

Note. This booklet does not contain any tax forms.

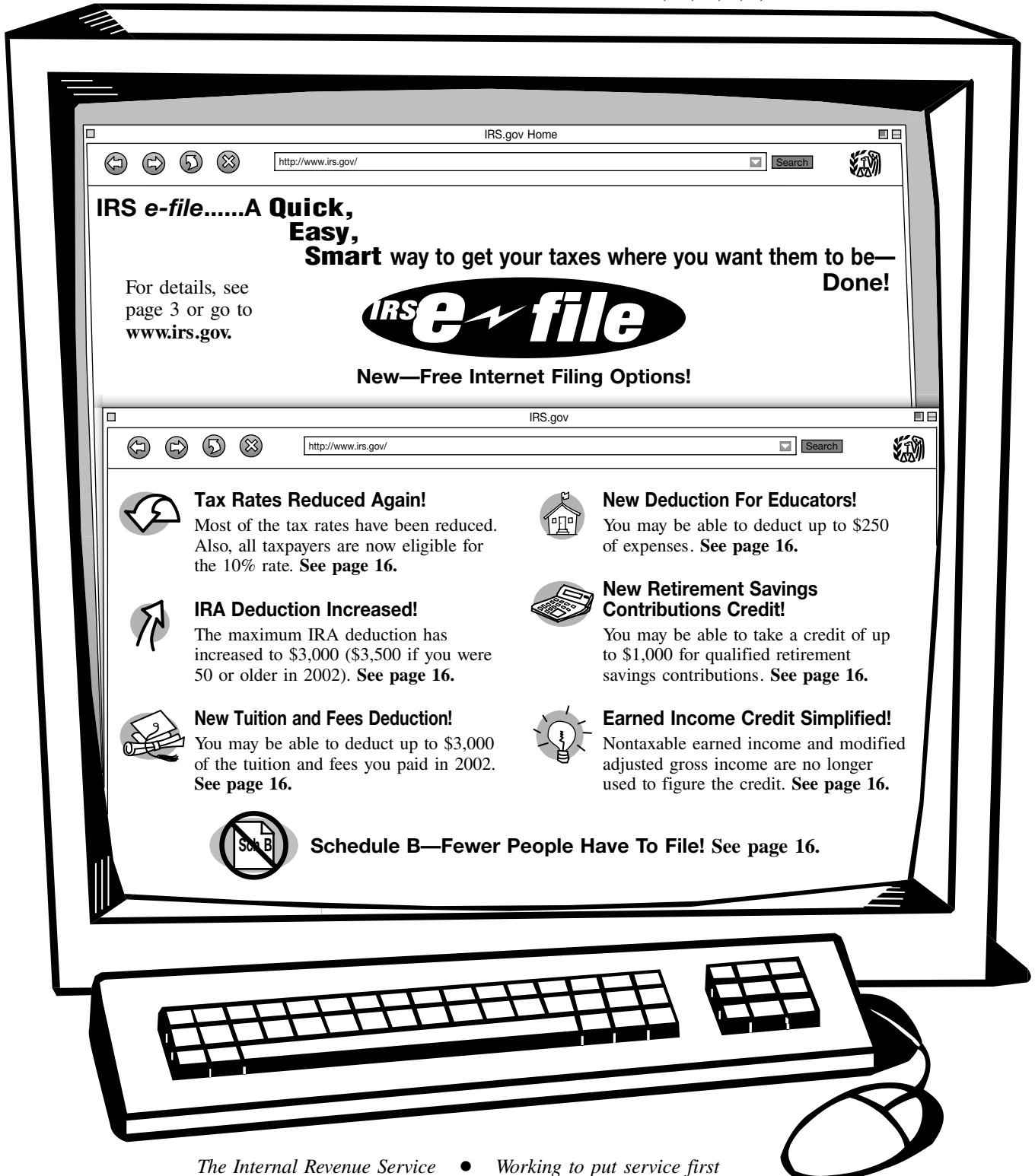


Department of the Treasury
Internal Revenue Service

www.irs.gov

20021040

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



The Internal Revenue Service • Working to put service first

Cat. No. 11325E

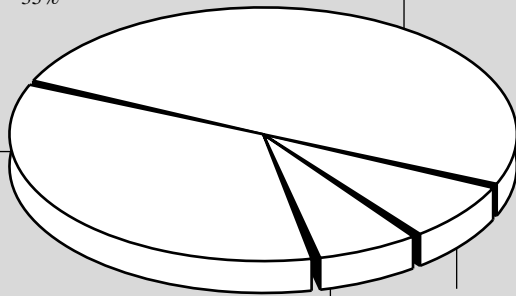
Major Categories of Federal Income and Outlays for Fiscal Year 2001

Income and Outlays. These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 2001.

Income

Social security, Medicare, and unemployment and other retirement taxes
35%

Personal income taxes
50%



Corporate income taxes
7%

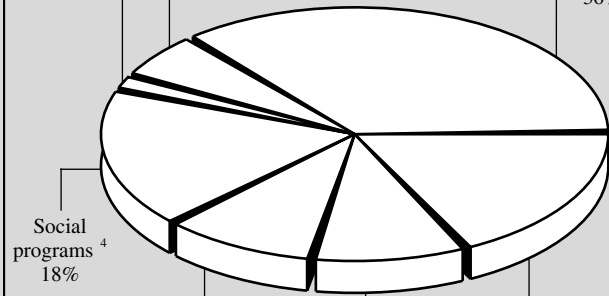
Excise, customs, estate, gift, and miscellaneous taxes
8%

Outlays

Law enforcement and general government
2%

Surplus to pay down the debt
6%

Social security, Medicare, and other retirement¹
36%



Social programs⁴
18%

Physical, human, and community development³
10%

Net interest on the debt
10%

National defense, veterans, and foreign affairs²
18%

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 2001 (which began on October 1, 2000, and ended on September 30, 2001), Federal income was \$2.0 trillion and outlays were \$1.9 trillion, leaving a surplus of \$0.1 trillion.

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. The percentages on this page exclude undistributed offsetting receipts, which were \$55 billion in fiscal year 2001. 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.

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.



New—Free Internet Filing Options!

Use the IRS Web Site, www.irs.gov, to access commercial tax preparation software and *e-file* services available at no cost to eligible taxpayers.

IRS *e-file* has:

- **Accuracy!** Your chance of getting an error notice from the IRS is significantly reduced.
- **Security!** Your privacy and security are assured.
- **Electronic Signatures!** Create your own personal identification number (PIN) and file a completely paperless return through your tax preparation software or tax professional. There is nothing to mail!
- **Proof of Acceptance!** You receive an electronic acknowledgement within 48 hours that the IRS has accepted your return for processing.
- **Fast Refunds!** You get your refund in half the time, even faster and safer with Direct Deposit—in as few as 10 days.
- **Electronic Payment Options!** Convenient, safe, and secure electronic payment options are available. *e-file* and *e-pay* your taxes in a single step. You can *e-pay* by authorizing an electronic funds withdrawal or by credit card. If you *e-file* before April 15, 2003, you may schedule an electronic funds withdrawal from your checking or savings account as late as April 15, 2003.
- **Federal/State *e-file*!** Prepare and file your Federal and state returns together and double the benefits you get from IRS *e-file*.

Get all the details on pages 4 and 5 or check out the IRS Web Site at www.irs.gov.

So Easy, No Wonder 47 Million People Use It.



- **New—Free Internet Filing Options**
 - **Accurate**
 - **Secure**
 - **Paperless**

So easy, no wonder 47 million people use it! You can file electronically, sign electronically, and get your refund or even pay electronically. IRS *e-file* offers accurate, safe, and fast alternatives to filing on paper. IRS computers quickly and automatically check for errors or other missing information. This year, 99% of all forms and schedules can be *e-filed*. Even returns with a foreign address can be *e-filed*! The chance of an audit of an *e-filed* tax return is no greater than with a paper filed return. Forty-seven million taxpayers just like you filed their tax returns electronically using an IRS *e-file* option because of the many benefits:

- New—Free Internet Filing Options!
- Accuracy!
- Security!
- Electronic Signatures!
- Proof of Acceptance!
- Fast Refunds!
- Electronic Payment Options!
- Federal/State *e-file*!

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



Use an Authorized IRS *e-file* Provider. Many tax professionals can electronically file paperless returns for their clients. As a taxpayer, you have two op-

tions.

1. You can prepare your return, take it to an authorized IRS *e-file* provider, ask to sign it electronically using a five-digit self-selected personal identification number (PIN), and have the provider transmit it electronically to the IRS, or

2. You can have a tax professional prepare your return, sign it electronically using a five-digit self-selected PIN, and have the preparer transmit it for you electronically.

You will be asked to complete **Form 8879** to authorize the provider to enter your self-selected PIN on your return.

Depending on the provider and the specific services requested, a fee may be charged. To find an authorized IRS *e-file* provider near you, go to www.irs.gov or look for an "Authorized IRS *e-file* Provider" sign.

Use Your Personal Computer. A computer with a modem or Internet access is all you need to file your income tax return using IRS *e-file*. Best of all, when you use your personal computer, you can *e-file* your tax return from the comfort of your home any time of the day or night. Sign your return electronically using a five-digit self-selected PIN to complete the process. There is no signature form to submit or Forms W-2 to send in. IRS *e-file* is totally paperless! Within 48 hours of filing, you will receive confirmation that the IRS accepted your return for processing.

New—Free Internet Filing Options! More taxpayers can now prepare and *e-file* their individual income tax returns for free using commercial tax preparation software—accessible through www.irs.gov or www.firstgov.gov. The IRS is partnering with the tax software industry to offer free preparation and filing services to a significant number of taxpayers. Security and privacy certificate programs will assure your tax data is safe and secure. To see if you qualify for these free services, visit the Free Internet Filing Homepage at www.irs.gov.

