer's name; you did 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.

See **Form TD F 90-22.1** to find out 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).

If you checked the "Yes" box on line 7a, file **Form TD F 90-22.1** by June 30, 2001, with the **Department of the Treasury** at the address shown on that form. **Do not** attach it to **Form 1040**.

Line 7b

If you checked the "Yes" box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

Line 8

Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See **Form 3520** for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 2000, you may have to file **Form 3520**.

2000 Instructions for Schedule C, Profit or Loss From Business

Use Schedule C (Form 1040) to report income or loss from a business you operated or a profession you practiced as a sole proprietor. Also, use Schedule C to report wages and expenses you had as a statutory employee. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Form 1040, line 21.

Small businesses and statutory employees with expenses of \$2,500 or less may be able to file **Schedule C-EZ** instead of Schedule C. See Schedule C-EZ to find out if you qualify to file it.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

General Instructions

A Change To Note

Generally, if your average annual gross receipts for the 3 prior tax years are \$1 million or less, you may be eligible to adopt or change to the cash method of accounting. If you make this change, you will not be required to account for inventories. Instead, you may treat inventory in the same manner as costs of materials and supplies that are not incidental. For details, see **Cost of Goods Sold** on page C-6.

Other Schedules and Forms You May Have To File

Schedule A to deduct interest, taxes, and casualty losses not related to your business.

Schedule E to report rental real estate and royalty income or (loss) that is **not** subject to self-employment tax.

Schedule F to report profit or (loss) from farming.

Schedule SE to pay self-employment tax on income from any trade or business.

Form 4562 to claim depreciation on assets placed in service in 2000, to claim amortization that began in 2000, or to report information on listed property.

Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.

Form 8271 if you are claiming or reporting on Schedule C or C-EZ any income, deduction, loss, credit, or other tax benefit from a tax shelter.

Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.

Form 8824 to report like-kind exchanges.

Form 8829 to claim expenses for business use of your home.

Heavy Highway Vehicle Use Tax. 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 motor vehicle use tax. See **Form 2290** to find out if you owe this tax.

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 details, see the 2000 **General Instructions for Forms 1099, 1098, 5498, and W-2G.**

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file **Form 8300**. For details, see **Pub. 1544**.

Additional Information

See **Pub. 334** for more information for small businesses.

Specific Instructions

Filers of Form 1041. Do not complete the block labeled "Social security number." Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. 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 D

You need an EIN only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4**. If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

Generally, you can use the cash method, accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. If inventories are required, you must use the accrual method for sales and purchases of inventory. See **Cost of Goods Sold** on page C-6. Special rules apply to long-term contracts. See Internal Revenue Code section 460 for details.

If you use the **cash method**, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses.

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. See **Pub. 538**.

To change your accounting method (including treatment of inventories), you must usually get permission from the IRS. In general, you must file **Form 3115** during the

tax year in which you want to make the change.

Line G

Participation, for purposes of the following seven material participation tests, generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

1. Studying and reviewing financial statements or reports on the activity,
2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
3. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return.

Material Participation. For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 2000 if you meet any of the following seven 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 did 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 did 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 for more than 500 hours during the year. 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 did not materially participate under any of the material participation tests (other than this test 4).
5. You materially participated in the activity for any 5 of the prior 10 tax years.

6. The activity is a personal service activity in which you materially participated for any 3 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, 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 (except you) (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.

If you **do not** meet any of the above tests, check the "No" box. This business is a **passive activity**. If you have a loss from this business, see **Limit on Losses** below. If you have a profit from this business activity but have current year losses from other passive activities or you have prior year unallowed passive activity losses, see the Instructions for Form 8582.

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. The activity of owning the working interest is not a passive activity regardless of your participation.

Limit on Losses. If you checked the "No" box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For details, see **Pub. 925**.

Line H

If you started or acquired this business in 2000, check the box on line H. Also, check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 1999 Schedule C or C-EZ for this business.

Part I. Income

Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on **Forms 1099-MISC**. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

Statutory Employees. If you received a Form W-2 and the "Statutory employee" box in box 15 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ, and **check the box** on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not owe self-employment tax on these earnings. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, you **must** file two Schedules C. You **cannot** use Schedule C-EZ or combine these amounts on a single Schedule C.

Installment Sales. Generally, the installment method may not be used to report income from the sale of (a) personal property regularly sold under the installment method or (b) 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(l)(2)(B) for details. If you make this election, include the interest on Form 1040, line 57. Also, enter "453(l)(3)" and the amount of the interest on the dotted line to the left of line 57.

If you use the installment method, attach a schedule to your return. Show separately for 2000 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 6

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 2000, credit for Federal tax paid on gasoline or other fuels claimed on your 1999 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in

your trade or business as shown on **Form 1099-PATR**. Also, include any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details, see **Pub. 535**.

If the business use percentage of any listed property (defined in the instructions for line 13 on this page) decreased to 50% or less in 2000, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use **Form 4797** to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See **Pub. 946** to figure the amount.

Part II. Expenses

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property generally must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property generally 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, you must capitalize 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. Reduce the amounts on lines 8–26 and Part V by amounts capitalized. For details, see **Pub. 538**.

Exception for Cash Method Producers Who Do Not Account for Inventories. Producers whose average annual gross receipts are \$1 million or less that use the cash method of accounting and choose not to account for inventories may currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See **Cost of Goods Sold** on page C-6 for more details.

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 details, see **Pub. 538**.

Line 9

Include debts and partial debts 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. For details, see **Pub. 535**.

Line 10

You can deduct the actual expenses of running your car or truck, or take the **standard mileage rate**. You **must** use actual expenses if you used your vehicle for hire (such as a taxicab), or you used more than one vehicle simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2000 **only** if:

- You owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

- Include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

If you take the standard mileage rate, multiply the number of business miles by 32.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 12. **Do not** deduct depreciation, rent or lease payments, or your actual operating expenses.

For details, see **Pub. 463**.

Information on Your Vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

- Part IV of Schedule C or Part III of Schedule C-EZ if: **(a)** you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated and **(b)** you are **not** required to file **Form 4562** for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Part IV of Schedule C, or Part III of Schedule C-EZ, for each additional vehicle.

- Part V of Form 4562 if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13 below).

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

Depreciation and Section 179 Expense Deduction. Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property

having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You may also choose under Internal Revenue Code section 179 to expense part of the cost of certain property you bought in 2000 for use in your business. See the Instructions for Form 4562 to figure the amount to enter on line 13.

When To Attach Form 4562. You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property placed in service during 2000,
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service, or
- You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 2000, see **Pub. 946**.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less,
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.,
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment),
- Cellular telephones or other similar telecommunications equipment, and
- Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under Internal Revenue Code section 280A(c)(1) for deducting expenses for the business use of your home.

See the instructions for line 6 on page C-2 if the business use percentage of any listed property decreased to 50% or less in 2000.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on

line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 28, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for Form 1040, line 28, for details.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For details, see Pub. 535.

Lines 16a and 16b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See Pub. 535 for details.

If you paid interest in 2000 that applies to future years, deduct only the part that applies to 2000. 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. 535 to figure the amount that is deductible on Schedule C or C-EZ.

If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 2000 to banks or other financial institutions for which you received a **Form 1098**. If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 16a. Attach a statement to your return explaining the difference. Enter "See attached" in the margin next to line 16a.

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 your share of the interest on

line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 16b, enter "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, see **Pub. 550**.

Line 17

Include on this line fees for tax advice related to your business and for preparation of the tax forms related to your business.

Line 19

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 29, not on Schedule C.

Generally, you must file the applicable form listed below 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. There is a penalty for failure to timely file these forms.

Form 5500. File this form for a plan that is not a one-participant plan (see below).

Form 5500-EZ. File this form for a one-participant plan. A **one-participant plan** is a plan that only covers you (or you and your spouse).

For details, see **Pub. 560**.

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the **inclusion amount**.

You may have to do this if—

The lease term began during . . .	And the vehicle's fair market value on the first day of the lease exceeded . . .
1999 or 2000	\$15,500
1997 or 1998	15,800
1995 or 1996	15,500
If the lease term began before 1995, see Pub. 463 to find out if you have an inclusion amount.	

See Pub. 463 to figure your inclusion amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of repairs and maintenance. Include 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 must be capitalized.

Line 22

Generally, you can deduct the cost of supplies only to the extent you actually consumed and used them in your business during the tax year (unless you deducted them in a prior tax year). However, if you had incidental supplies on hand for which you kept no inventories or records of use, you may deduct the cost of supplies you actually purchased during the tax year, provided that method clearly reflects income.

Line 23

You can deduct the following taxes and licenses on this line.

- State and local sales taxes imposed on you as the seller of goods or services. If you collected this tax from the buyer, you must also include the amount collected in gross receipts or sales on line 1.

- Real estate and personal property taxes on business assets.

- Licenses and regulatory fees for your trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized. See Pub. 535 for details.

- Social security and Medicare taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid. Reduce your deduction by the amount of the current year credit shown on line 4 of **Form 8846**.

- Federal highway use tax.

Do not deduct on this line:

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 27.

- Estate and gift taxes.

- Taxes assessed to pay for improvements, such as paving and sewers.

- Taxes on your home or personal use property.

- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.

- State and local sales taxes imposed on the buyer that you were required to collect

and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.

- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 24b and 24c below.

You cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For details, see Pub. 463.

Lines 24b and 24c

On line 24b, enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. For more details, see Pub. 463.

Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

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.

Also, you cannot deduct membership dues for any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations, professional organizations (such as

bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See Pub. 463.

Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. For individuals subject to the Department of Transportation (DOT) hours of service limits, that percentage is increased to 60% for business meals consumed during, or incident to, any period of duty for which those limits are in effect. Individuals subject to the DOT hours of service limits include the following persons:

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are under Federal Aviation Administration regulations.

- Interstate truck operators who are under DOT regulations.

- Certain merchant mariners who are under Coast Guard regulations.

However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. See Pub. 463 for details and other exceptions.

Figure how much of the amount on line 24b is not deductible and enter that amount on line 24c.

Line 25

Deduct only utility expenses for your trade or business.

Local Telephone Service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Work Opportunity Credit,
- **Form 8844**, Empowerment Zone Employment Credit,
- **Form 8845**, Indian Employment Credit, and
- **Form 8861**, Welfare-to-Work Credit.



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 30

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. You must attach **Form 8829** if you claim this deduction. For details, see the Instructions for Form 8829 and **Pub. 587**.

Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go to line 32 before entering your loss on line 31. If you answered "No" to Question G on Schedule C, also see the Instructions for 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. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit. See the instructions for Form 1040, lines 60a and 60b, for details.

Statutory Employees. Include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, **do not** report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

Line 32

At-Risk Rules. Generally, if you have (a) a business loss and (b) amounts in the business for which you are **not at risk**, you will have to complete **Form 6198** to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check **box 32b** if you have amounts for which you are not at risk in this business, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are

not secured by your own property (other than property used in the business). However, there is an exception for certain non-recourse financing borrowed by you in connection with holding real property.

- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under Internal Revenue Code section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 32a** and enter your loss on line 31. But if you answered "No" to Question G, you may need to complete **Form 8582** to figure your deductible loss. See the Instructions for Form 8582 for details.

If you checked **box 32b**, see Form 6198 to determine the amount of your deductible loss. But if you answered "No" to Question G, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this business not allowed for 2000 because of the at-risk rules is treated as a deduction allocable to the business in 2001. For details, see the Instructions for Form 6198 and Pub. 925.

Part III. Cost of Goods Sold

Generally, if you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, you must take inventories into account at the beginning and end of your tax year.

However, if your average annual gross receipts for the 3 prior tax years are \$1 million or less and you are an eligible taxpayer who adopts or changes to the cash method of accounting, you will not be required to account for inventories. If you are not required to account for inventories and do not want to do so, you must treat inventory in the same manner as costs of materials and supplies that are not incidental. Under this rule, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (or, if later, the year you paid for the raw materials or merchandise). Enter amounts paid for all raw materials and merchandise during 2000 on line 36. The amount you can deduct for 2000 is figured on line 42.

If you want to change to the cash method of accounting, you must file Form 3115. You may also have to make an adjustment to prevent amounts of income or expense from being duplicated or omitted. This is called a section 481(a) adjustment, which is taken into account over a period not to exceed 4 years. For example, if you accrued sales in 1999 for which you received payment in 2000, you must report those sales in both years as a result of changing your accounting method and will make a section 481(a) adjustment to prevent duplication of income. See Rev. Proc. 99-49, 1999-52 I.R.B. 725, to figure the amount of this adjustment for 2000. Include any positive section 481(a) adjustment on line 6. If the section 481(a) adjustment is negative, report it in Part V.

For eligibility requirements and further details on changing to the cash method of accounting, see **Pub. 553**.

Note. Certain direct and indirect expenses may have to be capitalized or included in inventory. See the instructions for Part II beginning on page C-3.

Line 33

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS. However, you are required to use cost if you are using the cash method of accounting.

Line 35

If you are changing your method of accounting from accrual to cash beginning with 2000 and you do not want to account for inventories, refigure last year's closing inventory using the cash method and enter the result on line 35. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring your section 481(a) adjustment (explained above).

Line 41

If you are using the cash method of accounting and you do not want to account for inventories, enter on line 41 the portion of your raw materials and merchandise purchased for resale that are included on line 40 and were not sold during the year.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27. Do not

include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you may not deduct fines or penalties paid to a government for violating any law. For details on business expenses, see Pub. 535.

Amortization. Include amortization in this part. For amortization that begins in 2000, you must complete and attach Form 4562.

You may amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Certain business startup costs.
- Qualified forestation and reforestation costs. See Pub. 535 for limitations.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.
- Goodwill and certain other intangibles.

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.

At-Risk Loss Deduction. 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 2000.

Capital Construction Fund. Do not claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936. Instead, reduce the amount you would otherwise enter on Form 1040, line 39, by the amount of the deduction. Next to line 39, enter "CCF" and the amount of the deduction. For details, see **Pub. 595**.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for details.

Disabled Access Credit and the Deduction for Removing Barriers to Individuals With Disabilities and the Elderly. You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 2000 to provide access to your business for individuals with disabilities. See **Form 8826** for details. You can also deduct up to \$15,000 of costs paid or incurred in 2000 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.

Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity and **enter it on line B of**

Schedule C or C-EZ (for example, 531210, the Code for offices of real estate agents and brokers).

Note. If your principal source of income is from farming activities, you should file **Schedule F, Profit or Loss From Farming**.