If you cannot use the free services, you can buy tax preparation software at various electronics stores or computer and office supply stores. You can also download software from the Internet or prepare and file your return completely on-line by using a tax preparation software package available on our Partners Page at www.irs.gov.

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.

Free Help With Your Return. Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 or older with their tax returns. Some locations offer free electronic filing and all volunteers will let you know about the credits and deductions you may be entitled to claim. For details, call us. See page 15 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 2001 tax return (if available), all your Forms W-2 and 1099 for 2002, any other information about your 2002 income and expenses, and the social security number (or individual taxpayer identification number) for your spouse, your dependents, and yourself. **Or** to find the nearest AARP Tax-Aide site, visit AARP's Web

Site at www.aarp.org/taxaide or call **1-888-227-7669**.



Use a Telephone. For millions of eligible taxpayers, TeleFile is the easiest way to file. TeleFile allows you to file your simple Federal income tax return using a touch-tone telephone. Only taxpayers who met the qualifications for Form 1040EZ in the prior year are eligible to receive the TeleFile Tax Package for the current year. A TeleFile Tax Package is automatically mailed to you if you are eligible. TeleFile is completely paperless—there are no forms to mail in. Just follow the instructions and complete the TeleFile Tax Record in the package, pick up a telephone, and call the toll-free number any time day or night. In seven states, you can file your Federal and state income tax returns together using TeleFile. Check your state instruction booklet for more information. TeleFile is filed directly with the IRS, usually in 10 minutes, and it's absolutely **FREE**. **Parents: If your children receive a TeleFile Tax Package, please encourage them to use TeleFile.**

More About IRS *e-file* Benefits

All tax returns prepared electronically should be filed electronically. It's just a matter of clicking Send instead of Print! **Remember!** You get automatic confirmation within 48 hours that the IRS has accepted your *e-filed* income tax return for processing.

DIRECT DEPOSIT Fast Refunds! *Simple. Safe. Secure.*

Choose Direct Deposit—a fast, simple, safe, secure way to have your Federal income tax refund deposited automatically into your checking or savings account. To choose Direct Deposit, the tax preparation software will prompt you to indicate on the refund portion of the electronic return the financial institution's routing number, account number, and type of account—either checking or savings. However, if your check is payable through a financial institution different from the one at which you have your checking account, **do not** use the routing number on the check. Instead, contact your financial institution for the correct routing number. Taxpayers who file electronically receive their refunds in less than half the time paper filers do and with Direct Deposit—in as few as 10 days!

Electronic Signatures! Paperless filing is easier than you think and it's available to most taxpayers who file electronically—including those first-time filers who were 16 or older at the end of 2002. It's available to individuals who prepare their own returns using tax preparation software or those who

use a tax professional. Regardless of the *e-filing* method you choose, you may be able to participate in the Self-Select PIN program. If you are married filing jointly, you and your spouse will each need to create a PIN and enter these PINs as your electronic signatures.

If using tax preparation software, the process includes completing your income tax return on your personal computer and when prompted, signing electronically. You will enter a five-digit PIN that will serve as your electronic signature. The five digits are any combination of five numbers you choose with one exception—you cannot use five zeros (00000). To verify your identity, the software will prompt you to enter your adjusted gross income (AGI) from your **originally** filed 2001 income tax return, if applicable. Do not use your AGI from an amended return (Form 1040X), math error notice from the IRS, etc. AGI is the amount shown on your 2001 Form 1040, line 33; Form 1040A, line 19; Form 1040EZ, line 4; and on the TeleFile Tax Record, line I. If you don't have your 2001 income tax return, call the IRS at 1-800-829-1040 to get a free transcript of your account. You will also be prompted to enter your date of birth (DOB). Make sure your DOB is accurate and matches the information on record with the Social Security Administration before you *e-file*. To do this, check your annual Social Security Statement.

If you use a self-select PIN, there's nothing to sign and nothing to mail—not even your Forms W-2. If you use a tax professional, ask to sign your return electronically! For more details on the Self-Select PIN program, visit the IRS Web Site at www.irs.gov.

Forms 8453 and 8453-OL. Your return is not complete without your signature. If you are not eligible or choose not to sign your return electronically, you must complete, sign, and file Form 8453 or Form 8453-OL, whichever applies.

You **cannot** participate in the Self-Select PIN program if you are a first-time filer under 16 at the end of 2002, **or** if you are filing **Form 3115, 5713, 8283** (if a third-party signature is required), **8332**, or **8609**. These forms must be attached to Form 8453 or Form 8453-OL.

Electronic Payment Options!

These payment options are convenient, safe, and secure methods for paying individual income taxes. There's no check to write, money order to buy, or voucher to mail! There are three paperless payment methods to choose from.

1. Electronic Funds Withdrawal. You can *e-file* and *e-pay* in a single step by authorizing an electronic funds withdrawal from your checking or savings account. This option is available using tax professionals, tax preparation software, and TeleFile. If you select this payment option, you will be prompted to enter your financial institution's routing number, your account number, and the account type (checking or savings). You can schedule the payment for withdrawal on a future date up to and including the tax return due date (April 15, 2003). Check with your financial institution to make sure that an electronic funds withdrawal is allowed and to get the correct routing and account numbers.

2. Credit Card. You can also *e-file* and *e-pay* your taxes in a single step by authorizing a credit card payment. This option is available through some tax preparation software and tax professionals. If you *e-file* and *e-pay* your taxes using your personal computer, your tax preparation software will prompt you to enter your credit card information. Two other ways to pay by credit card are by telephone or Internet. For more information or to make a payment, you may contact the following service providers.

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

Link2Gov Corporation
1-888-PAY-1040SM (1-888-729-1040)
1-888-658-5465 (Customer Service)
www.PAY1040.com

Both service providers will accept all major credit cards: American Express® Card, Discover® Card, MasterCard® card, or Visa® card. You may use your credit card to pay: **(a)** tax on Forms 1040, 1040A, 1040EZ; **(b)** estimated tax payments (Form 1040-ES); **(c)** tax you estimate as due on Form 4868; **(d)** installment agreement payments (for tax years 1999 and later); and **(e)** any balance due shown on an individual income tax return notice.



Service providers charge a convenience fee for credit card payments.



3.

Electronic Federal Tax Payment System (EFTPS) offers another way to pay your Federal taxes. Best of all, it's free and available to business and individual taxpayers. In fact, it's recommended for estimated tax payments and installment agreement payments. For details on how to enroll, visit www.eftps.gov or call EFTPS Customer Service at **1-800-555-4477** or **1-800-945-8400**.

Additional information about electronic payment options is available on our Partners Page at www.irs.gov.

Federal/State e-file!

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 income tax return to the state income tax return as the information is entered. Currently, 37 states and the District of Columbia participate in the Federal/State *e-file* program. To see a complete list of states, check the IRS Web Site at www.irs.gov.

Need More Time To File?

You can get an automatic 4-month extension of time to file your return if, by April 15, 2003, you do one of the following.

- **File Form 4868** by telephone any time from February 13 through April 15, 2003. Simply call toll-free 1-888-796-1074. You will need to provide your adjusted gross income from your 2001 return if you plan to make a payment by using electronic funds withdrawal. You will be given a confirmation number at the end of the call for your records.

- *e-file* Form 4868 through your tax professional or by using tax preparation software.

This extension gives you through August 15, 2003, to *e-file* your return.

Tax Return Page Reference

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

Label (See instructions on page 21.) **Use the IRS label.** Otherwise, please print or type.

Presidential Election Campaign (See page 21.)

Label (21) For the year Jan. 1–Dec. 31, 2002, or other tax year beginning _____, 2002, ending _____, 20

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 21. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, see page 21. _____

Your social security number _____ (21)

Spouse's social security number _____ (21)

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

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

You **Spouse**

Filing Status (21) Check only one box.

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here. _____

4 Head of household (with qualifying person). (See page 21.) 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 21.)

Exemptions (21)

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:**

(1) First name	Last name	(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 22)
_____	_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	_____	<input type="checkbox"/>

If more than five dependents, see page 22. (22)

d Total number of exemptions claimed (22)

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

No. of children on 6c who:
 • lived with you _____
 • did not live with you due to divorce or separation (see page 22) _____ (22)

Dependents on 6c not entered above _____

Add numbers on lines above (22)

Income (58) 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 23. (23)

Enclose, but do not attach, any payment. Also, please use Form 1040-V. (57)

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	(23)
8a	Taxable interest. Attach Schedule B if required	8a	(23)
b	Tax-exempt interest. Do not include on line 8a	8b	(23)
9	Ordinary dividends. Attach Schedule B if required	9	(24)
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 24)	10	(24)
11	Alimony received	11	(25)
12	Business income or (loss). Attach Schedule C or C-EZ	12	(25)
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	(25)
14	Other gains or (losses). Attach Form 4797	14	(25)
15a	IRA distributions	15a	(25)
b	Taxable amount (see page 25)	15b	(25)
16a	Pensions and annuities	16a	(25)
b	Taxable amount (see page 25)	16b	(25)
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	(27)
20a	Social security benefits	20a	(27)
b	Taxable amount (see page 27)	20b	(27)
21	Other income. List type and amount (see page 29)	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	

Adjusted Gross Income

23	Educator expenses (see page 29)	23	(NEW) (29)
24	IRA deduction (see page 29)	24	(29)
25	Student loan interest deduction (see page 31)	25	(31)
26	Tuition and fees deduction (see page 32).	26	(NEW) (32)
27	Archer MSA deduction. Attach Form 8853	27	(32)
28	Moving expenses. Attach Form 3903	28	(32)
29	One-half of self-employment tax. Attach Schedule SE	29	(32)
30	Self-employed health insurance deduction (see page 33)	30	(33)
31	Self-employed SEP, SIMPLE, and qualified plans	31	(33)
32	Penalty on early withdrawal of savings	32	(33)
33a	Alimony paid b Recipient's SSN ▶	33a	(33)
34	Add lines 23 through 33a	34	(33)
35	Subtract line 34 from line 22. This is your adjusted gross income ▶	35	(33)

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—

- People who checked any box on line 37a or 37b or who can be claimed as a dependent, see page 34.
- All others:
 - Single, \$4,700
 - Head of household, \$6,900
 - Married filing jointly or Qualifying widow(er), \$7,850
 - Married filing separately, \$3,925

(34)

36 Amount from line 35 (adjusted gross income).

37a 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. ▶ **37a**

b If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 34 and check here **(A-1)**. ▶ **37b**

38 **Itemized deductions** (from Schedule A) or your **standard deduction** (see left margin)

39 Subtract line 38 from line 36

40 If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d. If line 36 is over \$103,000, see the worksheet on page 35

41 **Taxable income.** Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-

42 **Tax** (see page 36). Check if any tax is from: **a** Form(s) 8814 **b** Form 4972

43 **Alternative minimum tax** (see page 37). Attach Form 6251

44 Add lines 42 and 43

45 Foreign tax credit. Attach Form 1116 if required

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

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

48 Education credits. Attach Form 8863

49 Retirement savings contributions credit. Attach Form 8880

50 Child tax credit (see page 39)

51 Adoption credit. Attach Form 8839

52 Credits from: **a** Form 8396 **b** Form 8859

53 Other credits. Check applicable box(es): **a** Form 3800 **b** Form 8801 **c** Specify

54 Add lines 45 through 53. These are your **total credits**

55 Subtract line 54 from line 44. If line 54 is more than line 44, enter -0-

Other Taxes

56 Self-employment tax. Attach Schedule SE

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

58 Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach Form 5329 if required.

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

60 Household employment taxes. Attach Schedule H

61 Add lines 55 through 60. This is your **total tax**

Payments

If you have a qualifying child, attach Schedule EIC.

62 Federal income tax withheld from Forms W-2 and 1099

63 2002 estimated tax payments and amount applied from 2001 return

64 **Earned income credit (EIC)**

65 Excess social security and tier 1 RRTA tax withheld (see page 56)

66 Additional child tax credit. Attach Form 8812

67 Amount paid with request for extension to file (see page 56)

68 Other payments from: **a** Form 2439 **b** Form 4136 **c** Form 8885

69 Add lines 62 through 68. These are your **total payments** **(NEW)**

Refund

Direct deposit? See page 56 and fill in 71b, 71c, and 71d.

70 If line 69 is more than line 61, subtract line 61 from line 69. This is the amount you **overpaid**

71a Amount of line 70 you want **refunded to you**

b Routing number

c Type: Checking Savings

d Account number

Amount You Owe

72 Amount of line 70 you want **applied to your 2003 estimated tax**

73 **Amount you owe.** Subtract line 69 from line 61. For details on how to pay, see page 57

74 Estimated tax penalty (see page 57)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 58)? **Yes.** Complete the following. **No**

Designee's name **(58)** Phone no. () Personal identification number (PIN)

Sign Here

Joint return? See page 21. 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 **(58)** Date Your occupation Daytime phone number () **(58)**

Spouse's signature. If a joint return, **both** must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature **(58)** Date Check if self-employed

Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no. ()

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:

- Access commercial tax preparation and *e-file* services available for FREE to eligible taxpayers
- Check the status of your 2002 refund
- Download forms, instructions, and publications
- Order IRS products on-line
- 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 10 and 11 for a list of the items available.

For help with transmission problems, call **703-487-4608**.

Long-distance charges may apply.



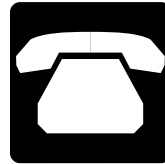
Mail

You can order forms, instructions, and publications by completing the order blank on page 61. You should receive your order within 10 days after we receive your request.



Walk-In

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



Phone

You can order forms and publications and receive 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 year forms, instructions, and publications, and prior year forms and instructions. 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 13 and 14 for a list of the topics.

Refund Information

You can check the status of your 2002 refund. See page 13 for details.



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
- Frequently requested 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 \$22 (no handling fee) or call **1-877-CDFORMS** (1-877-233-6767) toll free to buy the CD-ROM for \$22 (plus a \$5 handling fee).

You can also get help in other ways—See page 60 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. Long-distance charges may apply. 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	2	Instr. 990-EZ	Specific Instructions for Form 990-EZ	50003	9
Instr. SS-4		62736	6	Form 1040	U.S. Individual Income Tax Return	11320	2
Form SS-8	Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	5	Instr. 1040	Line Instructions for Form 1040	11325	38
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Instr. 1040	General Information for Form 1040	24811	26
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	4	Tax Table and Tax Rate Sch.	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Form W-5	Earned Income Credit Advance Payment Certificate	10227	3	Schedules A&B (Form 1040)	Itemized Deductions & Interest and Ordinary Dividends	11330	2
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	4	Instr. Sch. A&B		24328	8
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Schedule C (Form 1040)	Profit or Loss From Business (Sole Proprietorship)	11334	2
Form W-7P	Application for Preparer Tax Identification Number	26781	1	Instr. Sch. C		24329	9
Form W-9	Request for Taxpayer Identification Number and Certification	10231	3	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	2
Instr. W-9		20479	4	Schedule D (Form 1040)	Capital Gains and Losses	11338	2
Form W-9S	Request for Student's or Borrower's Taxpayer Identification Number and Certification	25240	2	Instr. Sch. D		24331	9
Form W-10	Dependent Care Provider's Identification and Certification	10437	1	Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	10424	2
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Schedule E (Form 1040)	Supplemental Income and Loss	11344	2
Instr. 709		16784	12	Instr. Sch. E		24332	6
Form 709A	U.S. Short Form Gift Tax Return	10171	3	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	2
Form 843	Claim for Refund and Request for Abatement	10180	1	Schedule F (Form 1040)	Profit or Loss From Farming	11346	2
Instr. 843		11200	2	Instr. Sch. F		24333	6
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	2	Schedule H (Form 1040)	Household Employment Taxes	12187	2
Instr. 940		13660	6	Instr. Sch. H		21451	8
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	2	Schedule J (Form 1040)	Farm Income Averaging	25513	1
Instr. 940-EZ		25947	5	Instr. Sch. J		25514	7
Form 941	Employer's Quarterly Federal Tax Return	17001	4	Schedule R (Form 1040)	Credit for the Elderly or the Disabled	11359	2
Instr. 941		14625	4	Instr. Sch. R		11357	4
Form 941c	Supporting Statement To Correct Information	11242	4	Schedule SE (Form 1040)	Self-Employment Tax	11358	2
Form 990	Return of Organization Exempt From Income Tax	11282	6	Instr. Sch. SE		24334	4
Instr. 990 & 990-EZ	General Instructions for Forms 990 and 990-EZ	22386	15	Form 1040A	U.S. Individual Income Tax Return	11327	2
Instr. 990	Specific Instructions for Form 990	50002	19	Schedule 1 (Form 1040A)	Interest and Ordinary Dividends for Form 1040A Filers	12075	1
Schedule A (Form 990 or 990-EZ)	Organization Exempt Under Section 501(c)(3)	11285	6	Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	10749	2
Instr. Sch. A		11294	14	Instr. Sch. 2		30139	3
Form 990-EZ	Short Form Return of Organization Exempt From Income Tax	10642	2	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
				Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5
				Instr. 1040NR		11368	40
				Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	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
Instr. 1040NR-EZ		21718	15	Form 6252	Installment Sale Income	13601	4
Form 1040-V	Payment Voucher	20975	2	Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	3
Form 1040X	Amended U.S. Individual Income Tax Return	11360	2	Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Instr. 1040X		11362	6	Form 8283	Noncash Charitable Contributions	62299	2
Form 1116	Foreign Tax Credit	11440	2	Instr. 8283		62730	4
Instr. 1116		11441	16	Form 8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	62133	4
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Form 8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	13910	1
Form 2106	Employee Business Expenses	11700	2	Form 8379	Injured Spouse Claim and Allocation	62474	2
Instr. 2106		64188	8	Form 8582	Passive Activity Loss Limitations	63704	3
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2	Instr. 8582		64294	12
Form 2120	Multiple Support Declaration	11712	1	Form 8586	Low-Income Housing Credit	63987	2
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	3	Form 8606	Nondeductible IRAs	63966	2
Instr. 2210		63610	6	Instr. 8606		25399	8
Form 2290	Heavy Highway Vehicle Use Tax Return	11250	3	Form 8615	Tax for Children Under Age 14 With Investment Income of More Than \$1,500	64113	1
Instr. 2290		27231	8	Instr. 8615		28914	2
Form 2441	Child and Dependent Care Expenses	11862	2	Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Instr. 2441		10842	3	Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	4
Form 2553	Election by a Small Business Corporation	18629	2	Form 8809	Request for Extension of Time To File Information Returns	10322	2
Instr. 2553		49978	4	Form 8812	Additional Child Tax Credit	10644	2
Form 2555	Foreign Earned Income	11900	3	Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Instr. 2555		11901	4	Form 8815	Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989	10822	2
Form 2555-EZ	Foreign Earned Income Exclusion	13272	2	Form 8822	Change of Address	12081	2
Instr. 2555-EZ		14623	3	Form 8824	Like-Kind Exchanges	12311	4
Form 2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return	11958	2	Form 8829	Expenses for Business Use of Your Home	13232	1
Form 2848	Power of Attorney and Declaration of Representative	11980	2	Instr. 8829		15683	4
Instr. 2848		11981	4	Form 8839	Qualified Adoption Expenses	22843	2
Form 3903	Moving Expenses	12490	2	Instr. 8839		23077	4
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4	Form 8850	Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits	22851	2
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2	Instr. 8850		24833	2
Form 4506	Request for Copy or Transcript of Tax Form	41721	2	Form 8853	Archer MSAs and Long-Term Care Insurance Contracts	24091	2
Form 4562	Depreciation and Amortization	12906	2	Instr. 8853		24188	8
Instr. 4562		12907	12	Form 8857	Request for Innocent Spouse Relief	24647	4
Form 4684	Casualties and Thefts	12997	2	Form 8859	District of Columbia First-Time Homebuyer Credit	24779	2
Instr. 4684		12998	4	Form 8862	Information To Claim Earned Income Credit After Disallowance	25145	2
Form 4797	Sales of Business Property	13086	2	Instr. 8862		25343	2
Instr. 4797		13087	7	Form 8863	Education Credits	25379	3
Form 4835	Farm Rental Income and Expenses	13117	2	Form 8880	Credit For Qualified Retirement Savings Contributions	33394	2
Form 4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141	4	Form 8885	Health Insurance Credit For Eligible Recipients	34641	2
Form 4952	Investment Interest Expense Deduction	13177	2	Form 9465	Installment Agreement Request	14842	2
Form 4972	Tax on Lump-Sum Distributions	13187	4				
Form 5329	Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts	13329	2				
Instr. 5329		13330	4				
Form 6198	At-Risk Limitations	50012	1				
Instr. 6198		50013	8				
Form 6251	Alternative Minimum Tax—Individuals	13600	2				
Instr. 6251		64277	8				