<p>Accommodation, Food Services, & Drinking Places</p> <p>Accommodation</p> <p>721310 Rooming & boarding houses</p> <p>721210 RV (recreational vehicle) parks & recreational camps</p> <p>721100 Travel accommodation (including hotels, motels, & bed & breakfast inns)</p> <p>Food Services & Drinking Places</p> <p>722410 Drinking places (alcoholic beverages)</p> <p>722110 Full-service restaurants</p> <p>722210 Limited-service eating places</p> <p>722300 Special food services (including food service contractors & caterers)</p>	<p>Support Activities for Agriculture & Forestry</p> <p>115210 Support activities for animal production (including farriers)</p> <p>115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating)</p> <p>115310 Support activities for forestry</p>	<p>Finance & Insurance</p> <p>Credit Intermediation & Related Activities</p> <p>522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions)</p> <p>522200 Nondepository credit intermediation (including sales financing & consumer lending)</p> <p>522300 Activities related to credit intermediation (including loan brokers)</p> <p>Insurance Agents, Brokers, & Related Activities</p> <p>524210 Insurance agencies & brokerages</p> <p>524290 Other insurance related activities</p>	<p>Information</p> <p>511000 Publishing industries</p> <p>Broadcasting & Telecommunications</p> <p>513000 Broadcasting & telecommunications</p> <p>Information Services & Data Processing Services</p> <p>514210 Data processing services</p> <p>514100 Information services (including news syndicates, libraries, & on-line information services)</p> <p>Motion Picture & Sound Recording</p> <p>512100 Motion picture & video industries (except video rental)</p> <p>512200 Sound recording industries</p>
<p>Administrative & Support and Waste Management & Remediation Services</p> <p>Administrative & Support Services</p> <p>561430 Business service centers (including private mail centers & copy shops)</p> <p>561740 Carpet & upholstery cleaning services</p> <p>561440 Collection agencies</p> <p>561450 Credit bureaus</p> <p>561410 Document preparation services</p> <p>561300 Employment services</p> <p>561710 Exterminating & pest control services</p> <p>561210 Facilities support (management) services</p> <p>561600 Investigation & security services</p> <p>561720 Janitorial services</p> <p>561730 Landscaping services</p> <p>561110 Office administrative services</p> <p>561420 Telephone call centers (including telephone answering services & telemarketing bureaus)</p> <p>561500 Travel arrangement & reservation services</p> <p>561490 Other business support services (including repossession services, court reporting, & stenotype services)</p> <p>561790 Other services to buildings & dwellings</p> <p>561900 Other support services (including packaging & labeling services, & convention & trade show organizers)</p> <p>Waste Management & Remediation Services</p> <p>562000 Waste management & remediation services</p>	<p>Arts, Entertainment, & Recreation</p> <p>Amusement, Gambling, & Recreation Industries</p> <p>713100 Amusement parks & arcades</p> <p>713200 Gambling industries</p> <p>713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)</p> <p>Museums, Historical Sites, & Similar Institutions</p> <p>712100 Museums, historical sites, & similar institutions</p> <p>Performing Arts, Spectator Sports, & Related Industries</p> <p>711410 Agents & managers for artists, athletes, entertainers, & other public figures</p> <p>711510 Independent artists, writers, & performers</p> <p>711100 Performing arts companies</p> <p>711300 Promoters of performing arts, sports, & similar events</p> <p>711210 Spectator sports (including professional sports clubs & racetrack operations)</p>	<p>Securities, Commodity Contracts, & Other Financial Investments & Related Activities</p> <p>523140 Commodity contracts brokers</p> <p>523130 Commodity contracts dealers</p> <p>523110 Investment bankers & securities dealers</p> <p>523210 Securities & commodity exchanges</p> <p>523120 Securities brokers</p> <p>523900 Other financial investment activities (including investment advice)</p>	<p>Manufacturing</p> <p>315000 Apparel mfg.</p> <p>312000 Beverage & tobacco product mfg.</p> <p>334000 Computer & electronic product mfg.</p> <p>335000 Electrical equipment, appliance, & component mfg.</p> <p>332000 Fabricated metal product mfg.</p> <p>337000 Furniture & related product mfg.</p> <p>333000 Machinery mfg.</p> <p>339110 Medical equipment & supplies mfg.</p> <p>322000 Paper mfg.</p> <p>324100 Petroleum & coal products mfg.</p> <p>326000 Plastics & rubber products mfg.</p> <p>331000 Primary metal mfg.</p> <p>323100 Printing & related support activities</p> <p>313000 Textile mills</p> <p>314000 Textile product mills</p> <p>336000 Transportation equipment mfg.</p> <p>321000 Wood product mfg.</p> <p>339900 Other miscellaneous mfg.</p>
<p>Agriculture, Forestry, Hunting, & Fishing</p> <p>112900 Animal production (including breeding of cats and dogs)</p> <p>114110 Fishing</p> <p>113000 Forestry & logging (including forest nurseries & timber tracts)</p> <p>114210 Hunting & trapping</p>	<p>Construction</p> <p>233110 Land subdivision & land development</p> <p>233300 Nonresidential building construction</p> <p>233200 Residential building construction</p> <p>Heavy Construction</p> <p>234100 Highway, street, bridge, & tunnel construction</p> <p>234900 Other heavy construction</p> <p>Special Trade Contractors</p> <p>235500 Carpentry & floor contractors</p> <p>235710 Concrete contractors</p> <p>235310 Electrical contractors</p> <p>235400 Masonry, drywall, insulation, & tile contractors</p> <p>235210 Painting & wall covering contractors</p> <p>235110 Plumbing, heating, & air-conditioning contractors</p> <p>235610 Roofing, siding, & sheet metal contractors</p> <p>235810 Water well drilling contractors</p> <p>235900 Other special trade contractors</p>	<p>Health Care & Social Assistance</p> <p>Ambulatory Health Care Services</p> <p>621610 Home health care services</p> <p>621510 Medical & diagnostic laboratories</p> <p>621310 Offices of chiropractors</p> <p>621210 Offices of dentists</p> <p>621330 Offices of mental health practitioners (except physicians)</p> <p>621320 Offices of optometrists</p> <p>621340 Offices of physical, occupational & speech therapists, & audiologists</p> <p>621111 Offices of physicians (except mental health specialists)</p> <p>621112 Offices of physicians, mental health specialists</p> <p>621391 Offices of podiatrists</p> <p>621399 Offices of all other miscellaneous health practitioners</p> <p>621400 Outpatient care centers</p> <p>621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)</p> <p>Hospitals</p> <p>622000 Hospitals</p> <p>Nursing & Residential Care Facilities</p> <p>623000 Nursing & residential care facilities</p> <p>Social Assistance</p> <p>624410 Child day care services</p> <p>624200 Community food & housing, & emergency & other relief services</p> <p>624100 Individual & family services</p> <p>624310 Vocational rehabilitation services</p>	<p>Chemical Manufacturing</p> <p>325100 Basic chemical mfg.</p> <p>325500 Paint, coating, & adhesive mfg.</p> <p>325300 Pesticide, fertilizer, & other agricultural chemical mfg.</p> <p>325410 Pharmaceutical & medicine mfg.</p> <p>325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.</p> <p>325600 Soap, cleaning compound, & toilet preparation mfg.</p> <p>325900 Other chemical product & preparation mfg.</p> <p>Food Manufacturing</p> <p>311110 Animal food mfg.</p> <p>311800 Bakeries & tortilla mfg.</p> <p>311500 Dairy product mfg.</p> <p>311400 Fruit & vegetable preserving & speciality food mfg.</p> <p>311200 Grain & oilseed milling</p> <p>311610 Animal slaughtering & processing</p> <p>311710 Seafood product preparation & packaging</p> <p>311300 Sugar & confectionery product mfg.</p> <p>311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)</p>

Principal Business or Professional Activity Codes (continued)

<p>Leather & Allied Product Manufacturing</p> <p>316210 Footwear mfg. (including leather, rubber, & plastics)</p> <p>316110 Leather & hide tanning & finishing</p> <p>316990 Other leather & allied product mfg.</p> <p>Nonmetallic Mineral Product Manufacturing</p> <p>327300 Cement & concrete product mfg.</p> <p>327100 Clay product & refractory mfg.</p> <p>327210 Glass & glass product mfg.</p> <p>327400 Lime & gypsum product mfg.</p> <p>327900 Other nonmetallic mineral product mfg.</p>	<p>541350 Building inspection services</p> <p>541340 Drafting services</p> <p>541330 Engineering services</p> <p>541360 Geophysical surveying & mapping services</p> <p>541320 Landscape architecture services</p> <p>541370 Surveying & mapping (except geophysical) services</p> <p>541380 Testing laboratories</p> <p>Computer Systems Design & Related Services</p> <p>541510 Computer systems design & related services</p> <p>Specialized Design Services</p> <p>541400 Specialized design services (including interior, industrial, graphic, & fashion design)</p> <p>Other Professional, Scientific, & Technical Services</p> <p>541800 Advertising & related services</p> <p>541600 Management, scientific, & technical consulting services</p> <p>541910 Market research & public opinion polling</p> <p>541920 Photographic services</p> <p>541700 Scientific research & development services</p> <p>541930 Translation & interpretation services</p> <p>541940 Veterinary services</p> <p>541990 All other professional, scientific, & technical services</p>	<p>448110 Men's clothing stores</p> <p>448210 Shoe stores</p> <p>448120 Women's clothing stores</p> <p>448190 Other clothing stores</p> <p>Electronic & Appliance Stores</p> <p>443130 Camera & photographic supplies stores</p> <p>443120 Computer & software stores</p> <p>443111 Household appliance stores</p> <p>443112 Radio, television, & other electronics stores</p> <p>Food & Beverage Stores</p> <p>445310 Beer, wine, & liquor stores</p> <p>445220 Fish & seafood markets</p> <p>445230 Fruit & vegetable markets</p> <p>445100 Grocery stores (including supermarkets & convenience stores without gas)</p> <p>445210 Meat markets</p> <p>445290 Other specialty food stores</p> <p>Furniture & Home Furnishing Stores</p> <p>442110 Furniture stores</p> <p>442200 Home furnishings stores</p> <p>Gasoline Stations</p> <p>447100 Gasoline stations (including convenience stores with gas)</p> <p>General Merchandise Stores</p> <p>452000 General merchandise stores</p> <p>Health & Personal Care Stores</p> <p>446120 Cosmetics, beauty supplies, & perfume stores</p> <p>446130 Optical goods stores</p> <p>446110 Pharmacies & drug stores</p> <p>446190 Other health & personal care stores</p> <p>Motor Vehicle & Parts Dealers</p> <p>441300 Automotive parts, accessories, & tire stores</p> <p>441222 Boat dealers</p> <p>441221 Motorcycle dealers</p> <p>441110 New car dealers</p> <p>441210 Recreational vehicle dealers (including motor home & travel trailer dealers)</p> <p>441120 Used car dealers</p> <p>441229 All other motor vehicle dealers</p> <p>Sporting Goods, Hobby, Book, & Music Stores</p> <p>451211 Book stores</p> <p>451120 Hobby, toy, & game stores</p> <p>451140 Musical instrument & supplies stores</p> <p>451212 News dealers & newsstands</p> <p>451220 Prerecorded tape, compact disc, & record stores</p> <p>451130 Sewing, needlework, & piece goods stores</p> <p>451110 Sporting goods stores</p> <p>Miscellaneous Store Retailers</p> <p>453920 Art dealers</p> <p>453110 Florists</p> <p>453220 Gift, novelty, & souvenir stores</p> <p>453930 Manufactured (mobile) home dealers</p> <p>453210 Office supplies & stationery stores</p> <p>453910 Pet & pet supplies stores</p> <p>453310 Used merchandise stores</p> <p>453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops)</p> <p>Nonstore Retailers</p> <p>454110 Electronic shopping & mail-order houses</p> <p>454310 Fuel dealers</p> <p>454210 Vending machine operators</p> <p>454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)</p>	<p>Transportation & Warehousing</p> <p>481000 Air transportation</p> <p>485510 Charter bus industry</p> <p>484110 General freight trucking, local</p> <p>484120 General freight trucking, long-distance</p> <p>485210 Interurban & rural bus transportation</p> <p>486000 Pipeline transportation</p> <p>482110 Rail transportation</p> <p>487000 Scenic & sightseeing transportation</p> <p>485410 School & employee bus transportation</p> <p>484200 Specialized freight trucking (including household moving vans)</p> <p>485300 Taxi & limousine service</p> <p>485110 Urban transit systems</p> <p>483000 Water transportation</p> <p>485990 Other transit & ground passenger transportation</p> <p>488000 Support activities for transportation (including motor vehicle towing)</p> <p>Couriers & Messengers</p> <p>492000 Couriers & messengers</p> <p>Warehousing & Storage Facilities</p> <p>493100 Warehousing & storage (except lessors of miniwarehouses & self-storage units)</p>
<p>Mining</p> <p>212110 Coal mining</p> <p>212200 Metal ore mining</p> <p>212300 Nonmetallic mineral mining & quarrying</p> <p>211110 Oil & gas extraction</p> <p>213110 Support activities for mining</p>	<p>Real Estate & Rental & Leasing</p> <p>Real Estate</p> <p>531100 Lessors of real estate (including miniwarehouses & self-storage units)</p> <p>531210 Offices of real estate agents & brokers</p> <p>531320 Offices of real estate appraisers</p> <p>531310 Real estate property managers</p> <p>531390 Other activities related to real estate</p> <p>Rental & Leasing Services</p> <p>532100 Automotive equipment rental & leasing</p> <p>532400 Commercial & industrial machinery & equipment rental & leasing</p> <p>532210 Consumer electronics & appliances rental</p> <p>532220 Formal wear & costume rental</p> <p>532310 General rental centers</p> <p>532230 Video tape & disc rental</p> <p>532290 Other consumer goods rental</p>	<p>Religious, Grantmaking, Civic, Professional, & Similar Organizations</p> <p>813000 Religious, grantmaking, civic, professional, & similar organizations</p>	<p>Utilities</p> <p>221000 Utilities</p>
<p>Other Services</p> <p>Personal & Laundry Services</p> <p>812111 Barber shops</p> <p>812112 Beauty salons</p> <p>812220 Cemeteries & crematories</p> <p>812310 Coin-operated laundries & drycleaners</p> <p>812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning drop off & pickup sites)</p> <p>812210 Funeral homes & funeral services</p> <p>812330 Linen & uniform supply</p> <p>812113 Nail salons</p> <p>812930 Parking lots & garages</p> <p>812910 Pet care (except veterinary) services</p> <p>812920 Photofinishing</p> <p>812190 Other personal care services (including diet & weight reducing centers)</p> <p>812990 All other personal services</p> <p>Repair & Maintenance</p> <p>811120 Automotive body, paint, interior, & glass repair</p> <p>811110 Automotive mechanical & electrical repair & maintenance</p> <p>811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)</p> <p>811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance</p> <p>811210 Electronic & precision equipment repair & maintenance</p> <p>811430 Footwear & leather goods repair</p> <p>811410 Home & garden equipment & appliance repair & maintenance</p> <p>811420 Reupholstery & furniture repair</p> <p>811490 Other personal & household goods repair & maintenance</p>	<p>Religious, Grantmaking, Civic, Professional, & Similar Organizations</p> <p>813000 Religious, grantmaking, civic, professional, & similar organizations</p>	<p>Retail Trade</p> <p>Building Material & Garden Equipment & Supplies Dealers</p> <p>444130 Hardware stores</p> <p>444110 Home centers</p> <p>444200 Lawn & garden equipment & supplies stores</p> <p>444120 Paint & wallpaper stores</p> <p>444190 Other building materials dealers</p> <p>Clothing & Accessories Stores</p> <p>448130 Children's & infants' clothing stores</p> <p>448150 Clothing accessories stores</p> <p>448140 Family clothing stores</p> <p>448310 Jewelry stores</p> <p>448320 Luggage & leather goods stores</p>	<p>Wholesale Trade</p> <p>Wholesale Trade, Durable Goods</p> <p>421600 Electrical goods</p> <p>421200 Furniture & home furnishing</p> <p>421700 Hardware, & plumbing & heating equipment & supplies</p> <p>421940 Jewelry, watch, precious stone, & precious metals</p> <p>421300 Lumber & other construction materials</p> <p>421800 Machinery, equipment, & supplies</p> <p>421500 Metal & mineral (except petroleum)</p> <p>421100 Motor vehicle & motor vehicle parts & supplies</p> <p>421400 Professional & commercial equipment & supplies</p> <p>421930 Recyclable materials</p> <p>421910 Sporting & recreational goods & supplies</p> <p>421920 Toy & hobby goods & supplies</p> <p>421990 Other miscellaneous durable goods</p> <p>Wholesale Trade, Nondurable Goods</p> <p>422300 Apparel, piece goods, & notions</p> <p>422800 Beer, wine, & distilled alcoholic beverage</p> <p>422920 Books, periodicals, & newspapers</p> <p>422600 Chemical & allied products</p> <p>422210 Drugs & druggists' sundries</p> <p>422500 Farm product raw materials</p> <p>422910 Farm supplies</p> <p>422930 Flower, nursery stock, & florists' supplies</p> <p>422400 Grocery & related products</p> <p>422950 Paint, varnish, & supplies</p> <p>422100 Paper & paper products</p> <p>422700 Petroleum & petroleum products</p> <p>422940 Tobacco & tobacco products</p> <p>422990 Other miscellaneous nondurable goods</p>
<p>Professional, Scientific, & Technical Services</p> <p>541100 Legal services</p> <p>541211 Offices of certified public accountants</p> <p>541214 Payroll services</p> <p>541213 Tax preparation services</p> <p>541219 Other accounting services</p> <p>Architectural, Engineering, & Related Services</p> <p>541310 Architectural services</p>	<p>Unclassified establishments (unable to classify)</p> <p>999999</p>		