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 61. 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)
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 2003	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—For Wages Paid in 2003
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 (Including Rental of Vacation Homes)	954	Tax Incentives for Empowerment Zones and Other Distressed Communities
529	Miscellaneous Deductions	967	The IRS Will Figure Your Tax
530	Tax Information for First-Time Homeowners	968	Tax Benefits for Adoption
531	Reporting Tip Income	970	Tax Benefits for Education
533	Self-Employment Tax	971	Innocent Spouse Relief (And Separation of Liability and Equitable Relief)
534	Depreciating Property Placed in Service Before 1987	972	Child Tax Credit
535	Business Expenses	1542	Per Diem Rates (For Travel Within the Continental United States)
537	Installment Sales	1544	Reporting Cash Payments of Over \$10,000
541	Partnerships	1546	The Taxpayer Advocate Service of the IRS—How to Get Help With Unresolved Tax Problems
544	Sales and Other Dispositions of Assets		
547	Casualties, Disasters, and Thefts		
550	Investment Income and Expenses (Including Capital Gains and Losses)		
551	Basis of Assets		
552	Recordkeeping for Individuals		
553	Highlights of 2002 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

Refund Information

You can check on the status of your 2002 refund if it has been at least 4 weeks from the date you filed your return (3 weeks if you filed electronically).

Be sure to have a copy of your 2002 tax return available because you will need to know the first social security number shown on your return and the **exact** whole-dollar amount of your refund. Do not send in a copy of your return unless asked to do so. You will also need to know your filing status. Then, do one of the following.

- Go to www.irs.gov, click on **Where's My Refund** then on **Go Get My Refund Status**.
- Call **1-800-829-4477** for automated refund information and follow the recorded instructions.
- Call **1-800-829-1954** during the hours shown on page 15.



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.

What Is TeleTax?

How Do You Use TeleTax?

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 (go 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
154	2002 Forms W-2 and Form 1099-R—What to do if not received

Topic No.	Subject
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
159	Prior year(s) Form W-2—How to get a copy of
Collection	
201	The collection process
202	What to do if you can't pay your tax
203	Failure to pay child support and Federal nontax and state income tax obligations
204	Offers in compromise
205	Innocent spouse relief (and separation of liability and equitable relief)
Alternative Filing Methods	
251	Electronic signatures
252	Electronic filing
253	Substitute tax forms
254	How to choose a paid tax preparer
255	TeleFile

Topic No.	Subject
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	Coverdell education savings accounts
311	Power of attorney information
312	Disclosure authorizations
313	Qualified tuition programs (QTPs)
Filing Requirements, Filing Status, and Exemptions	
351	Who must file?
352	Which form—1040, 1040A, or 1040EZ?
353	What is your filing status?

(Continued on page 14)

TeleTax Topics

(Continued)

Topic No.	Subject
354	Dependents
355	Estimated tax
356	Decedents
357	Tax information for parents of kidnapped children
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
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
429	Traders in securities (information for Form 1040 filers)
430	Exchange of policyholder interest for stock
431	Sale of assets held for more than 5 years
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
457	Tuition and fees deduction
458	Educator expense deduction
Itemized Deductions	
501	Should I itemize?
502	Medical and dental expenses

Topic No.	Subject
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	Casualty, disaster, and theft 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
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
610	Retirement savings contributions credit
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

Topic No.	Subject
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
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, 2003.

Calling the IRS

If you cannot answer your question by using one of the methods listed on page 9, 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. Our normal hours of operation are Monday through Friday from 7:00 a.m. to 10:00 p.m. local time. Beginning January 25, 2003, through April 12, 2003, assistance will also be available on Saturday from 10:00 a.m. to 3:00 p.m. local time. Assistance provided to callers from Alaska and Hawaii will be based on the hours of operation in the Pacific time zone.



If you want to check the status of your **2002 refund**, see **Refund Information** on page 13 for instructions.

Employee Plans. If you own a business and have questions about starting a pension plan, an existing plan, or filing **Form 5500**, call our **Tax Exempt/Government Entities Customer Account Services** at **1-877-829-5500**. Assistance is available Monday through Friday from 8:00 a.m. to 6:30 p.m. EST. **If you have questions about an individual retirement arrangement (IRA) or any individual income tax issues you should call 1-800-829-1040.**

Exempt Organizations. If you have questions about exempt organizations, including the types of tax-exempt organizations, or you want to verify an organization's charitable status, call our **Tax Exempt/Government Entities Customer Account Services** at **1-877-829-5500**. Assistance is available Monday through Friday from 8:00 a.m. to 6:30 p.m. EST.

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). We have redesigned our menus to allow callers with pulse or rotary dial telephones to speak their responses when requested to do so. First, you will be provided a series of options that will request touch-tone responses. If a touch-tone response is not received, you will then hear a series of options and be asked to speak your selections. After your touch-tone or spoken response is received, the system will direct your call to the appropriate assistance. You can do the following within the system.

- Order tax forms and publications.
- Find out 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 59.

If you were serving in, or in support of, the Armed Forces in a designated combat zone or qualified hazardous duty area (for example, you were in the Afghanistan, Bosnia, Kosovo, or Persian Gulf area), see **Pub. 3**.



For details on the changes for 2002 and 2003, see **Pub. 553**.

What's New for 2002?

Free Internet Filing Options. Visit the Free Internet Filing Homepage at www.irs.gov to access commercial tax preparation software and *e-file* services available at no cost to eligible taxpayers.

Tax Rates Reduced. Most of the tax rates have decreased by ½% and a new 10% tax rate applies to all filers. The new rates are reflected in the Tax Table that begins on page 63 and the Tax Rate Schedules on page 75.

Schedule B—Fewer People Have To File! You may not have to file Schedule B if your taxable interest is \$1,500 or less and your ordinary dividends are \$1,500 or less. See the instructions for line 8a on page 23 and line 9 on page 24.

Educator Expenses—New. If you were an educator, you may be able to deduct up to \$250 of expenses you paid even if you do not itemize your deductions. See the instructions for line 23 on page 29.

Tuition and Fees Deduction—New. You may be able to deduct up to \$3,000 of the qualified tuition and fees you paid in 2002 for yourself, your spouse, or your dependents. However, you cannot take this deduction if you can be claimed as a dependent on someone's tax return or if you claim an education credit on line 48 for the same student. See the instructions for line 26 on page 32.

Retirement Savings Contributions Credit—New. You may be able to take a credit of up to \$1,000 for qualified retirement savings contributions. However, you cannot take this credit if your adjusted gross income (AGI) on line 36 is more than \$25,000 (\$37,500 if head of household, \$50,000 if married filing jointly). See the instructions for line 49 on page 38.

Health Insurance Credit for Eligible Recipients—New. You may be able to take this credit **only** if you were an eligible trade adjustment assistance (TAA), alternative TAA, or Pension Benefit Guaranty Corporation pension recipient. By February 18, 2003, **Form 8887** showing that you were an eligible recipient should be sent to you. Use **Form 8885** to figure the amount, if any, of your health insurance credit.

Student Loan Interest Deduction. The 60-month limit on interest payments no longer applies and the modified AGI limit has increased. See the instructions for line 25 that begin on page 31.

IRA Deduction Expanded. You, and your spouse if filing jointly, may be able to deduct up to \$3,000 (\$3,500 if age 50 or older at the end of 2002). If you were covered by a retirement plan, you may be able to take an IRA deduction if your modified AGI is less than \$44,000 (\$64,000 if married filing jointly or qualifying widow(er)). See the instructions for line 24 that begin on page 29.

Adoption Credit. You may be able to take a credit of up to \$10,000 per child for qualified adoption expenses you paid. See **Form 8839** for details.

Self-Employed Health Insurance Deduction. You may be able to deduct up to 70% of your health insurance expenses. See the instructions for line 30 on page 33.

Standard Mileage Rates. The 2002 rate for business use of your vehicle is 36½ cents a mile. The 2002 rate for use of your vehicle to get medical care is 13 cents a mile.

Coverdell Education Savings Account (ESA) Distributions. If you received a distribution from a Coverdell ESA in 2002, you now report only the taxable amount of the distribution on line 21. Also, a distribution may not be taxable if it was used to pay qualified elementary and secondary school expenses. See **Pub. 970**.

Qualified State Tuition Program Earnings. If you received a distribution, you may now be able to exclude part or all of the earnings from income. See the instructions for line 21 on page 29.

Qualifying Child—New Definition. New rules apply to determine who is a qualifying child for purposes of the child tax credit and the earned income credit. See the instructions for line 6c, column (4), on page 22 and the instructions for line 64 that begin on page 43.

Foreign Earned Income Exclusion. You may be able to exclude up to \$80,000 of foreign earned income. See **Form 2555** or **Form 2555-EZ** for details.

Mailing Your Return. You may be mailing your return to a different address 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.

Earned Income Credit. The credit has been expanded and simplified.

- You may be able to take the credit if:
 - A child lived with you and you earned less than \$33,178 (\$34,178 if married filing jointly) or
 - A child did not live with you and you earned less than \$11,060 (\$12,060 if married filing jointly).

- Nontaxable earned income and modified AGI are no longer taken into account. Instead, taxable earned income and AGI are used to determine if you can take the credit and the amount of the credit.

- New rules apply if a child meets the conditions to be a qualifying child of more than one person.
- The alternative minimum tax no longer reduces the amount of the credit.

- For more details, see the instructions for line 64 that begin on page 43.

For more details, see the instructions for line 64 that begin on page 43.

What To Look for in 2003

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 2003 modified AGI is less than \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)).

Self-Employed Health Insurance Deduction. You may be able to deduct up to 100% of your health insurance expenses.

Adoption Credit. If you adopt a child with special needs, you may be able to take a \$10,000 credit regardless of the amount of your expenses.

Child and Dependent Care Credit Increased. You may be able to take a credit of up to \$1,050 for the expenses you pay for the care of one qualifying person; \$2,100 if you pay for the care of two or more qualifying persons.

Standard Mileage Rates. The 2003 rate for business use of your vehicle is 36 cents a mile. The 2003 rate for use of your vehicle to get medical care is 12 cents a mile.

Lifetime Learning Credit Doubled. The maximum lifetime learning credit for 2003 is \$2,000.

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 13) 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 at the end of 2002 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 13) or see Form 8814.



A child born on January 1, 1989, is considered to be age 14 at the end of 2002. **Do not** use Form 8814 for such a child.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 2002 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65	\$7,700
	65 or older	8,850
Married filing jointly***	under 65 (both spouses)	\$13,850
	65 or older (one spouse)	14,750
	65 or older (both spouses)	15,650
Married filing separately	any age	\$3,000
Head of household (see page 21)	under 65	\$9,900
	65 or older	11,050
Qualifying widow(er) with dependent child (see page 21)	under 65	\$10,850
	65 or older	11,750

* If you were born on January 1, 1938, you are considered to be age 65 at the end of 2002.

** **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 2002.

*** If you did not live with your spouse at the end of 2002 (or on the date your spouse died) and your gross income was at least \$3,000, you must file a return regardless of your age.

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 2002 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 15, 2003**. If you file after this date, you may have to pay interest and penalties. See page 60.

What if You Cannot File on Time?

You can get an automatic 4-month extension if, no later than April 15, 2003, 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 electronic funds withdrawal or credit card (American Express® Card, Discover® Card, MasterCard® card, or Visa® 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 20.

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 22 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 \$3,000 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 \$750.
- Your **earned income** was over \$4,700.
- Your **gross income** was more than the **larger** of—
 - \$750 or
 - Your earned income (up to \$4,450) plus \$250.

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

- Your unearned income was over \$1,900 (\$3,050 if 65 or older **and** blind).
- Your earned income was over \$5,850 (\$7,000 if 65 or older **and** blind).
- Your gross income was more than—

The larger of:	Plus	This amount:
• \$750 or	}	\$1,150 (\$2,300 if 65 or older and blind)
• Your earned income (up to \$4,450) plus \$250	}	

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 \$750.
- Your earned income was over \$3,925.
- 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—
 - \$750 or
 - Your earned income (up to \$3,675) plus \$250.

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

- Your unearned income was over \$1,650 (\$2,550 if 65 or older **and** blind).
- Your earned income was over \$4,825 (\$5,725 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:
• \$750 or	}	\$900 (\$1,800 if 65 or older and blind)
• Your earned income (up to \$3,675) plus \$250	}	

Chart C—Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2002.

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 lines 42 and 61 that begin on pages 36 and 41), or
- Tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. 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 had 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 2002 Forms W-2, 1098, and 1099

Report on Form 1040, line 62, 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 23
	Advance EIC payment (box 9)	Form 1040, line 59
	Dependent care benefits (box 10)	Form 2441, line 12
	Adoption benefits (box 12, code T)	Form 8839, line 22
	Employer contributions to an Archer MSA (box 12, code R)	Form 8853, line 3b
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 25, that begin on page 31*
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)
	Qualified 5-year gain (box 2c)	See the worksheet for Schedule D, line 29, on page D-8
	Unrecaptured section 1250 gain (box 2d)	See the worksheet for Schedule D, line 19, on page D-7
	Section 1202 gain (box 2e)	See the instructions for Schedule D
	Nontaxable distributions (box 3)	See the instructions for Form 1040, line 9, on page 24
	Investment expenses (box 5)	Schedule A, line 22
Foreign tax paid (box 6)	Form 1040, line 45, or Schedule A, line 8	
1099-G	Unemployment compensation (box 1)	Form 1040, line 19. But if you repaid any unemployment compensation in 2002, see the instructions for line 19 on page 27
	State or local income tax refunds (box 2)	See the instructions for Form 1040, line 10, that begin on page 24*
	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 32
	Interest on U.S. savings bonds and Treasury obligations (box 3)	See the instructions for Form 1040, line 8a, on page 23
	Investment expenses (box 5)	Schedule A, line 22
	Foreign tax paid (box 6)	Form 1040, line 45, 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, 10, 13, and 14)	See the instructions on Form 1099-MISC
1099-MSA	Distributions from MSAs**	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 32
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 6, 7, and 8)	Form 3468, 5884, 8844, 8845, 8861, or 8884
	Patron's AMT adjustment (box 9)	Form 6251, line 26
1099-Q	Qualified tuition program earnings (box 2)	See the instructions for Form 1040, line 21, on page 29
1099-R	Distributions from IRAs***	See the instructions for Form 1040, lines 15a and 15b, on page 25
	Distributions from pensions, annuities, etc.	See the instructions for Form 1040, lines 16a and 16b, that begin on page 25
	Distributions from Coverdell education savings accounts (ESAs)	See the instructions for Form 1040, line 21, on page 29
	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 Archer and Medicare+Choice MSAs.

*** This includes distributions from Roth, SEP, and SIMPLE 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 September 2002. 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, FedEx 2Day, FedEx International Priority, and FedEx International First.

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

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 on the back of 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 incorrect information 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 59.

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. See page 59 for more details. 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 2001 and you are filing a joint return for 2002 with the same spouse, be sure to enter your names and SSNs in the same order as on your 2001 return.

P.O. Box

Enter your box number **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. **Do not** abbreviate the country name.

Death of a Taxpayer

See page 60.

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. If not, see page 59 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 4-6 weeks 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 go to 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 who lived with you or your parent whom you can claim as a dependent. Certain married people who lived apart from their spouse for the last 6 months of 2002 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 2000 or 2001 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 59.



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 13) or see **Pub. 501**.

Exemptions

You usually can deduct \$3,000 on line 40 for each exemption you can take.

Line 6b

Spouse

Check the box on line 6b if you file either (a) a joint return or (b) 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 five** 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 13) or see **Pub. 519**.

Income Test. The person's gross income must be less than \$3,000. But your child's gross income can be \$3,000 or more if he or she was either **(a) under age 19** at the end of 2002 or **(b) under age 24** at the end of 2002 and was a **student**.

Support Test. You must have provided over half of the person's total support in 2002. 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 21. If your dependent will not have a number by April 15, 2003, see **What if You Cannot File on Time?** on page 17.

If your dependent child was born and died in 2002 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 a qualifying child, you may be able to take the child tax credit on line 50 and the additional child tax credit on line 66.

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 2002, **and**
- Is **(a)** your son, daughter, adopted child, stepchild, grandchild; **(b)** your brother, sister, stepbrother, stepsister, or a descendant of your brother, sister, stepbrother, or stepsister (for example, your niece or nephew), whom you cared for as your own child; or **(c)** a foster child (that is, any child placed with you by an authorized placement agency whom you cared for as your own 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, adopted child, or stepchild and includes your great-grandchild, great-great-grandchild, etc.

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 explained 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, you may attach certain pages from the decree or agreement instead of Form 8332. To be able to do this, the decree or agreement must state:

1. You can claim the child as your dependent without regard to any condition, such as payment of support, **and**
2. The other parent will not claim the child as a dependent, **and**
3. The years for which the claim is released.

Attach the following pages from the decree or agreement:

- Cover page (include the other parent's SSN on that page), **and**
- The pages that include all of the information identified in 1 through 3 above, **and**
- Signature page with the other parent's signature and date of agreement.

Note. You must attach the required information even if you filed it with your return 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 2002.

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.

(Continued on page 23)

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 \$1,300 in 2002. 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 57 on page 41.