2000 Instructions for Schedule D, Capital Gains and Losses

General Instructions

Other Forms You May Have To File

Use **Form 4797** to report the following.

- The sale or exchange of:
 1. Property used in a trade or business;
 2. Depreciable and amortizable property;
 3. Oil, gas, geothermal, or other mineral property; and
 4. Section 126 property.
- The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.
- Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.
- Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.
- Ordinary loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See **Special Rules for Traders in Securities** beginning on page D-3.

Use **Form 4684** to report involuntary conversions of property due to casualty or theft.

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles.

Use **Form 8824** if you made one or more “like-kind” exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind. For exchanges of capital assets, include the gain or (loss) from Form 8824, if any, on line 4 or line 11.

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

Use Schedule D (Form 1040) to report:

- The sale or exchange of a capital asset (defined on this page) not reported on another form or schedule.
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13.
- Nonbusiness bad debts.

Additional Information. See **Pub. 544** and **Pub. 550** for more details. For a comprehensive filled-in example of Schedule D, see Pub. 550.

Section references are to the Internal Revenue Code unless otherwise noted.

capital asset is any property held by you **except** the following.

- Stock in trade or other property included in inventory or held mainly for sale to customers.
- Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of stock in trade or other property held mainly for sale to customers.
- Depreciable property used in your trade or business, even if it is fully depreciated.
- Real estate used in your trade or business.
- Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: (a) created by your personal efforts; (b) prepared or produced for you (in the case of letters, memoranda, or similar property); or (c) that you received from someone who created them or for whom they were created, as mentioned in (a) or (b), in a way (such as by gift) that entitled you to the basis of the previous owner.

- 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 someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.

- Certain commodities derivative financial instruments held by a dealer. See section 1221(a)(6).

- Certain hedging transactions entered into in the normal course of your trade or business. See section 1221(a)(7).

- Supplies regularly used in your trade or business.

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 short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Gain Distributions

These distributions are paid by mutual funds (or other regulated investment companies) from their net realized long-term capital gains. Enter on line 13, column (f), the **total** capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount is shown in box 2a of **Form 1099-DIV**. Include on line 13, column (g), the total of the amounts reported to you as 28% rate gain from collectibles. This amount is shown in box 2b of Form 1099-DIV.

If you received a Form 1099-DIV with an amount in box 2c, see the **Unrecaptured Section 1250 Gain Worksheet** for line 25 on page D-8. If you received a Form 1099-DIV with an amount in box 2d, see **Exclusion of Gain on Qualified Small Business Stock (Section 1202)** on page D-4.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.

Sale of Your Home

If you sold or exchanged your main home in 2000, do not report it on your tax return unless your gain exceeds your exclusion amount. Generally, if you meet the two tests on page D-2, you can exclude up to \$250,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to \$500,000 of gain (but only one spouse needs to meet the ownership requirement in **Test 1**).

Test 1. You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.

Test 2. You have not sold or exchanged another main home during the 2-year period ending on the date of the sale or exchange of your home.

See **Pub. 523** for details, including how to report any taxable gain on Schedule D, if:

- You do not meet one of the above two tests,
- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, or
- Your gain exceeds your exclusion amount.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unreaptured section 1250 gain. For details on 28% rate gain, see page D-6. For details on unreaptured section 1250 gain, see the worksheet for line 25 on page D-8.

Capital Assets Held for Personal Use

Generally, gain from the sale or exchange of a capital asset held for personal use is a capital gain. Report it on Schedule D, Part I or Part II. However, if you converted depreciable property to personal use, all or part of the gain on the sale or exchange of that property may have to be recaptured as ordinary income. Use Part III of Form 4797 to figure the amount of ordinary income recapture. The recapture amount is included on line 31 (and line 13) of Form 4797. **Do not** enter any gain for this property on line 32 of Form 4797. If you are not completing Part III for any other properties, enter "N/A" on line 32. If the total gain is more than the recapture amount, enter "From Form 4797" in column (a) of line 1 or line 8 of Schedule D, skip columns (b) through (e), and in column (f) enter the excess of the total gain over the recapture amount.

Loss from the sale or exchange of a capital asset held for personal use is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use for which you received a **Form 1099-S**, you must report the transaction on Schedule D even though the loss is not deductible. For example, you have a loss on the sale of a vacation home that is not your main home and received a Form 1099-S for the transaction. Report the transaction on line 1 or 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter zero in column (f).

Nondeductible Losses

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 owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a beneficiary of another trust created by the same grantor.
- An executor of an estate and a beneficiary of that estate, unless the sale or exchange was to satisfy a pecuniary bequest (that is, a bequest of a sum of money).
- An individual and a tax-exempt organization controlled by the individual or the individual's family.

See **Pub. 544** for more details on sales and exchanges between related parties.

If you disposed of (a) an asset used in an activity to which the at-risk rules apply or (b) 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**.

If the loss is allowable under the at-risk rules, it may then be subject to the passive activity rules. See **Form 8582** and its instructions for details on reporting capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See **Pub. 550** for details.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity or to a trust of which you are a beneficiary. See **Pub. 544** for details.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 995(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See **Pub. 541**.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See **Pub. 550** for details.
- Transfer of appreciated property to a political organization. See section 84.

• In general, no gain or loss is recognized on the transfer of property from an individual to a spouse or a former spouse if the transfer is incident to a divorce. See **Pub. 504**.

• Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See **Pub. 550**.

• Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D, but any gain is reported as ordinary income on Form 4797.

• Amounts received by shareholders in corporate liquidations. See **Pub. 550**.

• Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See **Pub. 550** for details.

• Mutual fund load charges may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. For details, see **Pub. 564**.

• A sale or exchange of S corporation stock or an interest in a trust held for more than 1 year may result in collectibles gain (28% rate gain). For details, see page D-6.

• Certain constructive ownership transactions. Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260 for details. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 57. Write "Section 1260(b) interest" and the amount of the interest to the left of line 57. This interest is not deductible.

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you directly or indirectly:

- Buy substantially identical stock or securities,
- Acquire substantially identical stock or securities in a fully taxable trade, or
- Enter into a contract or option to acquire substantially identical stock or securities.

You **cannot** deduct losses from wash sales unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical property (or contract or option to acquire such property) is its cost

increased by the disallowed loss. For more details on wash sales, see Pub. 550.

Report a wash sale transaction on line 1 or 8. Enter the full amount of the (loss) in column (f). Directly below the line on which you reported the loss, enter "Wash Sale" in column (a), and enter as a positive amount in column (f) the amount of the loss not allowed.

Special Rules for Traders in Securities

You are a **trader in securities** if you are engaged in the **business** of buying and selling securities for your own account. To be engaged in business as a trader in securities:

- You must seek to **profit from daily market movements** in the prices of securities and not from dividends, interest, or capital appreciation.
- Your activity must be **substantial**.
- You must carry on the activity with **continuity** and **regularity**.

The following facts and circumstances should be considered in determining if your activity is a business.

- Typical holding periods for securities bought and sold.
- The frequency and dollar amount of your trades during the year.
- The extent to which you pursue the activity to produce income for a livelihood.
- The amount of time you devote to the activity.

You are considered an investor, and not a trader, if your activity does not meet the above definition of a business. It does not matter whether you call yourself a trader or a "day trader."

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities) on Schedule D or D-1 or on an attached statement containing all the same information for each sale in a similar format. However, if a trader previously made the mark-to-market election (see below), each transaction is reported in Part II of Form 4797 instead of Schedules D and D-1. Regardless of whether a trader reports his or her gains and losses on Schedules D and D-1 or Form 4797, the gain or loss from the disposition of securities is **not** taken into account when figuring net earnings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

The limitation on investment interest expense that applies to investors does not apply to interest paid or incurred in a trading business. A trader reports interest expense and other expenses (excluding commissions and other costs of acquiring or disposing of

securities) from a trading business on Schedule C (instead of Schedule A).

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate interest and other expenses between your trading business and your investment securities.

Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including securities held at the end of the year. Securities held at the end of the year are "marked to market" by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (**not** including extensions) of the tax return for the year **prior** to the year for which the election becomes effective. To be effective for 2000, the election must have been made by April 17, **2000**.

Starting with the year the election becomes effective, a trader reports all gains and losses from securities held in connection with the trading business, including securities held at the end of the year, in Part II of Form 4797. If you previously made the election, see the instructions for Form 4797. For details on making the mark-to-market election for 2001, see Pub. 550 or Rev. Proc. 99-17, 1999-7 I.R.B. 52.

If you hold securities for investment, they must be identified as such in your records on the day they are acquired (for example, by holding the securities in a separate brokerage account). Securities held for investment are not marked-to-market.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you (a) held substantially identical property for 1 year or less on the date of the short sale or (b) acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale.

If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Constructive Sale Treatment for Certain Appreciated Positions

Generally, you must recognize gain (but not loss) on the date you enter into a constructive sale of any appreciated position in stock, a partnership interest, or certain debt instruments as if the position were disposed of at fair market value on that date.

You are treated as making a constructive sale of an appreciated position when you (or a related person, in some cases) do one of the following.

- Enter into a short sale of the same or substantially identical property (that is, a "short sale against the box").
- Enter into an offsetting notional principal contract relating to the same or substantially identical property.
- Enter into a futures or forward contract to deliver the same or substantially identical property.
- Acquire the same or substantially identical property (if the appreciated position is a short sale, offsetting notional principal contract, or a futures or forward contract).

Exception. Generally, constructive sale treatment **does not** apply if:

- You closed the transaction before the end of the 30th day after the end of the year in which it was entered into,
- You held the appreciated position to which the transaction relates throughout the 60-day period starting on the date the transaction was closed, **and**
- At no time during that 60-day period was your risk of loss reduced by holding certain other positions.

For details and other exceptions to these rules, see Pub. 550.

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract but is a capital asset in your hands. If an option you purchased expired, enter the expiration date in column (c) and enter "**EXPIRED**" in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter "**EXPIRED**" in column (e). Fill in the other columns as appropriate. See Pub. 550 for more details.

Undistributed Capital Gains

Include on line 11, column (f), the amount from box 1a of **Form 2439**. This represents your share of the undistributed long-term capital gains of the regulated investment company (including a mutual fund) or real estate investment trust.

Include on line 11, column (g), the amount, if any, from box 1b of Form 2439.

If there is an amount in box 1c of Form 2439, see the worksheet for line 25 on page D-8. If there is an amount in box 1d of Form 2439, see **Exclusion of Gain on Qualified Small Business Stock (Section 1202)** on this page.

Enter on Form 1040, line 64, the tax paid, as shown in box 2 of Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit for the tax paid. See Pub. 550 for details.

Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of sale, you generally must report the sale on the installment method unless you elect not to. Use **Form 6252** to report the sale on the installment method. Also use Form 6252 to report any payment received in 2000 from a sale made in an earlier year that you reported on the installment method.

To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed return (including extensions) for the year of the sale. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

Sales of Stock to ESOPs or Certain Cooperatives

If you sold qualified securities (defined in section 1042(c)(1)) held for at least 3 years to an employee stock ownership plan (ESOP) or eligible worker-owned cooperative, you may be able to elect to postpone all or part of the gain on the sale if you bought qualified replacement property (securities) within the period that began 3 months before the sale and ended 12 months after the sale. If you make the election, you must recognize gain on the sale only to the extent the proceeds from the sale exceed the cost of the qualified replacement property. You must reduce the basis of the replacement property by any postponed gain. If you dispose of any replacement property, you may have to recognize all of the postponed gain.

Generally, to qualify for the election the ESOP or cooperative must own immediately after the sale at least 30% of the outstanding stock of the corporation that issued the qualified securities. Also, the qualified replacement property must have been issued by a domestic operating corporation.

Similar rules apply to the sale of stock of a qualified refiner or processor to an eligible

farmers' cooperative. See section 1042(g) for details and exceptions.

You must make the election no later than the due date (including extensions) for filing your tax return for the year in which you sold the stock. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

To make the election, report the entire gain realized on the sale on line 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1042 election," and enter as a (loss) in column (f) the amount of the gain you are postponing or expect to postpone. If the actual postponed gain is different from the amount you report, file an amended return.