- **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 12 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 12 of your W-2 form and the "Retirement plan" box in box 13 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 2002 under **all** plans was more than \$11,000, include the excess on line 7. This limit is increased to \$14,000 for section 403(b) plans, if you qualify for the 15-year rule in **Pub. 571**.

If you were age 50 or older at the end of 2002, your employer may have allowed an additional deferral of up to \$1,000 (\$500 for section 401(k)(11) and 408(p) SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals.

A higher limit may apply to participants in section 457(b) deferred compensation plans for the 3 years before retirement age. Contact your plan administrator for more information.



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 payments shown on Form 1099-R (other than payments from an IRA* or a Coverdell education savings account (ESA)) are reported on lines 16a and 16b. Payments from an IRA are reported on lines 15a and 15b. Taxable distributions from a Coverdell ESA are reported on line 21.

- **Corrective distributions** shown on **Form 1099-R** of (a) excess salary deferrals plus earnings and (b) excess contributions plus earnings to a retirement plan. But do not include distributions from an IRA* or a Coverdell ESA on line 7. Instead, report distributions from an IRA on lines 15a and 15b and taxable distributions from a Coverdell ESA on line 21.

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

Were You a Statutory Employee?

If you were, the "Statutory employee" box in box 13 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?

Your employer is required to provide or send Form W-2 to you no later than January 31, 2003. If you do not receive it by early February, use TeleTax topic 154 (see page 13) 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 \$1,500 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 2002 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 2002 income. For details, see **Pub. 550**.



If you get a 2002 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2002, 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 or Coverdell education savings account.

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 \$1,500 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 25.

Nontaxable Distributions

Some distributions are nontaxable because they are a return of your cost (or other basis). They will not be taxed until you recover your cost (or other basis). 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 2002, you may receive a **Form 1099-G**. If you chose to apply part or all of the refund to your 2002 estimated state or local income tax, the amount applied is treated as received in 2002. If the refund was for a tax you paid in 2001 and you itemized deductions for 2001, use the worksheet below to see if any of your refund is taxable.

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

- You received a refund in 2002 that is for a tax year other than 2001.
- You received a refund other than an income tax refund, such as a real property tax refund, in 2002 of an amount deducted or credit claimed in an earlier year.
- Your 2001 taxable income was less than zero.
- You made your last payment of 2001 estimated state or local income tax in 2002.
- You owed alternative minimum tax in 2001.
- You could not deduct the full amount of credits you were entitled to in 2001 because the total credits exceeded the amount shown on your 2001 Form 1040, line 42, minus any foreign tax credit shown on line 43 of that form.
- You could be claimed as a dependent by someone else in 2001.

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

(Continued on page 25)

State and Local Income Tax Refund Worksheet—Line 10

Keep for Your Records



<p>1. Enter the income tax refund from Form(s) 1099-G (or similar statement). But do not enter more than the amount on your 2001 Schedule A (Form 1040), line 5</p> <p>2. Enter your total allowable itemized deductions from your 2001 Schedule A (Form 1040), line 28</p> <p>Note. If the filing status on your 2001 Form 1040 was married filing separately and your spouse itemized deductions in 2001, skip lines 3, 4, and 5, and enter the amount from line 2 on line 6.</p> <p>3. Enter the amount shown below for the filing status claimed on your 2001 Form 1040.</p> <ul style="list-style-type: none"> ● Single—\$4,550 ● Married filing jointly or qualifying widow(er)—\$7,600 ● Married filing separately—\$3,800 ● Head of household—\$6,650 <p>4. Did you fill in line 35a on your 2001 Form 1040?</p> <p><input type="checkbox"/> No. Enter -0-.</p> <p><input type="checkbox"/> Yes. Multiply the number on line 35a of your 2001 Form 1040 by: \$900 if your 2001 filing status was married filing jointly or separately or qualifying widow(er); \$1,100 if your 2001 filing status was single or head of household</p> <p>5. Add lines 3 and 4</p> <p>6. Is the amount on line 5 less than the amount on line 2?</p> <p><input type="checkbox"/> No. None of your refund is taxable.</p> <p><input type="checkbox"/> Yes. Subtract line 5 from line 2</p> <p>7. Taxable part of your refund. Enter the smaller of line 1 or line 6 here and on Form 1040, line 10</p>	<p>1. <input style="width: 100px; height: 20px;" type="text"/></p> <p>2. <input style="width: 100px; height: 20px;" type="text"/></p> <p>3. <input style="width: 100px; height: 20px;" type="text"/></p> <p>4. <input style="width: 100px; height: 20px;" type="text"/></p> <p>5. <input style="width: 100px; height: 20px;" type="text"/></p> <p>6. <input style="width: 100px; height: 20px;" type="text"/></p> <p>7. <input style="width: 100px; height: 20px;" type="text"/></p>
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1. You had to use the Itemized Deductions Worksheet in the 2001 Schedule A instructions because your 2001 adjusted gross income was over: \$132,950 (\$66,475 if married filing separately).

2. You could not deduct all of the amount on line 1 of the 2001 Itemized Deductions Worksheet.

3. The amount on line 8 of that 2001 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 2002.

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 13) or see **Pub. 504**.

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 (qualified 5-year gain), box 2d (unrecaptured section 1250 gain), or box 2e (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 zero or blank.

If all three of the above apply, enter your total 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 36 to figure your tax. Your tax may be less if you use this worksheet.

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

You should receive a **Form 1099-R** showing the amount of any 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, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Except as provided below, leave line 15a blank and enter the total distribution on line 15b.

Exception 1. Enter the total distribution on line 15a if you rolled over part or all of the distribution from one:

- IRA to another IRA of the same type (for example, from one traditional IRA to another traditional IRA) or
- SEP or SIMPLE IRA to a traditional IRA.

Also, put “Rollover” next to line 15b. If the total distribution was rolled over, enter zero on line 15b. If the total distribution was not rolled over, enter the part not rolled over on line 15b unless **Exception 2** applies to the part not rolled over.

If you rolled over the distribution (a) in 2003 or (b) from an IRA into a qualified plan (other than an IRA), attach a statement explaining what you did.

Exception 2. If **any** of the following apply, enter the total distribution on line 15a and see **Form 8606** and its instructions to figure the amount to enter on line 15b.

- You received a distribution from an IRA (other than a Roth IRA) and you made nondeductible contributions to any of your traditional or SEP IRAs for 2002 or an earlier year. If you made nondeductible contributions to these IRAs for 2002, also see **Pub. 590**.
- You received a distribution from a Roth IRA.

- You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2002.

- You had a 2001 or 2002 IRA contribution returned to you, with the related earnings or less any loss, by the due date (including extensions) of your tax return for that year.

- You made excess contributions to your IRA for an earlier year and had them returned to you in 2002.

- You recharacterized part or all of a contribution to a Roth IRA as a traditional IRA contribution, or vice versa.

Note. If you received more than one distribution, figure the taxable amount of each distribution and enter the total of the taxable amounts on line 15b. Enter the total amount of those distributions on line 15a.



You may have to pay an additional tax if (a) you received an early distribution from your IRA and the total was not rolled over or (b) you were born before July 2, 1931, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 58 on page 41 for details.

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 27 for details on rollovers 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.

(Continued on page 26)



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 27) of your pension or annuity or

- You got your entire cost back tax free before 2002.

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

Enter the total pension or annuity payments you received in 2002 on line 16a. If your

Form 1099-R does not show the taxable amount, you must use the General Rule explained in **Pub. 939** to figure the taxable part to enter on line 16b. But if your annuity starting date (defined on page 27) was **after** July 1, 1986, see page 27 to find out if you must use the Simplified Method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$90 fee. For details, see Pub. 939.

(Continued on page 27)

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records

Before you begin:

- ✓ If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, see Pub. 939 to find out if you are entitled to a death benefit exclusion of up to \$5,000. If you are, include the exclusion in the amount entered on line 2 below.



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 2002 on Form 1040, line 16a.

1. Enter the total pension or annuity payments received in 2002. Also, enter this amount on Form 1040, line 16a	1.	<input type="text"/>
2. Enter your cost in the plan at the annuity starting date	2.	<input type="text"/>
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.	<input type="text"/>
4. Divide line 2 by the number on line 3	4.	<input type="text"/>
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.	<input type="text"/>
6. Enter the amount, if any, recovered tax free in years after 1986	6.	<input type="text"/>
7. Subtract line 6 from line 2	7.	<input type="text"/>
8. Enter the smaller of line 5 or line 7.	8.	<input type="text"/>
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.	<input type="text"/>

Table 1 for Line 3 Above

AND your annuity starting date was—

IF the age at annuity starting date (see page 27) 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 27) were . . .	THEN enter on line 3 . . .
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

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.

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

You **must** use the Simplified Method if (a) your annuity starting date (defined above) was **after** July 1, 1986, and you used this method last year to figure the taxable part or (b) your annuity starting date was **after** November 18, 1996, and **all three** of the following apply.

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. On your annuity starting date, 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 you must use the Simplified Method, complete the worksheet on page 26 to figure the taxable part of your pension or 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 alternative annuity option, see Pub. 721 to figure the taxable part of your annuity. **Do not** use the worksheet on page 26.

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.

Cost

Your cost is generally your net investment in the plan as of the annuity starting date.

It does not include pre-tax contributions. Your net investment should be shown in box 9b of Form 1099-R for the first year you received payments from the plan.

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. 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 58 on page 41.

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 January 2, 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 January 2, 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 2002.

If you received an overpayment of unemployment compensation in 2002 and you repaid any of it in 2002, 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 2002, 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 2002. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**.

Use the worksheet on page 28 to see if any of your benefits are taxable.

Exception. Do not use the worksheet on page 28 if **any** of the following apply.