Also attach the following statements.

1. A "statement of election" that indicates you are making an election under section 1042(a) and that includes the following information: (a) a description of the securities sold, the date of the sale, the amount realized on the sale, and the adjusted basis of the qualified securities; (b) the name of the ESOP or cooperative to which the qualified securities were sold; and (c) for a sale that was part of a single, interrelated transaction under a prearranged agreement between taxpayers involving other sales of qualified securities, the names and identifying numbers of the other taxpayers under the agreement and the number of shares sold by the other taxpayers.

2. A notarized "statement of purchase" describing the qualified replacement property, date of purchase, and the cost of the property and declaring the property to be qualified replacement property for the qualified stock you sold. The statement must have been notarized no later than 30 days after the purchase. If you have not yet purchased the qualified replacement property, you must attach the notarized "statement of purchase" to your income tax return for the year following the election year (or the election will not be valid).

3. A verified written statement of the domestic corporation whose employees are covered by the ESOP acquiring the qualified securities, or of any authorized officer of the cooperative, consenting to the taxes under sections 4978 and 4979A on certain dispositions and prohibited allocations of the stock purchased by the ESOP or cooperative.

For details, see section 1042 and Temporary Regulations section 1.1042-1T.

Specialized Small Business Investment Companies (SSBICs)

If you sold publicly traded securities, you may elect to postpone all or part of the gain on that sale if you bought common stock or a partnership interest in an SSBIC during the 60-day period that began on the date of the sale. An SSBIC is any partnership or corporation licensed by the Small Business Administration under section 301(d) of the Small Business Investment Act of 1958. You must recognize gain to the extent the sale proceeds exceed the cost (not taken into account previously) of your SSBIC stock or partnership interest purchased during the 60-day period that began on the date of the sale. The gain you may elect to postpone is limited to \$50,000 a year and \$500,000 during your lifetime (reduce these amounts by one-half if you are married filing separately). Reduce the basis of your SSBIC stock or partnership interest by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the year in which you sold the securities. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "SSBIC rollover," and enter as a (loss) in column (f) the amount of the postponed gain. Also attach a schedule showing (a) how you figured the postponed gain, (b) the name of the SSBIC in which you purchased common stock or a partnership interest, (c) the date of that purchase, and (d) your new basis in that SSBIC stock or partnership interest.

Exclusion of Gain on Qualified Small Business Stock (Section 1202)

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of qualified small business stock. The section 1202 exclusion applies only to qualified small business stock held for more than 5 years. To be **qualified small business stock**, the stock must meet **all** of the following tests.

- It must be stock in a C corporation (that is, not S corporation stock).
- It must have been originally issued after August 10, 1993.
- As of the date the stock was issued, the corporation was a qualified small business (QSB). A QSB is a domestic C corporation

with total gross assets of \$50 million or less (a) at all times after August 9, 1993, and before the stock was issued and (b) immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.

- You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.

- During substantially all the time you held the stock:

1. The corporation was a C corporation,
2. At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined below), and
3. The corporation was **not** a foreign corporation, DISC, former DISC, regulated investment company, real estate investment trust, REMIC, FASIT, cooperative, or a corporation that has made (or that has a subsidiary that has made) a section 936 election.

Note. A specialized small business investment company (SSBIC) is treated as having met test 2 above.

A **qualified business** is any business other than a—

- Business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services.
- Business whose principal asset is the reputation or skill of one or more employees.
- Banking, insurance, financing, leasing, investing, or similar business.
- Farming business (including the raising or harvesting of trees).
- Business involving the production of products for which percentage depletion can be claimed.
- Business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, you must have held the interest on the date the pass-through entity acquired the QSB stock and

at all times thereafter until the stock was sold to qualify for the exclusion.

How To Report

Report in column (f) of line 8 the entire gain realized on the sale of QSB stock. In column (g) of line 8, report as 28% rate gain an amount equal to the section 1202 exclusion. Complete all other columns as indicated. Directly below the line on which you reported the gain, enter in column (a) "Section 1202 exclusion," and enter as a (loss) in column (f) the amount of the allowable exclusion.

Gain From Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2d, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Gain From Form 2439. If you received a Form 2439 with a gain in box 1d, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Gain From an Installment Sale of QSB Stock. If all payments are not received in the year of sale, a sale of QSB stock that is not traded on an established securities market generally is treated as an installment sale and is reported on Form 6252. Figure the allowable section 1202 exclusion for the year by multiplying the total amount of the exclusion by a fraction, the numerator of which is the amount of eligible gain to be recognized for the tax year and the denominator of which is the total amount of eligible gain. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Alternative Minimum Tax. You must enter 42% of your allowable exclusion for the year on **Form 6251**, line 14m.

Rollover of Gain From QSB Stock

If you sold QSB stock (defined on page D-4) that you held for more than 6 months, you may elect to postpone gain if you purchase other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also may make the election

to postpone gain. The benefit of the postponed gain applies to your share of the entity's postponed gain if you held an interest in the entity for the entire period the entity held the QSB stock. If a pass-through entity sold QSB stock held for more than 6 months and you held an interest in the entity for the entire period the entity held the stock, you also may elect to postpone gain if you, rather than the pass-through entity, purchase the replacement QSB stock within the 60-day period.

You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the tax year in which the QSB stock was sold. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return, and file it at the same address you used for your original return.

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1045 rollover," and enter as a (loss) in column (f) the amount of the postponed gain.

Specific Instructions

Column (b)—Date Acquired

Enter in this column the date the asset was acquired. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and enter "**INHERITED**" in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that was acquired through several different purchases, you may report the sale on one line and enter "**VARIOUS**" in column (b). However, you still must report the short-term gain or (loss) on the sale in Part I and the long-term gain or (loss) in Part II.

Column (c)—Date Sold

Enter in this column the date the asset was sold. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date you sold the stock or

property you borrowed to open the short sale transaction.

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 substitute statement from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), **do not** include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).



Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or “wash sale” of stock, you may not

be able to use the actual cost as the basis. If you do not use the actual cost, attach an explanation of your basis.

If you sold stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. See Pub. 550 for details.

You may elect to use an average basis for all shares of a mutual fund if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. If you are reporting an average basis, include “AVGB” in column (a) of Schedule D. For details on making the election and how to figure average basis, see Pub. 564.

The basis of property acquired by gift is generally 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. See Pub. 544 for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument 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 bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the amount that 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 the net sales price in column (d).

For more details, see **Pub. 551**.

Column (f)—Gain or (Loss)

You **must** make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Column (g)—28% Rate Gain or (Loss)

Enter in column (g) **only** the amount, if any, from Part II, column (f), that is equal to the amount of your section 1202 exclusion from the eligible gain on qualified small business stock (see page D-4) or from collectibles gains and losses. A **collectibles gain or loss** is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Also include gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). Include these transactions even if you did not receive a Form 1099-B or Form 1099-S (or substitute state-

Capital Loss Carryover Worksheet—Line 18

Keep for Your Records



Use this worksheet to figure your capital loss carryovers from 2000 to 2001 if Schedule D, line 18, is a loss and (a) that loss is a smaller loss than the loss on Schedule D, line 17, or (b) Form 1040, line 37, is a loss. Otherwise, you do not have any carryovers.

1. Enter the amount from Form 1040, line 37. If a loss, enclose the amount in parentheses	1.	_____
2. Enter the loss from Schedule D, line 18, as a positive amount	2.	_____
3. Combine lines 1 and 2. If zero or less, enter -0-	3.	_____
4. Enter the smaller of line 2 or line 3	4.	_____
Note. If line 7 of Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.		
5. Enter the loss from Schedule D, line 7, as a positive amount	5.	_____
6. Enter any gain from Schedule D, line 16	6.	_____
7. Add lines 4 and 6	7.	_____
8. Short-term capital loss carryover to 2001. Subtract line 7 from line 5. If zero or less, enter -0-	8.	_____
Note. If line 16 of Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.		
9. Enter the loss from Schedule D, line 16, as a positive amount	9.	_____
10. Enter any gain from Schedule D, line 7	10.	_____
11. Subtract line 5 from line 4. If zero or less, enter -0-	11.	_____
12. Add lines 10 and 11	12.	_____
13. Long-term capital loss carryover to 2001. Subtract line 12 from line 9. If zero or less, enter -0-	13.	_____

ment) for the transaction. You can use abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1** if you need more space to list transactions for lines 1 and 8. Use as many Schedules D-1 as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1.



Add the following amounts reported to you for 2000 on Forms 1099-B and 1099-S (or substitute statements) not reported on another form or schedule: (a) proceeds from transactions involving stocks, bonds, and other securities and (b) gross proceeds from real estate transactions (other than the sale of your main home if you had no taxable gain). If this total is **more** than the total of lines 3 and 10, attach an explanation of the difference.

Line 25

Complete the worksheet on page D-8 if **any** of the following apply to you.

- During 2000, you sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments in 2000 for section 1250 property held more than 1 year for which you are reporting gain on the installment method.
- You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows "unrecaptured section 1250 gain" reportable for 2000.
- You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports "unrecaptured section 1250 gain" for 2000.
- You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet

Lines 1 through 3. If you had more than one property described on line 1, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4.

Line 4. To figure the amount to enter on line 4, follow the steps below for each installment sale of trade or business property held more than 1 year.

Step 1. Figure the **smaller** of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the **smaller** of line 22 or line 24 of the 2000 Form 4797

(or the comparable lines of Form 4797 for the year of sale) for the property.

Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of the 2000 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2000 as the **smaller** of (a) the amount from line 26 or line 37 of the 2000 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

Line 10. Include on line 10 your share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

Line 12. An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

Installment sales. To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale.

• **Step 1.** Figure the **smaller** of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the **smaller** of line 22 or line 24 of the 2000 Form 4797

(or the comparable lines of Form 4797 for the year of sale) for the property.

• **Step 2.** Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of the 2000 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

• **Step 3.** Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2000 as the **smaller** of (a) the amount from line 26 or line 37 of the 2000 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

Other sales or dispositions of section 1250 property. For each sale of property held more than 1 year (for which you did not make an entry in Part I of Form 4797), figure the **smaller** of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the **smaller** of line 22 or line 24 of Form 4797 for the property. Next, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 for the property. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.



Note: If you are **not** reporting a gain on Form 4797, line 7, skip lines 1 through 9 and go to line 10.

<p>1. Did you have a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252)?</p> <p><input type="checkbox"/> No. Leave lines 1 through 3 blank. Go to line 4.</p> <p><input type="checkbox"/> Yes. Enter the smaller of line 22 or line 24 of Form 4797 for that property. If you had more than one such property, see instructions</p> <p>2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1</p> <p>3. Subtract line 2 from line 1</p> <p>4. Do you have any unrecaptured section 1250 gain from an installment sale of trade or business property held more than 1 year that you are reporting on Form 6252?</p> <p><input type="checkbox"/> No. Leave line 4 blank. Go to line 5.</p> <p><input type="checkbox"/> Yes. Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions) . . .</p> <p>5. Was any amount reported to you on a Schedule K-1 from a partnership or an S corporation as “unrecaptured section 1250 gain”?</p> <p><input type="checkbox"/> No. Leave line 5 blank. Go to line 6.</p> <p><input type="checkbox"/> Yes. Enter the total amount of that unrecaptured section 1250 gain</p> <p>6. Add lines 3 through 5</p> <p>7. Enter the smaller of line 6 or the gain from Form 4797, line 7 7. <input type="text"/></p> <p>8. Enter the amount, if any, from Form 4797, line 8 8. <input type="text"/></p> <p>9. Subtract line 8 from line 7. If zero or less, enter -0-</p> <p>10. Do you have any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain?</p> <p><input type="checkbox"/> No. Leave line 10 blank. Go to line 11.</p> <p><input type="checkbox"/> Yes. Enter the total amount of that unrecaptured section 1250 gain (see instructions)</p> <p>11. Was any amount reported to you on a Schedule K-1, Form 1099-DIV, or Form 2439 as “unrecaptured section 1250 gain” from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company)?</p> <p><input type="checkbox"/> No. Leave line 11 blank. Go to line 12.</p> <p><input type="checkbox"/> Yes. Enter the total amount of that unrecaptured section 1250 gain</p> <p>12. Do you have any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale (see instructions)?</p> <p><input type="checkbox"/> No. Leave line 12 blank. Go to line 13.</p> <p><input type="checkbox"/> Yes. Enter the total amount of that unrecaptured section 1250 gain</p> <p>13. Add lines 9 through 12</p> <p>14. Enter the gain or (loss) from Schedule D, line 15 14. <input type="text"/></p> <p>15. Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0- 15. <input type="text"/></p> <p>16. Combine lines 14 and 15. If the result is zero or a gain, enter -0-. If the result is a (loss), enter it as a positive amount</p> <p>17. Subtract line 16 from line 13. If zero or less, enter -0-. Enter the result here and on Schedule D, line 25</p>	<p>1. <input type="text"/></p> <p>2. <input type="text"/></p> <p>3. <input type="text"/></p> <p>4. <input type="text"/></p> <p>5. <input type="text"/></p> <p>6. <input type="text"/></p> <p>7. <input type="text"/></p> <p>8. <input type="text"/></p> <p>9. <input type="text"/></p> <p>10. <input type="text"/></p> <p>11. <input type="text"/></p> <p>12. <input type="text"/></p> <p>13. <input type="text"/></p> <p>14. <input type="text"/></p> <p>15. <input type="text"/></p> <p>16. <input type="text"/></p> <p>17. <input type="text"/></p>
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2000 Instructions for Schedule E, Supplemental Income and Loss

Use Schedule E (Form 1040) to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

You may 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).

Part I

Income or Loss From Rental Real Estate and Royalties

Use Part I to report:

- Income and expenses from rentals of real estate (including personal property leased with real estate) and
- Royalty income and expenses.

See the instructions for lines 3 and 4 to determine if you should report your rental real estate and royalty income on **Schedule C, Schedule C-EZ, or Form 4835** instead of Schedule E.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

If you have more than three rental real estate or royalty properties, complete and attach as many Schedules E as you need to list them. Complete lines 1 and 2 for each rental real estate property. Leave these lines blank for each royalty property. But fill in the "Totals" column on only one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals of all your Schedules E.

If you are also using page 2 of Schedule E, use the same Schedule E on which you entered the combined totals for Part I.

Personal Property. Do not use Schedule E to report income and expenses from the rental of personal property, such as equipment or vehicles. Instead, use Schedule C or C-EZ if you are in the business of renting personal property. You are in the business of renting personal property if the primary purpose for renting the property is income or profit and you are involved in the rental activity with continuity and regularity.

If your rental of personal property is not a business, see the Instructions for Form 1040, lines 21 and 32, to find out how to report the income and expenses.

Filers of Form 1041

If you are a fiduciary filing Schedule E with Form 1041, enter the estate's or trust's employer identification number (EIN) in the space for "Your social security number."

Line 1

For rental real estate property only, show:

- The kind of property you rented (for example, townhouse).
- The street address, city or town, and state. You do not have to give the ZIP code.
- Your percentage of ownership in the property, if less than 100%.

Line 2

If you rented out a dwelling unit that you also used for **personal purposes** during the year, you may not be able to deduct all the expenses for the rental part. "Dwelling unit" (unit) means a house, apartment, condominium, or similar property.

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), unless the unit is rented at a fair rental price to that person as his or her main home;
- Anyone who pays less than a fair rental price for the unit; or
- Anyone under an agreement that lets you use some other unit.

Do not count as personal use:

- Any day you spent working substantially full time repairing and maintaining the unit, even if family members used it for recreational purposes on that day; or
- Any days you used the unit as your main home before or after renting it or of-

fering it for rent, if you rented or tried to rent it for at least 12 consecutive months (or for a period of less than 12 consecutive months at the end of which you sold or exchanged it).

Check "Yes" if you or your family used the unit for personal purposes in 2000 more than the **greater** of:

1. 14 days or
2. 10% of the total days it was rented to others at a fair rental price.

Otherwise, check "No."

If you checked "No," you can deduct all your expenses for the rental part, subject to the **At-Risk Rules** and the **Passive Activity Loss Rules** explained on pages E-3 and E-4.

If you checked "Yes" and rented the unit out for fewer than 15 days, do not report the rental income and do not deduct any rental expenses. If you itemize deductions on Schedule A, you may deduct allowable interest, taxes, and casualty losses.

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 all of the following expenses for the rental part on Schedule E.

- Mortgage interest.
- Real estate taxes.
- Casualty losses.
- Other rental expenses not related to your use of the unit as a home, such as advertising expenses and rental agents' fees.

If any income is left after deducting these expenses, you can deduct other expenses, including depreciation, up to the amount of remaining income. You can carry over to 2001 the amounts you cannot deduct.

See **Pub. 527** for details.

Line 3

If you received rental income from real estate (including personal property leased with real estate) and you were not in the real estate business, report the income on line 3. Include income received for renting a room or other space. If you received services or

property instead of money as rent, report the fair market value as rental income.

Be sure to enter the total of all your rents in the "Totals" column even if you have only one property.

If you provided significant services to the renter, such as maid service, report the rental activity on Schedule C or C-EZ, not on Schedule E. Significant services **do not** include the furnishing of heat and light, cleaning of public areas, trash collection, or similar services.

If you were in the real estate sales business, include on line 3 only the rent received from real estate (including personal property leased with real estate) you held for investment or speculation. Do not use Schedule E to report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business. Instead, use Schedule C or C-EZ for these rentals.

For more details on rental income, use TeleTax topic 414 (see page 11 of the Form 1040 instructions) or see Pub. 527.

Rental Income From Farm Production or Crop Shares. Report farm rental income and expenses on Form 4835 if:

- You received rental income based on crops or livestock produced by the tenant **and**
- You did not manage or operate the farm to any great extent.

Line 4

Report on line 4 **royalties** from oil, gas, or mineral properties (not including operating interests); copyrights; and patents. Use a separate column (A, B, or C) for each royalty property. Be sure to enter the total of all your royalties in the "Totals" column even if you have only one source of royalties.

If you received \$10 or more in royalties during 2000, the payer should send you a **Form 1099-MISC** or similar statement by January 31, 2001, showing the amount you received.

If you are in business as a self-employed writer, inventor, artist, etc., report your royalty income and expenses on Schedule C or C-EZ.

You may be able to treat amounts received as "royalties" for the 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**.

Enter on line 4 the gross amount of royalty income, even if state or local taxes were withheld from oil or gas payments you received. Include taxes withheld by the producer on line 16.

General Instructions for Lines 5 Through 21

Enter your rental and royalty expenses for each property in the appropriate column. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agents' commissions, and depreciation.

Do not deduct the value of your own labor or amounts paid for capital investments or capital improvements.

Enter your total expenses for mortgage interest (line 12), total expenses before depreciation expense or depletion (line 19), and depreciation expenses or depletion (line 20) in the "Totals" column even if you have only one property.

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 applies to the rented part.

Credit or Deduction for Access Expenditures. You may be able to claim a tax credit for eligible expenditures paid or incurred in 2000 to provide access to your business for individuals with disabilities. See **Form 8826** for details.

You can also deduct up to \$15,000 of qualified costs paid or incurred in 2000 to remove architectural or transportation barriers to individuals with disabilities and the elderly.

You cannot take both the credit and the deduction for the same expenditures. See **Pub. 535** for details.

Line 6

You may deduct ordinary and necessary auto and travel expenses related to your rental activities, including 50% of meal expenses incurred while traveling away from home. You generally can either deduct your actual expenses or take the standard mileage rate. You **must** use actual expenses if you use more than one vehicle simultaneously in your rental activities (as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can use the standard mileage rate for 2000 **only** if:

- You owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual auto expenses:

- Include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, etc. and
- Show auto rental or lease payments on line 18 and depreciation on line 20.

If you take the standard mileage rate, multiply the number of miles you drove your auto in connection with your rental activities by 32.5 cents. Include this amount and your parking fees and tolls on line 6.

If you claim any auto expenses (actual or the standard mileage rate), you must complete Part V of **Form 4562** and attach Form 4562 to your return.

See Pub. 527 and **Pub. 463** for details.

Line 10

Include on line 10 fees for tax advice and the preparation of tax forms related to your rental real estate or royalty properties.

Do not deduct legal fees paid or incurred to defend or protect title to property, to recover property, or to develop or improve property. Instead, you must capitalize these fees and add them to the property's basis.

Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you must have records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 12 the amount of interest you paid for 2000 to banks or other financial institutions. Be sure to fill in the "Totals" column.

Do not deduct prepaid interest when you paid it. You can deduct it only in the year to which it is properly allocable. Points, including loan origination fees, charged only for the use of money must be deducted over the life of the loan.

If you paid \$600 or more in interest on a mortgage during 2000, the recipient should send you a **Form 1098** or similar statement by January 31, 2001, showing the total interest received from you.

If you paid more mortgage interest than is shown on your Form 1098 or similar statement, see Pub. 535 to find out if you can deduct the additional interest. If you can, enter the entire amount on line 12. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 12.

Note. 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 13.

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 your share of 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 14

You may deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized and depreciated (that is, they cannot be deducted in full in the year they are paid or incurred). See the instructions for line 20.

Line 17

You may deduct the cost of ordinary and necessary telephone calls related to your rental activities or royalty income (for example, calls to the renter). However, the base rate (including taxes and other charges) for local telephone service for the first telephone line into your residence is a personal expense and is not deductible.

Line 20

Depreciation is the annual deduction you must take to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. Land is not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you deduct all your depreciable cost or other basis or no longer use the property in your business or for the production of income.

See the Instructions for Form 4562 to figure the amount of depreciation to enter on line 20. Be sure to fill in the "Totals" column.

You must complete and attach Form 4562 **only** if you are claiming:

- Depreciation on property first placed in service during 2000;
- Depreciation on listed property (defined in the Instructions for Form 4562), including a vehicle, regardless of the date it was placed in service; or

- A section 179 expense deduction or amortization of costs that began in 2000.

See Pub. 527 for more information on depreciation of residential rental property. See **Pub. 946** for a more comprehensive guide to depreciation.

If you own mineral property or an oil, gas, or geothermal well, you may be able to take a deduction for depletion. See Pub. 535 for details.

Line 22

At-Risk Rules

Generally, you must complete **Form 6198** to figure your allowable loss if you have:

- A loss from an activity carried on as a trade or business or for the production of income **and**
- Amounts in the activity for which you are not at risk.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity. However, the at-risk rules do not apply to losses from an activity of holding real property, if you acquired your interest in the activity before 1987 and the property was placed in service before 1987. The activity of holding mineral property does not qualify for this exception.

In most cases, you are **not** at risk for amounts such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property. See **Qualified nonrecourse financing** below.

- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the activity from a person who has an interest in the activity (other than as a creditor) or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

Qualified nonrecourse financing is treated as an amount at risk if it is secured by real property used in an activity of holding real property that is subject to the at-risk rules. Qualified nonrecourse financing is fi-

nancing for which no one is personally liable for repayment and is:

- Borrowed by you in connection with holding real property,
- Not convertible from a debt obligation to an ownership interest, **and**
- Loaned or guaranteed by any Federal, state, or local government, or borrowed by you from a **qualified person**.

A **qualified person** is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A qualified person **cannot** be:

- Related to you (unless the nonrecourse financing obtained is commercially reasonable and on the same terms as loans involving unrelated persons),
- The seller of the property (or a person related to the seller), or
- A person who receives a fee due to your investment in real property (or a person related to that person).

If you have amounts for which you are not at risk, use Form 6198 to determine the amount of your deductible loss. Enter that amount in the appropriate column of Schedule E, line 22. In the space to the left of line 22, write "Form 6198." Attach Form 6198 to your return.

Line 23

Note. Do not complete line 23 if the amount on line 22 is from royalty properties.

If you have a rental real estate loss from a passive activity (defined on page E-4), the amount of loss you can deduct may be limited by the passive activity loss rules. You may need to complete **Form 8582** to figure the amount of loss, if any, to enter on line 23.

If your rental real estate loss is not from a passive activity **or** you meet the following exception, you do not have to complete Form 8582. Enter the loss from line 22 on line 23.

Exception for Certain Rental Real Estate Activities. If you meet **all three** of the following conditions, your rental real estate losses are not limited by the passive activity loss rules. If you **do not** meet **all three** of these conditions, see the Instructions for Form 8582 to find out if you must complete and attach Form 8582.

1. Rental real estate activities are your only passive activities.
2. You do not have any prior year unallowed losses from any passive activities.
3. **All** of the following apply if you have an overall net loss from these activities:

- You actively participated (defined below) in all of the rental real estate activities;

- If married filing separately, you lived apart from your spouse all year;

- Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately);

- You have no current or prior year unallowed credits from passive activities; **and**

- Your modified adjusted gross income (defined later) is \$100,000 or less (\$50,000 or less if married filing separately).

Active Participation. You can meet the active participation requirement without regular, continuous, and substantial involvement in real estate activities. 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. Such management decisions 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.

Modified Adjusted Gross Income. This is your adjusted gross income from Form 1040, line 33, without taking into account:

- Any passive activity loss,
- Rental real estate losses allowed under the exception for real estate professionals (explained on this page),
- Taxable social security or equivalent railroad retirement benefits,
- Deductible contributions to a traditional IRA or certain other qualified retirement plans under Internal Revenue Code section 219,
- The student loan interest deduction,
- The deduction for one-half of self-employment tax, and
- The exclusion of amounts received under an employer's adoption assistance program.

However, if you file **Form 8815**, include in your modified adjusted gross income the savings bond interest excluded on line 14 of that form.

Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. These rules apply to losses in Parts I, II, and III, and line 39 of Schedule E.

Losses from passive activities may be subject first to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity loss rules.

You generally can deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (as previously explained).

Passive Activity. A passive activity is any business activity in which you **do not** materially participate and any rental activity, except as provided on this page. If you are a limited partner, you generally are not treated as having materially participated in the partnership's activities for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply. If your rental of property is not treated as 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 to determine whether you materially participated in the activity and for the definition of "rental activity."

See **Pub. 925** for special rules that apply to rentals of:

- Substantially nondepreciable property,
- Property incidental to development activities, and
- Property to activities in which you materially participate.

Exception for Real Estate Professionals. If you were a real estate professional in 2000, any rental real estate activity in which you materially participated is not a passive activity. You were a **real estate professional** only if you met **both** of the following conditions.

1. More than half of the personal services you performed in trades or businesses were performed in real property trades or businesses in which you materially participated.

2. You performed more than 750 hours of services in real property trades or businesses in which you materially participated.

For purposes of this rule, each interest in rental real estate is a separate activity, unless you elect to treat all your interests in rental real estate as one activity. To make this election, attach a statement to your original tax return that declares you are a qualifying taxpayer for the year and you are making the election under Internal Revenue Code section 469(c)(7)(A). The election applies for the year made and all later years in which you are a real estate professional. You may revoke the election only if your facts and circumstances materially change.

If you are married filing jointly, either you or your spouse must separately meet both of the above conditions, without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services you performed as an employee are not treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

If you were a real estate professional for 2000, complete line 42 on page 2 of Schedule E.

Other Exceptions. The rental of your home that you also used for personal purposes is not a passive activity. See the instructions for line 2.

A working interest in an oil or gas well that you held directly or through an entity that did 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 generally is not considered income from a passive activity.

For details on passive activities, see the Instructions for Form 8582 and Pub. 925.

Parts II and III

If you need more space in Part II or III to list your income or losses, attach a continuation sheet using the same format as shown in Part II or III. However, be sure to complete the "Totals" columns for lines 28a and 28b, or lines 33a and 33b, 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. Complete and attach **Form 8271** if you are reporting any deduction, loss, credit, other tax benefit, or income from an interest purchased or otherwise acquired in a tax shelter.

Form 8271 is used to report the name, tax shelter registration number, and identifying number of the tax shelter. There is a \$250 penalty if you do not report the registration number of the tax shelter 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 preferences and adjustments from these entities for the alter-

native minimum tax on **Form 6251** or Schedule I of **Form 1041**.

Part II

Income or Loss From 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 S corporation. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items. If you did not receive these instructions with your Schedule K-1, see page 7 of the Form 1040 instructions for how to get a copy. **Do not** attach Schedules K-1 to your return. Keep them for your records.

If you are treating items on your tax return differently from the way the partnership (other than an electing large partnership) or S corporation reported them on its return, you may have to file **Form 8082**. If you are a partner in an electing large partnership, you must report the items shown on Schedule K-1 (Form 1065-B) on your tax return the same way that the partnership reported the items on Schedule K-1.

Special Rules 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 **At-Risk Rules** and **Passive Activity Loss Rules** on pages E-3 and E-4.

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 any deductible loss from Form 6198 on the appropriate line in Part II, column (i), 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 three** of the conditions listed in the instructions for line 23, you do not have to

complete Form 8582. Instead, enter your allowable loss in Part II, column (g).

If you have passive activity income, complete Part II, column (h), for that activity.

If you have nonpassive income or losses, complete Part II, columns (i) through (k), as appropriate.

Partnerships

See the Schedule K-1 instructions before entering on your return other partnership items from a passive activity or income or loss from any publicly traded partnership.

If you have other partnership items, such as depletion, from a nonpassive activity, show each item on a separate line in Part II. You may deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership if you were required to pay these expenses under the partnership agreement. Enter deductible **unreimbursed partnership expenses** from nonpassive activities on a separate line in Part II, column (i). However, enter on Schedule A any unreimbursed partnership expenses deductible as itemized deductions.