- You made contributions to a traditional IRA for 2002 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 2002 and your total repayments (box 4) were more than your total benefits for 2002 (box 3). **None** of your benefits are taxable for 2002. 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.

Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

Before you begin:

- ✓ Complete Form 1040, lines 21, 23, 24, and 27 through 33a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 34 (see page 33).
- ✓ If you are married filing separately and you **lived apart** from your spouse for all of 2002, enter “D” to the right of the word “benefits” on line 20a.
- ✓ Be sure you have read the **Exception** on page 27 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.



<p>1. Enter the total amount from box 5 of all your Forms SSA-1099 and RRB-1099 1. _____</p> <p>2. Enter one-half of line 1 2. _____</p> <p>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. _____</p> <p>4. Enter the amount, if any, from Form 1040, line 8b 4. _____</p> <p>5. Add lines 2, 3, and 4 5. _____</p> <p>6. Add the amounts on Form 1040, lines 23, 24, and 27 through 33a, and any amount you entered on the dotted line next to line 34 6. _____</p> <p>7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> No. None of your social security benefits are taxable. <input type="checkbox"/> Yes. Subtract line 6 from line 5 7. _____</p> <p>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 2002; \$32,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 2002 8. _____</p> <p>9. Is the amount on line 8 less than the amount on line 7? <input type="checkbox"/> 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 2002, enter -0- on line 20b. Be sure you entered “D” to the right of the word “benefits” on line 20a. <input type="checkbox"/> Yes. Subtract line 8 from line 7 9. _____</p> <p>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 2002; \$12,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 2002 10. _____</p> <p>11. Subtract line 10 from line 9. If zero or less, enter -0- 11. _____</p> <p>12. Enter the smaller of line 9 or line 10. 12. _____</p> <p>13. Enter one-half of line 12 13. _____</p> <p>14. Enter the smaller of line 2 or line 13. 14. _____</p> <p>15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- 15. _____</p> <p>16. Add lines 14 and 15 16. _____</p> <p>17. Multiply line 1 by 85% (.85). 17. _____</p> <p>18. Taxable social security benefits. Enter the smaller of line 16 or line 17 18. _____</p> <ul style="list-style-type: none"> • Enter the amount from line 1 above on Form 1040, line 20a. • Enter the amount from line 18 above on Form 1040, line 20b. 	
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If part of your benefits are taxable for 2002 **and** they include benefits paid in 2002 that were for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

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 20 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 below. List the type and amount of income. If necessary, show the required information on an attached statement. For more details, see **Miscellaneous Income** in **Pub. 525**.



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:

- Taxable distributions from a Coverdell education savings account (ESA). Distributions from a Coverdell ESA may be taxable if they are more than the qualified education expenses of the designated beneficiary in 2002. See **Pub. 970**.



You may have to pay an additional tax if you received a taxable distribution from a Coverdell ESA. See the Instructions for Form 5329.

- 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 34 on page 33.
- Alaska Permanent Fund dividends.
- Qualified tuition program earnings. However, you may be able to exclude part or all of the earnings from income if (a) the qualified tuition program was established and maintained by a state (or agency or instrumentality of the state) and (b) any part

of the distribution was used to pay qualified higher education expenses. See **Pub. 970**.



You may have to pay an additional tax if you received qualified tuition program earnings that are included on line 21. See the Instructions for Form 5329.

- 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** 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 34 on page 33.

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

- Loss on certain corrective distributions of excess deferrals. See **Retirement Plan Contributions** in **Pub. 525**.

Adjusted Gross Income

Line 23

Educator Expenses

If you were an eligible educator in 2002, you may deduct up to \$250 of qualified expenses you paid in 2002. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$500. However, neither spouse may deduct more than \$250 of his or her qualified expenses. An **eligible educator** is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year.

Qualified expenses include ordinary and necessary expenses paid in connection with books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom. An ordinary expense is one that is common and accepted in your educational field. A necessary expense is one that is helpful and appropriate for your profession as an educator. An expense does not have to be required to be considered necessary.

Qualified expenses **do not** include expenses for home schooling or for nonathletic supplies for courses in health or physical

education. You must reduce your qualified expenses by the following amounts.

- Excludable U.S. series EE and I savings bond interest from **Form 8815**.
- Nontaxable qualified state tuition program earnings.
- Nontaxable earnings from Coverdell education savings accounts.
- Any reimbursements you received for these expenses that were not reported to you in box 1 of your Form W-2.

Line 24

IRA Deduction



If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2002, you **must** report them on **Form 8606**.

If you made contributions to a traditional IRA for 2002, 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. A statement should be sent to you by June 2, 2003, that shows all contributions to your traditional IRA for 2002.

Use the worksheet on page 30 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 2002, you **cannot** deduct any contributions made to your traditional IRA for 2002 or treat them as nondeductible contributions.
- You **cannot** deduct contributions to a Roth IRA.



If you made contributions to both a traditional IRA and a Roth IRA for 2002, **do not** use the worksheet on page 30. Instead, use the worksheet in **Pub. 590** to figure the amount, if any, of your IRA deduction.

- You **cannot** deduct elective deferrals to a 401(k) plan, section 457 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 2002 that you deducted for 2001, **do not** include them in the worksheet.
- If you received a distribution from a nonqualified deferred compensation plan or

nongovernmental 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. If it is not, contact your employer for the amount of the distribution.

• 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 24.

• Do not include rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 25.

• Do not include trustees' 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 line 24 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2002, see Pub. 590 for special rules.

IRA Deduction Worksheet—Line 24

Keep for Your Records

Before you begin:

- ✓ Complete Form 1040, lines 27 through 33a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 34 (see page 33).
- ✓ Be sure you have read the list beginning on page 29.



	Your IRA	Spouse's IRA
1a. Were you covered by a retirement plan (see page 31)?	1a. <input type="checkbox"/> Yes <input type="checkbox"/> No	1b. <input type="checkbox"/> Yes <input type="checkbox"/> No
1b. If married filing jointly, was your spouse covered by a retirement plan?		
Next. If you checked "No" on line 1a, and, if married filing jointly, "No" on line 1b, skip lines 2–6, enter \$3,000 (\$3,500 if age 50 or older at the end of 2002) on line 7a (and 7b if applicable), and go to line 8. Otherwise, go to line 2.		
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 2002, enter \$44,000 • Qualifying widow(er), enter \$64,000 • Married filing jointly, enter \$64,000 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 2002, enter \$10,000 	} 2a. _____	} 2b. _____
3. Enter the amount from Form 1040, line 22 3. _____		
4. Add amounts on Form 1040, line 23, lines 27 through 33a, and any amount you entered on the dotted line next to line 34 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 \$3,000 (\$3,500 if age 50 or older at the end of 2002) on line 7 for that column and go to line 8	6a. _____	6b. _____
7. Multiply lines 6a and 6b by 30% (.30) (or by 35% (.35) in the column for the IRA of an individual who is age 50 or older at the end of 2002). 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 29 and 31. 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 \$6,000 (\$6,500 if one spouse is 50 or older at the end of 2002; \$7,000 if both spouses are 50 or older at the end of 2002), 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 15, 2003, for 2002 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 24. Or, if you want, you may deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)	10a. _____	10b. _____



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 "Retirement plan" box in box 13 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 2002.

Line 25

Student Loan Interest Deduction

You may take this deduction **only** if **all four** of the following apply.

1. You paid interest in 2002 on a qualified student loan (see below).
2. Your filing status is any status **except** married filing separately.
3. Your modified adjusted gross income (AGI) is less than: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly. Use lines 2 through 4 of the worksheet below to figure your modified AGI.
4. You are not claimed as a dependent on someone's (such as your parent's) 2002 tax return.

Use the worksheet below to figure your student loan interest deduction.

Exception. Use **Pub. 970** instead of the worksheet below to figure your student loan interest deduction if you file **Form 2555**,

2555-EZ, or 4563, or you exclude income from sources within Puerto Rico.

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 (defined on page 32). However, a loan is not a qualified student loan if (a) any of the proceeds were used for other purposes or (b) 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 benefits.

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

(Continued on page 32)

Student Loan Interest Deduction Worksheet—Line 25

Keep for Your Records

Before you begin:

- ✓ Complete Form 1040, lines 27 through 33a, if they apply to you.
- ✓ Figure any amount to be entered on the dotted line next to line 34 (see page 33).
- ✓ See the instructions for line 25 that begin on this page.
- ✓ Be sure you have read the **Exception** above to see if you can use this worksheet instead of Pub. 970 to figure your deduction.



<p>1. Enter the total interest you paid in 2002 on qualified student loans (defined above). Do not enter more than \$2,500</p> <p>2. Enter the amount from Form 1040, line 22</p> <p>3. Enter the total of the amounts from Form 1040, line 23, line 24, lines 27 through 33a, plus any amount you entered on the dotted line next to line 34</p> <p>4. Subtract line 3 from line 2</p> <p>5. Enter the amount shown below for your filing status.</p> <ul style="list-style-type: none"> • Single, head of household, or qualifying widow(er)—\$50,000 • Married filing jointly—\$100,000 <p>6. Is the amount on line 4 more than the amount on line 5? <input type="checkbox"/> No. Skip lines 6 and 7, enter -0- on line 8, and go to line 9. <input type="checkbox"/> Yes. Subtract line 5 from line 4</p> <p>7. Divide line 6 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000</p> <p>8. Multiply line 1 by line 7</p> <p>9. Student loan interest deduction. Subtract line 8 from line 1. Enter the result here and on Form 1040, line 25. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)</p>	<p>1.</p> <p>2.</p> <p>3.</p> <p>4.</p> <p>5.</p> <p>6.</p> <p>7.</p> <p>8.</p> <p>9.</p>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
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- Excludable U.S. series EE and I savings bond interest from **Form 8815**.
- Nontaxable qualified state tuition program earnings.
- Nontaxable earnings from Coverdell education savings accounts.
- 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
- Carried at least half the normal full-time workload for the course of study he or she was pursuing.