Report allowable interest expense paid or incurred from debt-financed acquisitions in Part II or on Schedule A depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for Federal tax on gasoline or other fuels on your 1999 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 for 1999.

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 the prior year amounts and the current year amounts on separate lines of Schedule E.

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**. Enter the amount from Schedule K-1 (Form 1065), line 15a (or from Schedule K-1 (Form 1065-B), box 9 (code **K-1**)), on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

Foreign Partnerships. If you are a U.S. person, you may have to file **Form 8865** if any of the following applies:

- You controlled a foreign partnership (that is, you owned more than a 50% direct or indirect interest in the partnership).

- You owned at least a 10% direct or indirect interest in a foreign partnership

while U.S. persons controlled that partnership.

- You had an acquisition, disposition, or change in proportional interest of a foreign partnership that:

1. Increased your direct interest to at least 10% or reduced your direct interest of at least 10% to less than 10% or

2. Changed your direct interest by at least a 10% interest.

- You contributed property to a foreign partnership in exchange for a partnership interest if:

1. Immediately after the contribution, you owned, directly or indirectly, at least a 10% interest in the partnership or

2. The fair market value of the property you contributed to the partnership in exchange for a partnership interest, when added to other contributions of property you made to the partnership during the preceding 12-month period, exceeds \$100,000.

Also, you may have to file Form 8865 to report certain dispositions by a foreign partnership of property you previously contributed to that partnership if you were a partner at the time of the disposition.

For more details, including penalties for failing to file Form 8865, see Form 8865 and its separate instructions.

S Corporations

If you are 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 the Schedule K-1 instructions for details.

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 earlier.

If you have losses or deductions from a prior year that you could not deduct because of the basis or at-risk 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.

Distributions of prior year accumulated earnings and profits of S corporations are

dividends and are reported on Form 1040, line 9.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

Your share of the net income of an S corporation is **not** subject to self-employment tax.

Part III

Income or Loss From 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. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. **Do not** attach Schedule K-1 to your return. Keep it for your records.

If you are treating items on your tax return differently from the way the estate or trust reported them on its return, you may have to file Form 8082.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 14a), write "ES payment claimed" and the amount on the dotted line next to line 36. **Do not** include this amount in the total on line 36. Instead, enter the amount on Form 1040, line 59.

A U.S. person who transferred property to a foreign trust may have to report the income received by the trust as a result of the transferred property if, during 2000, the trust had a U.S. beneficiary. For details, see **Form 3520**.

Part IV

Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)

If you are the holder of a residual interest in 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 Schedules Q to your return. Keep them for your records.

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.

If you are the holder of a residual interest in more than one REMIC, attach a continuation sheet using the same format as in Part IV. Enter the totals of columns (d) and (e) on line 38 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.

REMIC income or loss is not income or loss from a passive activity.

Note. If you are the holder of a regular interest in a REMIC, do not use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c. This is the **smallest** amount you are allowed to report as your taxable income (Form 1040, line 39). It is also the **smallest** amount you are allowed to report as your alternative minimum taxable income (AMTI) (Form 6251, line 21).

If the amount in column (c) is larger than your taxable income would otherwise be, enter the amount from column (c) on Form 1040, line 39. Similarly, if the amount in column (c) is larger than your AMTI would otherwise be, enter the amount from column (c) on Form 6251, line 21. Write "Sch. Q" on the dotted line to the left of this amount on Form 1040 or 6251.

Note. These rules also apply to estates and trusts that hold a residual interest in a REMIC. Be sure to make the appropriate entries on the comparable lines on Form 1041.



Do not include the amount shown in column (c) in the total on line 38 of Schedule E.

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b. If you itemize your deductions on Schedule A, include this amount on line 22.

Part V

Summary

Line 41

You will not be charged a penalty for underpayment of estimated tax if:

1. Your gross farming or fishing income for 1999 or 2000 is at least two-thirds of your gross income and

2. You file your 2000 tax return and pay the tax due by March 1, 2001.

2000 Instructions for Schedule F, Profit or Loss From Farming

Use Schedule F (Form 1040) to report farm income and expenses. File it with Form 1040, 1041, 1065, or 1065-B.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Additional Information. **Pub. 225** has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

General Instructions

Other Schedules and Forms You May Have To File

Schedule E to report rental income from pastureland 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.

Schedule J to figure your tax by averaging your farm income over the previous 3 years. Doing so may reduce your tax.

Schedule SE to pay self-employment tax on income from any trade or business, including farming.

Form 4562 to claim depreciation on assets placed in service in 2000, to claim amortization that began in 2000, or to report information on vehicles and other listed property.

Form 4684 to report a casualty or theft gain or loss 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.

Form 4797 to report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also, use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.

Form 4835 to report rental income 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. This income is not subject to self-employment tax. See Pub. 225.

Form 8824 to report like-kind exchanges.

Heavy Highway Vehicle Use Tax

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 motor vehicle use tax. See **Form 2290** to find out if you owe this tax.

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, see the 2000 **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

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**. For details, see **Pub. 1544**.

Estimated Tax

If you had to make estimated tax payments in 2000 and you underpaid your estimated tax, you will not be charged a penalty if **both** of the following apply.

1. Your gross farming or fishing income for 1999 or 2000 is at least two-thirds of your gross income.
2. You file your 2000 tax return and pay the tax due by March 1, 2001.

For details, see Pub. 225.

Specific Instructions

Filers of Forms 1041, 1065, and 1065-B

Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 14 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income.

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. See **Pub. 538** 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**:

1. The interests in the business have ever been for sale in a way that would require registration with any Federal or state agency or

2. More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A **limited partner** is one who can lose only the amount invested or required to be 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 identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4**. If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Material Participation. For the definition of material participation for purposes of the passive activity rules, see the instructions for **Schedule C**, line G, on page C-2. If you meet any of the material participation tests described in those instructions, 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 for farming 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 current year losses from other passive activities or prior year unallowed passive activity losses, see the instructions for **Form 8582**.

Limit on Losses. If you checked the "No" box on line E and you have a loss from this business, you may have to 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 details, see **Pub. 925**.

Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Generally, 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. However, farm production flexibility contract payments received under the Federal Agriculture Improvement

and Reform Act of 1996 are required to be included in income only in the year of actual receipt.

If you ran the farm yourself and received rents based on crop shares or farm production, report these rents as income on line 4.

Sales of Livestock Because of Weather-Related Conditions

If you sold livestock because of drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if **all** of the following apply.

- Your main business is farming.
 - You can show that you sold the livestock only because of weather-related conditions.
 - Your area qualified for Federal aid.
-

Forms 1099 or CCC-1099-G

If you received Forms 1099 or CCC-1099-G showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-1099-G 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 (for crop insurance) . . .	Line 8a
Forms 1099-G or CCC-1099-G (for disaster payments) .	Line 8a
Forms 1099-G or CCC-1099-G (for other agricultural program 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 2000, you should receive **Form 1099-PATR**. 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 (distributions) 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 received per-unit retains in cash, show the amount of cash. If you received 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.

- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
- 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).

These amounts are government payments you received, usually reported to you on **Form 1099-G**. You may also receive Form CCC-1099-G from the Department of Agri-

culture showing the amounts and types of payments made to you.

On line 6b, report only the taxable amount. For example, do not report the market gain shown on Form CCC-1099-G on line 6b if you elected to report CCC loan proceeds as income in the year received (see **Lines 7a Through 7c** below). No gain results from redemption of the commodity because you previously reported the CCC loan proceeds as income. You are treated as repurchasing the commodity for the amount of the loan repayment. However, if you did not report the CCC loan proceeds under the election, you must report the market gain on line 6b.

Lines 7a Through 7c

Commodity Credit Corporation 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 (or made the election in a prior year), report loan proceeds you received in 2000 on line 7a. Attach a statement to your return showing the details of the loan(s).

Forfeited CCC Loans. 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 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.

See Pub. 225 for details on the tax consequences of electing to report CCC loan proceeds as income or forfeiting CCC loans.

Lines 8a Through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 2000 was the year of damage, you may elect to include certain proceeds in income for 2001. To make this election, check the box on line 8c and attach a statement to your return. See Pub. 225 for a description of the proceeds for which an election may be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including Federal disaster payments).

Enter on line 8a the **total** crop insurance proceeds you received in 2000, even if you elect to include them in income for 2001.

Enter on line 8b the taxable amount of the proceeds you received in 2000. Do not include proceeds you elect to include in income for 2001.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1999 and elected to include in income for 2000.

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.

- Bartering income.

- Income from discharge of indebtedness. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. If a Federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a **Form 1099-C**, or similar statement, by January 31, 2001, showing the amount of debt canceled in 2000. However, certain solvent farmers may exclude discharged qualified farm indebtedness from income. For information on whether you must include any discharge of indebtedness in income, see Pub. 225.

- State gasoline or fuel tax refund you got in 2000.

- The amount of credit for Federal tax paid on fuels claimed on your 1999 Form 1040.

- The amount of credit for alcohol used as a fuel that was entered on **Form 6478**.

- Any recapture of excess depreciation, including any section 179 expense deduction, if the business use percentage of any listed property decreased to 50% or less in 2000. Use **Form 4797** to figure the recapture. See the instructions for Schedule C, line 13, on page C-3 for the definition of listed property.

- The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. See **Pub. 946** to figure the amount.

- Any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details on how to figure recapture, see **Pub. 535**.

- The gain or loss on the sale of commodity futures contracts if the contracts were made to protect you from price changes. These are a form of business insurance and are considered hedges. If you had a loss in a closed futures contract, enclose it in parentheses.



For property acquired and hedging positions established, you must clearly identify on your books and records both the hedging transaction and the item(s) or aggregate risk that is being hedged.

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 **Form 6781** instead of this line.

Part II. Farm Expenses

Do not deduct the following.

- 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.

- Inventory losses.

- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, 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. However, these rules generally do not apply to:

1. Expenses of producing any plant that has a preproductive period of 2 years or less,

2. Expenses of raising animals, or

3. Expenses of replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or 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.

But you may be able to deduct rather than capitalize the expenses of producing a plant with a preproductive period of more than 2 years. See **Election To Deduct Certain Preproductive Period Expenses** below.

Do not reduce your deductions on lines 12 through 34e by the preproductive period expenses you are required to capitalize. Instead, enter the total amount capitalized in parentheses on line 34f. See **Preproductive Period Expenses** on page F-6 for details.

If you revoked an election made before 1989 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 chose to deduct will have to be recaptured as ordinary income when you dispose of the animals.

Election To Deduct Certain Preproductive Period Expenses. If the preproductive period of any plant you produce is more than 2 years, you may choose 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 end of the 4th tax year beginning with the tax year you planted them in their permanent grove. By deducting the preproductive period expenses for which you may make this election, you are treated as having made the election.

Note. In the case of a partnership or S corporation, the election must be made by the partner or shareholder. This election may not be made by tax shelters, farm syndicates, or partners in partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.

If you make the election to deduct preproductive expenses for plants, any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted. Also, the alternative depreciation rules apply to property placed in service in any tax year your election is in effect. Unless you obtain the consent of the IRS, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You may not revoke this election without the consent of the IRS.

For details, see Pub. 225.

Prepaid Farm Supplies. Generally, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm sup-

plies not used or consumed during the year. They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to (a) capitalize the cost of poultry bought for use in your farm business and deduct it ratably over the lesser of 12 months or the useful life of the poultry and (b) deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it.

If the limit applies, you can deduct prepaid farm supplies that do not exceed 50% of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For details and exceptions to these rules, see Pub. 225.

Line 12

You can deduct the actual expenses of running your car or truck, or take the standard mileage rate. You **must** use actual expenses if you used your vehicle for hire or you used more than one vehicle simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2000 **only** if:

- You owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

- Include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 16 and rent or lease payments on line 26a.

If you take the standard mileage rate, multiply the number of business miles by 32.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 12. **Do not** deduct depreciation, rent or lease payments, or your actual operating expenses.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested in Part V of **Form 4562**. Be sure to attach Form 4562 to your return.

For details, see **Pub. 463**.

Line 14

Deductible soil and water conservation expenses generally are those that are paid to conserve soil and water or to prevent erosion of land used for farming. These expenses

include (but are not limited to) the cost of leveling, grading and terracing, contour furrowing, the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets and ponds, the eradication of brush, and the planting of windbreaks.

These expenses can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service (NRCS) 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 cannot deduct the expenses if they were paid or incurred for land used in farming in a foreign country.

Do not deduct expenses you pay or incur to drain or fill wetlands, to prepare land for center pivot irrigation systems, or to clear land.

The amount you deduct may not exceed 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, the excess may be carried forward and deducted in later tax years. However, the amount deductible for any 1 year may not exceed the 25% gross income limit for that year.

For details, see Pub. 225.

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. You should 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 Internal Revenue Code section 179 to expense a portion of the cost of certain tangible property you bought in 2000 for use in your business.

For details, including when you must complete and attach Form 4562, see the instructions for Schedule C, line 13, on page C-3.

Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 17 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 28, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents even if you do not itemize your deductions. See the instructions for Form 1040, line 28, for details.

Line 18

Generally, you cannot currently deduct expenses for feed to be consumed by your livestock in a later tax year. See **Prepaid Farm Supplies** on page F-4.

Line 20

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock, and deduct them when the livestock is sold.

Line 22

Deduct on this line premiums paid for farm business insurance. Deduct on line 17 amounts paid for employee accident and health insurance. Amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability are not deductible.

Lines 23a and 23b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. See Pub. 535 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. 535 to figure the amount that is deductible on Schedule F.

If you have a mortgage on real property used in your farming business (other than your main home), enter on line 23a the interest you paid for 2000 to banks or other financial institutions for which you received a **Form 1098**.

If you did not receive a Form 1098 from the recipient, report your mortgage interest on line 23b.

If you paid more mortgage interest than is shown on Form 1098 or similar statement, see Pub. 535 to find out 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 your share of 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 2000 for later years; include only the part that applies to 2000.

Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Work Opportunity Credit,
- **Form 8844**, Empowerment Zone Employment Credit,
- **Form 8845**, Indian Employment Credit, and
- **Form 8861**, Welfare-to-Work 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.



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 your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-

employed person, see the instructions for Schedule C, line 19, on page C-4.

Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount**. For details, see the instructions for Schedule C, lines 20a and 20b, on page C-4.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farm land.

Line 27

Enter amounts you paid for repairs and maintenance of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or minimal cost, such as shovels and rakes.

Do not deduct repairs or maintenance on your home.

Line 31

Deduct the following taxes on this line.

- Real estate and personal property taxes on farm business assets.
 - Social security and Medicare 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 the following on this line.
- Federal income taxes including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 27.
 - Estate and gift taxes.
 - Taxes assessed for improvements, such as paving and sewers.
 - Taxes on your home or personal use property.
 - State and local sales taxes on property purchased for use in your farm business. Instead, treat these taxes as part of the cost of the property.
 - Other taxes not related to the farm business.

Line 32

Enter amounts you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities. You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even

if you use it for business. See the instructions for Schedule C, line 25, on page C-5.

Lines 34a Through 34f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc. **Do not** include fines or penalties paid to a government for violating any law.

Amortization. You can amortize qualifying forestation and reforestation costs over 84 months. You can also amortize certain business startup costs over a period of at least 60 months. For details, see Pub. 535. For amortization that begins in 2000, you must complete and attach Form 4562.

At-Risk Loss Deduction. 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 2000.

Bad Debts. See the instructions for Schedule C, line 9, on page C-3.

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. Use the worksheet in **Pub. 587** to figure your allowable deduction. **Do not** use **Form 8829**.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for details.

Legal and Professional Fees. You can deduct on this line fees for tax advice related to your farm business and for preparation of the tax forms related to your farm business.

Travel, Meals, and Entertainment. Generally, you can deduct expenses for farm business travel and 50% of your business meals and entertainment. But there are exceptions and limitations. See the instructions for Schedule C, lines 24a through 24c, on page C-5.

Preproductive Period Expenses. If you had preproductive period expenses in 2000 and you decided to capitalize them, you **must** enter the total of these expenses in parentheses on line 34f and write "263A" in the space to the left of the total.

If you entered an amount in parentheses on line 34f because you have preproductive period expenses you are capitalizing, subtract the amount on line 34f from the total of lines 12 through 34e. Enter the result on line 35.

For details, see **Capitalizing Costs of Property** on page F-3 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 line 37 before entering your loss on line 36. If you answered "No" to Question E on Schedule F, also see the Instructions for Form 8582. Enter the net profit or **deductible** loss here and on Form 1040, line 18, and Schedule SE, line 1. Estates and trusts should enter the net profit or deductible loss here and on Form 1041, line 6. Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5 (or Form 1065-B, line 7).

If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the instructions for Form 1040, lines 60a and 60b, for details.

Line 37

At-Risk Rules. Generally, if you have (a) a loss from a farming activity and (b) amounts in the activity for which you are **not at risk**, you will have to complete **Form 6198** to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check **box 37b** if you have amounts for which you are not at risk in this activity, such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.

- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related under Internal Revenue Code section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 37a** and enter your loss on line 36. But if you answered "No" to Question E, you may need to complete Form 8582 to

figure your allowable loss to enter on line 36. See the Instructions for Form 8582.

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 E, your loss may be further limited. See the Instructions for 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, the processing of your tax return may be delayed.

Any loss from this activity not allowed for 2000 because of the at-risk rules is treated as a deduction allocable to the activity in 2001.

For details, see Pub. 925. 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 include animals and crops in your inventory if you use this method. See Pub. 538 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 earned from the sale of livestock, produce, grains, and other products you raised.

Lines 39a Through 41c

See the instructions for lines 5a through 7c beginning on page F-2.

Lines 43 and 44

See the instructions for lines 9 and 10 on page F-3.



2000 Instructions for Schedule R (Form 1040)

Credit for the Elderly or the Disabled

Use Schedule R to figure the credit for the elderly or the disabled.
Additional Information. See **Pub. 524** for more details.

Who Can Take the Credit

The credit is based on your filing status, age, and income. If you are married filing a joint return, it is also based on your spouse's age and income.

You may be able to take this credit if **either** of the following applies.

- You were **age 65 or older** at the end of 2000 **or**
- You were **under age 65** at the end of 2000 and you meet **all three** of the following.

1. You were **permanently and totally disabled** on the date you retired. If you retired before 1977, you must have been permanently and totally disabled on January 1, 1976, or January 1, 1977.

2. You received taxable disability income for 2000.

3. On January 1, 2000, you had not reached mandatory retirement age (the age when your employer's retirement program would have required you to retire).

For the definition of permanent and total disability, see **What Is Permanent and Total Disability?** on page R-2. Also, see the instructions for Part II.

Married Persons Filing Separate Returns

If your filing status is married filing separately and you lived with your spouse at any time during 2000, you **cannot** take the credit.

Nonresident Aliens

If you were a nonresident alien at any time during 2000, you may be able to take the credit only if your filing status is married filing a joint return.

Income Limits

See the chart below.

Want the IRS To Figure Your Credit?

If you can take the credit and you want us to figure it for you, check the box in Part I of Schedule R for your filing status and age. Fill in Part II and lines 11 and 13 of Part III if they apply to you. Then, enter "CFE" on the dotted line next to line 45 on Form 1040 and attach Schedule R to your return.

Income Limits for the Credit for the Elderly or the Disabled

IF you are . . .	THEN you generally cannot take the credit if:	
	The amount on Form 1040, line 34, is . . .	Or you received . . .
Single, head of household, or qualifying widow(er)	\$17,500 or more	\$5,000 or more of nontaxable social security or other nontaxable pensions
Married filing a joint return and only one spouse is eligible for the credit	\$20,000 or more	\$5,000 or more of nontaxable social security or other nontaxable pensions
Married filing a joint return and both spouses are eligible for the credit	\$25,000 or more	\$7,500 or more of nontaxable social security or other nontaxable pensions
Married filing a separate return and you lived apart from your spouse for all of 2000	\$12,500 or more	\$3,750 or more of nontaxable social security or other nontaxable pensions

What Is Permanent and Total Disability?

A person is **permanently and totally disabled** if **both 1 and 2** below apply.

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition and
2. A physician determines that the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Examples 1 and 2 on this page show situations in which the individuals are considered engaged in a substantial gainful activity. Example 3 shows a person who might not be considered engaged in a substantial gainful activity. In each example, the person was under age 65 at the end of the year.

Example 1. Sue retired on disability as a sales clerk. She now works as a full-time babysitter at the minimum wage. Although she does different work, Sue babysits on ordinary terms for the minimum wage. She cannot take the credit because she is engaged in a substantial gainful activity.

Example 2. Mary, the president of XYZ Corporation, retired on disability because of her terminal illness. On her doctor's advice, she works part time as a manager and is paid more than the minimum wage. Her employer sets her days and hours. Although Mary's illness is terminal and she works part time, the work is done at her employer's convenience. Mary is considered engaged in a substantial gainful activity and cannot take the credit.

Example 3. John, who retired on disability, took a job with a former employer on a trial basis. The purpose of the job was to see if John could do the work. The trial period lasted for some time during which John was paid at a rate equal to the minimum wage. But because of John's disability, he was given only light duties of a nonproductive, make-work nature. Unless the activity is both substantial and gainful, John is not engaged in a substantial gainful activity. The activity was gainful because John was paid at a rate at or above the minimum wage. However, the activity was not substantial because the duties were of a nonproductive, make-work nature. More facts are needed to determine if John is able to engage in a substantial gainful activity.

Disability Income

Generally, disability income is the total amount you were paid under your employer's accident and health plan or pension plan that is included in your income as wages or payments instead of wages for the time you were absent from work because of permanent and total disability. However, any payment you received from a plan that does not provide for disability retirement is not disability income.

In figuring the credit, disability income **does not** include any amount you received from your employer's pension plan after you have reached mandatory retirement age.

For more details on disability income, see **Pub. 525**.

Part II. Statement of Permanent and Total Disability

If you checked box 2, 4, 5, 6, or 9 in Part I and you did not file a physician's statement for 1983 or an earlier year, or you filed or got a statement for tax years after 1983 and your physician signed on line A of the statement, you must have your physician complete a statement certifying that:

- You were permanently and totally disabled on the date you retired or
- If you retired before 1977, you were permanently and totally disabled on January 1, 1976, or January 1, 1977.

You do not have to file this statement with your Form 1040. But you **must** keep it for your records. You may use the physician's statement on page R-4 for this purpose. Your physician should show on the statement if the disability has lasted or can be expected to last continuously for at least a year, or if there is no reasonable probability that the disabled condition will ever improve. If you file a joint return and you checked box 5 in Part I, you and your spouse must each get a statement.

If you filed a physician's statement for 1983 or an earlier year, or you filed or got a statement for tax years after 1983 and your physician signed on line B of the statement, you do not have to get another statement for 2000. But you must check the box on line 2 in Part II to certify **all three** of the following:

1. You filed or got a physician's statement in an earlier year.
2. You were permanently and totally disabled during 2000.
3. You were unable to engage in any substantial gainful activity during 2000 because of your physical or mental condition.

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

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

Part III. Figure Your Credit

Line 11

If you checked box 2, 4, 5, 6, or 9 in Part I, use the following chart to complete line 11.

IF you checked . . .	THEN enter on line 11. . .
Box 6	The total of \$5,000 plus the disability income you reported on Form 1040 for the spouse who was under age 65.
Box 2, 4, or 9	The total amount of disability income you reported on Form 1040.
Box 5	The total amount of disability income you reported on Form 1040 for both you and your spouse.

Example 1. Bill, age 63, retired on permanent and total disability in 2000. He received \$4,000 of taxable disability income that he reported on Form 1040, line 7. He filed a joint return with his wife who was age 67 in 2000. On line 11, Bill enters \$9,000 (\$5,000 plus the \$4,000 of disability income reported on Form 1040).

Example 2. John checked box 2 in Part I and enters \$5,000 on line 10. He received \$3,000 of taxable disability income, which he enters on line 11. John also enters \$3,000 on line 12 (the smaller of line 10 or line 11). The largest amount he can use to figure the credit is \$3,000.

Lines 13a Through 18

The amount on which you figure your credit may be reduced if you received certain types of nontaxable pensions and annuities. The amount may also be reduced if your adjusted gross income is over a certain amount, depending on which box you checked in Part I.

Line 13a. Enter any social security benefits (before deduction of Medicare premiums) you (and your spouse if filing a joint return) received for 2000 that are not taxable. Also, enter any tier 1 railroad retirement benefits treated as social security that are not taxable.

If any of your social security or equivalent railroad retirement benefits are taxable, the amount to enter on this line is generally the difference between the amounts entered on Form 1040, line 20a and line 20b.

Note. If your social security or equivalent railroad retirement benefits are reduced because of workers' compensation benefits, treat the workers' compensation benefits as social security benefits when completing Schedule R, line 13a.

Line 13b. Enter the total of the following types of income that you (and your spouse if filing a joint return) received for 2000.

- Veterans' pensions (but not military disability pensions).
- Any other pension, annuity, or disability benefit that is excluded from income under any provision of Federal law other

than the Internal Revenue Code. **Do not** include amounts that are treated as a return of your cost of a pension or annuity.

Do not include on line 13b any pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country, or in the National Oceanic and Atmospheric Administration or the Public Health Service. Also, do not include a disability annuity payable under section 808 of the Foreign Service Act of 1980.

Line 20

Use the worksheet below to figure the credit you may take if **either 1 or 2** below apply.

1. The amount on line 20 is more than the amount on Form 1040, line 42, minus any amount on Form 1040, line 43, **or**

2. You are claiming the credit for child and dependent care expenses on Form 1040, line 44.

If **neither 1 nor 2** above apply to you, enter on Form 1040, line 45, the amount from Schedule R, line 20.

Credit Limit Worksheet—Line 20

(keep for your records)

1. Enter the amount from Form 1040, line 42, minus any amount on Form 1040, line 43 **1.** _____
2. Enter the amount, if any, from Form 1040, line 44 **2.** _____
3. Subtract line 2 from line 1 **3.** _____
4. Enter the credit you first figured on Schedule R, line 20 **4.** _____
5. Enter the **smaller** of line 3 or line 4 here and on Form 1040, line 45. If line 3 is the smaller amount, also replace the amount on Schedule R, line 20, with that amount **5.** _____

Instructions for Physician's Statement

Taxpayer

If you retired after 1976, enter the date you retired in the space provided on the statement below.

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition and

2. A physician determines that the disability has lasted or can be expected to last continuously for at least a year or can lead to death.

Physician

A person is permanently and totally disabled if **both** of the following apply:

Physician's Statement (keep for your records)

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 1976, enter the date retired. ► _____

Physician: Sign your name on **either** line A or B below.

A The disability has lasted or can be expected to last continuously for at least a year _____
Physician's signature Date

B There is no reasonable probability that the disabled condition will ever improve _____
Physician's signature Date

Physician's name	Physician's address
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2000 Instructions for Schedule SE, Self-Employment Tax

Use Schedule SE (Form 1040) to figure the tax due on net earnings from self-employment. 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 and even if you are already getting social security or Medicare benefits.

Additional Information. See **Pub. 533**.

General Instructions

A Change To Note

For 2000, the maximum amount of self-employment income subject to social security tax is \$76,200.

Who Must File Schedule SE

You must file Schedule SE if:

1. You were self-employed and your net earnings from self-employment from other than church employee income were \$400 or more or

2. You had church employee income of \$108.28 or more—see **Employees of Churches and Church Organizations** below.

Who Must Pay Self-Employment (SE) Tax?

Self-Employed Persons

You must pay SE tax if you had net earnings of \$400 or more as a self-employed person. If you are in business for yourself or you are a farmer, you are self-employed.

You must also pay SE tax on your share of certain partnership income and your guaranteed payments. See **Partnership Income or Loss** on page SE-2.

Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you must pay SE tax. **Church employee income** is wages you received as an employee (other than as a minister or member of a religious order) from a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

Ministers and Members of Religious Orders

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a

religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed **Form 4361** and received IRS approval, you will be exempt from paying SE tax on those net earnings. If you had no other income subject to SE tax, write “Exempt—Form 4361” on line 52 of Form 1040. However, if you had other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.

Revocation of Election. If you previously filed Form 4361 and received IRS approval, you can revoke that election to be exempt from SE tax. To do so, you must file **Form 2031**. See Form 2031 for details.

Note. Once you file Form 2031 to elect social security coverage on your earnings as a minister you cannot revoke that election.

If you must pay SE tax, include this income on line 2 of either Short or Long Schedule SE. But do not report it on line 5a of Long Schedule SE; it is not considered church employee income. Also, include on line 2:

- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) and
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer’s convenience.

However, **do not** include on line 2:

- Retirement benefits you received from a church plan after retirement or
- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement.

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. Subtract the allowable amount from your SE earnings when figuring your SE tax.

If you were a U.S. citizen or resident alien serving outside the United States as a minister or member of a religious order and you

must pay SE tax, you may not reduce your net earnings by the foreign housing exclusion or deduction.

See **Pub. 517** for details.

Members of Certain Religious Sects

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are exempt from SE tax if you received IRS approval by filing **Form 4029**. In this case, do not file Schedule SE. Instead, write “Exempt—Form 4029” on Form 1040, line 52. See **Pub. 517** for details.

U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), or the Virgin Islands. Report income from this employment on Schedule SE (Section A or B), line 2. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE 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 must pay SE tax. You may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Exception. The United States has social security agreements with many countries to eliminate dual taxes under two social secu-

rity systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following countries: Austria, Belgium, Canada, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. For more information, contact:

Social Security Administration
Office of International Programs
P.O. Box 17741
Baltimore, MD 21235

More Than One Business

If you were a farmer 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 of 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. However, if one spouse qualifies to use Short Schedule SE and the other has to use Long Schedule SE, both can use the **same** form. 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. Enter the combined SE tax on Form 1040, line 52.

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 facts in each case will determine which spouse carried on the business. If you and your spouse are partners in a partnership, see **Partnership Income or Loss** below.

If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also, attach Schedule(s) C, C-EZ, or F.



Community income included on Schedule(s) C, C-EZ, or F must be divided for income tax purposes on the basis of the community property laws.

Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

Specific Instructions

Read the chart on 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 following instructions to see what to include as net earnings and how to fill in lines 1 and 2 of either Short or Long Schedule SE. Enter all negative amounts in parentheses.

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 were a partner in a partnership, see the following instructions.

Partnership Income or Loss

If you were a general or limited partner in a partnership, include on line 1 or line 2, whichever applies, the amount from line 15a of Schedule K-1 (Form 1065) or the amount identified as net earnings from self-employment in box 9 of Schedule K-1 (Form 1065-B). General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you reduce the amount you enter on Schedule SE, attach an explanation.

If a partner died and the partnership continued, include in SE income the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she died. See Internal Revenue Code section 1402(f).

If you were married and both you and your spouse were partners in a partnership, each of you must pay SE tax on your own share of the 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 even in community property states.

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 a share of the proceeds from the sale of them). This applies even if you paid another person (an agent) to do 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. See **Pub. 225** for details.

Other Income and Losses Included in Net Earnings From Self-Employment

- Rental income from a farm if, as landlord, you materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you materially participated 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 participating 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, tourist camps or homes, parking lots, warehouses, and storage garages.

- Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.

- Amounts received by current or former self-employed insurance agents and salespersons that are:

1. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement,

2. Renewal commissions, or

3. Deferred commissions paid after retirement for sales made before retirement.

However, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment (as explained below).

- Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See **Pub. 595** for details.

- 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.

- Fees and other payments received by you for services as a director of a corporation.

- 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 disposition of property. See **Form 4797**.

- Fees you received as a professional fiduciary. This may also apply to fees paid to you 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.

- Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

Income and Losses Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security or Medicare 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 and Losses Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the railroad retirement system.

- Fees received for services performed as a notary public. If you have no other income subject to SE tax, write "Exempt-Notary" on Form 1040, line 52. However, if you have other earnings of \$400 or more subject to SE tax, write "Exempt-Notary" and, in parentheses, the amount of your net profit as a notary public from Schedule C or Schedule C-EZ on the dotted line to the left of line 3, Schedule SE. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.

- 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 if you did not receive the income in the course of a trade or business as a real estate dealer. Report this income on Schedule E.

- Income from farm rentals (including rentals paid in crop shares) if, as landlord, you did not materially participate in the production or management of the production of farm products on the land. See Pub. 225 for details.

- Dividends on shares of stock and interest on bonds, notes, etc., if you did not re-

ceive the income in the course of your trade or business as a dealer in stocks or securities.

- Gain or loss from:

1. The sale or exchange of a capital asset;

2. 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

3. Certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

- Termination payments you received as a former insurance salesperson if **all** of the following conditions are met.

1. The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

2. The payment was received after termination of your agreement to perform services for the company.

3. You did not perform any services for the company after termination and before the end of the year in which you received the payment.

4. You entered into a covenant not to compete against the company for at least a 1-year period beginning on the date of termination.

5. The amount of the payment depended primarily on policies sold by or credited to your account during the last year of the agreement, or the extent to which those policies remain in force for some period after termination, or both.

6. The amount of the payment did not depend to any extent on length of service or overall earnings from services performed for the company (regardless of whether eligibility for the payment depended on length of service).

Statutory Employee Income

If you were required to check the box on line 1 of Schedule C or C-EZ because you were a statutory employee, **do not** include the net profit or (loss) from line 31 of that Schedule C (or the net profit from line 3 of Schedule C-EZ) on line 2 of Short or Long Schedule SE. But if you file Long Schedule SE, be sure to include statutory employee social security wages and tips from Form W-2 on line 8a.

Optional Methods

How Can the Optional Methods Help You?

Social Security Coverage. The optional methods may give you credit toward your social security coverage even though you

have a loss or a small amount of income from self-employment.

Earned Income Credit. Using the optional methods may qualify you to claim the earned income credit or give you a larger credit if your net SE earnings (determined without using the optional methods) are less than \$1,600. Figure the earned income credit with and without using the optional methods to see if the optional methods will benefit you.

Child and Dependent Care Credit. The optional methods may also help you qualify for this credit or give you a larger credit if your net SE earnings (determined without using the optional methods) are less than \$1,600. Figure this credit with and without using the optional methods to see if the optional methods will benefit you.

Note. Using the optional methods may give you the benefits described above but they may also increase your SE tax.

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$2,400 or less **or** your net farm profits (defined below) were less than \$1,733. There is no limit on how many years you can use this method.

Under this method, you report on line 15, Part II, two-thirds of your gross farm income, up to \$1,600, as your net earnings. This method can increase or decrease your net SE farm earnings even if the farming business had a loss.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method.

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 payments plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. If you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Net farm profits is the total of the amounts from Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), line 15a, from farm partnerships.

Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm self-employment if your nonfarm profits (defined below) were less than \$1,733 and also less than 72.189% of your gross nonfarm income. To use this method, you also must

be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were \$400 or more in 2 of the 3 years preceding the year you use the 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 partnership income or loss subject to SE tax. Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, you report on line 17, 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.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do so, file **Form 1040X**.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See **Farm Optional Method** on page SE-3 for details.

Net nonfarm profits is the total of the amounts from Schedule C (Form 1040), line 31 (or Schedule C-EZ (Form 1040), line 3), Schedule K-1 (Form 1065), line 15a (from other than farm partnerships), and Schedule K-1 (Form 1065-B), box 9.

Using Both Optional Methods

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm self-employment, but you **cannot** report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you **cannot** report more than \$1,600 of net SE earnings.

2000 Tax Rate Schedules



Use **only** if your taxable income (Form 1040, line 39) is \$100,000 or more. If less, use the **Tax Table**. Even though you cannot use the Tax Rate Schedules below if your taxable income is less than \$100,000, all levels of taxable income are shown so taxpayers can see the tax rate that applies to each level.

Schedule X—Use if your filing status is **Single**

If the amount on Form 1040, line 39, is: <i>Over-</i>	<i>But not over-</i>	Enter on Form 1040, line 40	<i>of the amount over-</i>
\$0	\$26,250	..... 15%	\$0
26,250	63,550	\$3,937.50 + 28%	26,250
63,550	132,600	14,381.50 + 31%	63,550
132,600	288,350	35,787.00 + 36%	132,600
288,350	.....	91,857.00 + 39.6%	288,350

Schedule Y-1—Use if your filing status is **Married filing jointly** or **Qualifying widow(er)**

If the amount on Form 1040, line 39, is: <i>Over-</i>	<i>But not over-</i>	Enter on Form 1040, line 40	<i>of the amount over-</i>
\$0	\$43,850	..... 15%	\$0
43,850	105,950	\$6,577.50 + 28%	43,850
105,950	161,450	23,965.50 + 31%	105,950
161,450	288,350	41,170.50 + 36%	161,450
288,350	.....	86,854.50 + 39.6%	288,350

Schedule Y-2—Use if your filing status is **Married filing separately**

If the amount on Form 1040, line 39, is: <i>Over-</i>	<i>But not over-</i>	Enter on Form 1040, line 40	<i>of the amount over-</i>
\$0	\$21,925	..... 15%	\$0
21,925	52,975	\$3,288.75 + 28%	21,925
52,975	80,725	11,982.75 + 31%	52,975
80,725	144,175	20,585.25 + 36%	80,725
144,175	.....	43,427.25 + 39.6%	144,175

Schedule Z—Use if your filing status is **Head of household**

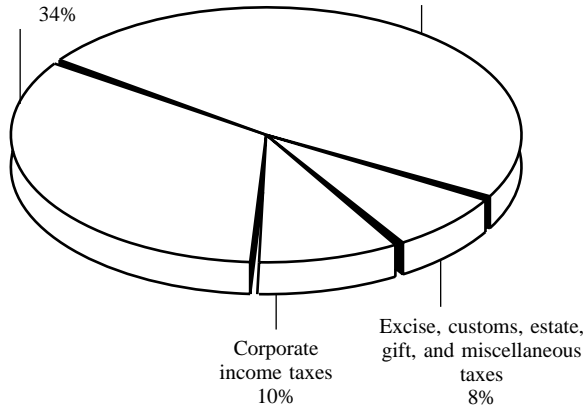
If the amount on Form 1040, line 39, is: <i>Over-</i>	<i>But not over-</i>	Enter on Form 1040, line 40	<i>of the amount over-</i>
\$0	\$35,150	..... 15%	\$0
35,150	90,800	\$5,272.50 + 28%	35,150
90,800	147,050	20,854.50 + 31%	90,800
147,050	288,350	38,292.00 + 36%	147,050
288,350	.....	89,160.00 + 39.6%	288,350

Major Categories of Federal Income and Outlays for Fiscal Year 1999

Income and Outlays. These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 1999.

Income

Social security, Medicare, and unemployment and other retirement taxes

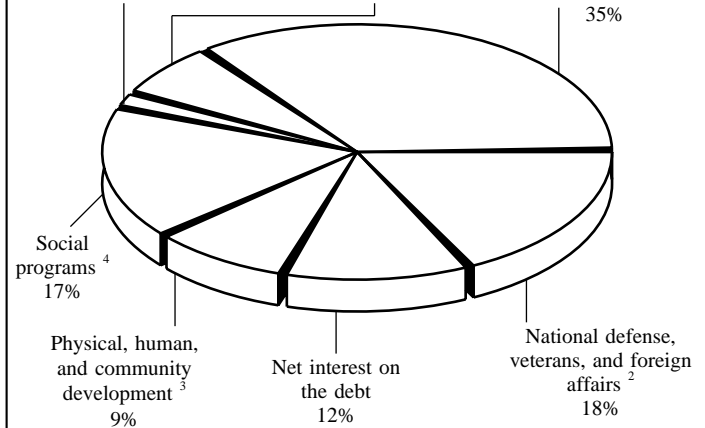


Outlays

Law enforcement and general government

Surplus to pay down the debt

Social security, Medicare, and other retirement¹



On or before the first Monday in February of each year, the President is required by law to submit to the Congress a budget proposal for the fiscal year that begins the following October. The budget plan sets forth the President's proposed receipts, spending, and the surplus or deficit for the Federal Government. The plan includes recommendations for new legislation as well as recommendations to change, eliminate, and add programs. After receiving the President's proposal, the Congress reviews it and makes changes. It first passes a budget resolution setting its own targets for receipts, outlays, and the surplus or deficit. Next, individual spending and revenue bills that are consistent with the goals of the budget resolution are enacted.

In fiscal year 1999 (which began on October 1, 1998, and ended on September 30, 1999), Federal income was \$1,827 billion and outlays were \$1,703 billion, leaving a surplus of \$124 billion.

Footnotes for Certain Federal Outlays

1. Social security, Medicare, and other retirement: These programs provide income support for the retired and disabled and medical care for the elderly.

2. National defense, veterans, and foreign affairs: About 15% of outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities; about 2% were for veterans benefits and services; and about 1% were for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

3. Physical, human, and community development: These outlays were for agriculture; natural resources; environment; transportation; aid for elementary and secondary education and direct assistance to college students; job training; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

4. Social programs: About 12% of total outlays were for Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs; and 6% for health research and public health programs, unemployment compensation, assisted housing, and social services.

Note. Detail may not add to totals due to rounding. The percentages on this page exclude undistributed offsetting receipts, which were -\$40 billion in fiscal year 1999. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are for the U.S. Government's share of its employee retirement programs, rents and royalties on the Outer Continental Shelf, and proceeds from the sale of assets.

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* These items may not be included in this package. To reduce printing costs, we have sent you only the forms you may need based on what you filed last year.



Where Do You File?

If an envelope addressed to “Internal Revenue Service Center” came with this booklet, 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** shown that applies to you.



Envelopes without enough postage will be returned to you by the post office. Your envelope may need additional postage if it contains more than five pages or is oversized (for example, it is over ¼" thick). Also, include your complete return address.

IF you live in...	THEN use this address if you:	
	Are not enclosing a check or money order...	Are enclosing a check or money order...
Florida, Georgia, South Carolina, West Virginia	Internal Revenue Service Center Atlanta, GA 39901-0002	Internal Revenue Service Center Atlanta, GA 39901-0102
Delaware, New Jersey, New York (<i>New York City and counties of Nassau, Rockland, Suffolk, and Westchester</i>)	Internal Revenue Service Center Holtsville, NY 00501-0002	Internal Revenue Service Center Holtsville, NY 00501-0102
New York (<i>all other counties</i>), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center Andover, MA 05501-0002	Internal Revenue Service Center Andover, MA 05501-0102
Illinois, Iowa, Kansas, Minnesota, Missouri, Oregon, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999-0002	Internal Revenue Service Center Kansas City, MO 64999-0102
District of Columbia, Indiana, Maryland, Pennsylvania, Virginia	Internal Revenue Service Center Philadelphia, PA 19255-0002	Internal Revenue Service Center Philadelphia, PA 19255-0102
Michigan, Ohio	Internal Revenue Service Center Cincinnati, OH 45999-0002	Internal Revenue Service Center Cincinnati, OH 45999-0102
Colorado, Idaho, Montana, New Mexico, Oklahoma, Texas, Wyoming	Internal Revenue Service Center Austin, TX 73301-0002	Internal Revenue Service Center Austin, TX 73301-0102
Arizona, California (<i>counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba</i>), Nevada, North Dakota, South Dakota, Utah, Washington	Internal Revenue Service Center Ogden, UT 84201-0002	Internal Revenue Service Center Ogden, UT 84201-0102
California (<i>all other counties</i>), Alaska, Hawaii	Internal Revenue Service Center Fresno, CA 93888-0002	Internal Revenue Service Center Fresno, CA 93888-0102
Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Nebraska, North Carolina, Tennessee	Internal Revenue Service Center Memphis, TN 37501-0002	Internal Revenue Service Center Memphis, TN 37501-0102
All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (<i>or if excluding income under Internal Revenue Code section 933</i>), a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563	Internal Revenue Service Center Philadelphia, PA 19255-0215 USA	Internal Revenue Service Center Philadelphia, PA 19255-0215 USA

* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802.

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