Line 26

Tuition and Fees Deduction

You may take this deduction **only** if **all five** of the following apply.

1. You paid qualified tuition and fees (see this page) in 2002 for yourself, your spouse, or your dependent(s).
2. Your filing status is any status **except** married filing separately.
3. Your modified adjusted gross income (AGI) is not more than: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly. Use lines 1 through 3 of the worksheet below to figure your modified AGI.

4. You cannot be claimed as a dependent on someone's (such as your parent's) 2002 tax return.

5. You are not claiming an education credit on line 48 for the same student.

Use the worksheet below to figure your tuition and fees deduction.

Exception. Use **Pub. 970** instead of the worksheet below to figure your tuition and fees deduction if you file **Form 2555, 2555-EZ, or 4563**, or you exclude income from sources within Puerto Rico.

Qualified Tuition and Fees. These are amounts paid in 2002 for tuition and fees **required** for the student's enrollment or attendance at an **eligible educational institution** during 2002. Tuition and fees paid in 2002 for an academic period that **begins** in the first 3 months of 2003 can also be used in figuring your deduction. Amounts paid include those paid by credit card or with borrowed funds. An **eligible educational institution** includes most colleges, universities, and certain vocational schools.

Qualified tuition and fees **do not** include any of the following:

- Amounts paid for room and board, insurance, medical expenses (including student health fees), transportation, or other similar personal, living, or family expenses.
- Amounts paid for course-related books, supplies, equipment, and nonacademic activities, except for fees required to be paid to the institution as a condition of enrollment or attendance.
- Amounts paid for any course involving sports, games, or hobbies, unless such course is part of the student's degree program.

Qualified tuition and fees must be reduced by the following benefits.

- Excludable U.S. series EE and I savings bond interest from **Form 8815**.

• Nontaxable qualified state tuition program earnings.

• Nontaxable earnings from Coverdell education savings accounts.

• Any scholarship, educational assistance allowance, or other payment (but **not** gifts, inheritances, etc.) excluded from income.

For more details, use TeleTax topic 457 (see page 13) or see Pub. 970.

Line 27

Archer MSA Deduction

If you made a contribution to an Archer MSA for 2002, you may be able to take this deduction. See **Form 8853**.

Line 28

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 13) or see **Form 3903**.



Line 29

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.

Tuition and Fees Deduction Worksheet—Line 26

Keep for Your Records

Before you begin:		<ul style="list-style-type: none"> ✓ Complete Form 1040, lines 27 through 33a, if they apply to you. ✓ Figure any amount to be entered on the dotted line next to line 34 (see page 33). ✓ See the instructions for line 26 above. ✓ Be sure you have read the Exception above to see if you can use this worksheet instead of Pub. 970 to figure your deduction. 	
1.	Enter the amount from Form 1040, line 22	1.	
2.	Enter the total of the amounts from Form 1040, lines 23 through 25, lines 27 through 33a, plus any amount you entered on the dotted line next to line 34	2.	
3.	Subtract line 2 from line 1. If the result is more than \$65,000 (\$130,000 if married filing jointly),  You cannot take the deduction for tuition and fees	3.	
4.	Tuition and fees deduction. Enter the total qualified tuition and fees (defined above) you paid in 2002. Do not enter more than \$3,000. Also, enter this amount on Form 1040, line 26. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	4.	

Line 30

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 or
- You received wages in 2002 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 2002, 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 below to figure the amount you can deduct.

Exception. Use Pub. 535 instead of the worksheet below 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.

Line 31

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 32

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 33a and 33b

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 13) or see **Pub. 504**.

Line 34

Include in the total on line 34 any of the following adjustments. To find out if you can take the deduction, see the form or pub-

lication indicated. On the dotted line next to line 34, enter the amount of your deduction and identify it as indicated.

- Deduction for clean-fuel vehicles (see **Pub. 535**). Identify as "Clean-Fuel."
- 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)."
- Employee business expenses of fee-basis state or local government officials (see **Form 2106** or **2106-EZ**). Identify as "FBO."

Line 35

If line 35 is less than zero, you may have a net operating loss that you can carry to another tax year. See **Form 1045** and its instructions for details.

Self-Employed Health Insurance Deduction Worksheet—Line 30

Keep for Your Records

Before you begin:

- ✓ Complete Form 1040, line 31, if it applies to you.
- ✓ If you are claiming the health insurance credit for eligible recipients (see page 16), complete Form 8885.
- ✓ Be sure you have read the **Exception** above to see if you can use this worksheet instead of Pub. 535 to figure your deduction.



1. Enter the total amount paid in 2002 for health insurance coverage established under your business for 2002 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 or any amount on Form 8885, line 11	1.	
2. Multiply line 1 by 70% (.70)	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 29 and 31	3.	
4. Self-employed health insurance deduction. Enter the smaller of line 2 or line 3 here and on Form 1040, line 30. 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.

Tax and Credits

Line 37a

If you were age 65 or older or blind at the end of 2002, check the appropriate box(es) on line 37a. If you were married and checked the box on line 6b of Form 1040 and your spouse was age 65 or older or blind at the end of 2002, also check the appropriate box(es) for your spouse. Be sure to enter the total number of boxes checked.

Age

If you were born on January 1, 1938, you are considered to be age 65 at the end of 2002.

Blindness

If you were partially blind as of December 31, 2002, 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.

Line 37b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 37b. 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 2002 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

Line 38

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 37b**, your standard deduction is zero.

Itemized Deductions

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

Standard Deduction

Most people can find their standard deduction by looking at the amounts listed under “All others” to the left of line 38 of Form 1040. But if you, or your spouse if filing jointly, can be claimed as a dependent on someone’s 2002 return or you checked **any** box on **line 37a**, use the worksheet below or the chart on page 35, whichever applies, to figure your standard deduction. Also, if you checked the box on line 37b, 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” on the dotted line next to line 38.


Standard Deduction Worksheet for Dependents—Line 38

Keep for Your Records

Use this worksheet only if someone can claim you, or your spouse if filing jointly, as a dependent.	
1. Add \$250 to your earned income* . Enter the total	1. _____
2. Minimum standard deduction	2. 750.00
3. Enter the larger of line 1 or line 2	3. _____
4. Enter the amount shown below for your filing status.	4. _____
<ul style="list-style-type: none"> • Single—\$4,700 • Married filing separately—\$3,925 • Married filing jointly or qualifying widow(er)—\$7,850 • Head of household—\$6,900 	}
5. Standard deduction.	5a. _____
<ul style="list-style-type: none"> a. Enter the smaller of line 3 or line 4. If under age 65 and not blind, stop here and enter this amount on Form 1040, line 38. Otherwise, go to line 5b b. If age 65 or older or blind, multiply the number on Form 1040, line 37a, by: \$1,150 if single or head of household; \$900 if married filing jointly or separately, or qualifying widow(er) c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 38 	5b. _____ 5c. _____
<p><i>*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 29.</i></p>	

Standard Deduction Chart for People Age 65 or Older or Blind—Line 38

Do not use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead use the worksheet on page 34.

Enter the number from the box on line 37a 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	\$5,850
	2	7,000
Married filing jointly or Qualifying widow(er)	1	\$8,750
	2	9,650
	3	10,550
	4	11,450
Married filing separately	1	\$4,825
	2	5,725
	3	6,625
	4	7,525
Head of household	1	\$8,050
	2	9,200

Deduction for Exemptions Worksheet—Line 40

Keep for Your Records



- Is the amount on Form 1040, line 36, more than the amount shown on line 4 below for your filing status?
 - No.**  Multiply \$3,000 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on line 40.
 - Yes.** *Continue* 
- Multiply \$3,000 by the total number of exemptions claimed on Form 1040, line 6d **2.**
- Enter the amount from Form 1040, line 36 **3.**
- Enter the amount shown below for your filing status.
 - Single—\$137,300
 - Married filing jointly or qualifying widow(er)—\$206,000
 - Married filing separately—\$103,000
 - Head of household—\$171,650
 } . . . **4.**
- Subtract line 4 from line 3. If the result is more than \$122,500 (\$61,250 if married filing separately),  You **cannot** take a deduction for exemptions . . . **5.**
- Divide line 5 by \$2,500 (\$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.**
- Multiply line 6 by 2% (.02) and enter the result as a decimal **7.**
- Multiply line 2 by line 7 **8.**
- Deduction for exemptions.** Subtract line 8 from line 2. Enter the result here and on Form 1040, line 40 **9.**

Line 42

Tax

Do you want the IRS to figure your tax for you?

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

No. Use one of the following methods to figure your tax. Also include in the total on line 42 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. You may owe this tax if (a) you claimed an education credit in an earlier year and (b) you, your spouse if filing jointly, or your dependent received in 2002 either tax-free educational assistance or a refund of qualified expenses. See **Form 8863** for more details. If you owe this tax, enter the amount and "ECR" on the dotted line next to line 42.

Tax Table or Tax Rate Schedules. If your taxable income is less than \$100,000, you **must** use the Tax Table, which starts on page 63, 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 75.

Exception. Do not use the Tax Table or Tax Rate Schedules to figure your tax if **either 1 or 2** below applies.

1. You are required to figure your tax using **Form 8615, Schedule D**, or the **Capital Gain Tax Worksheet** below.

2. You use **Schedule J** (for farm income) to figure your tax.

Form 8615. Form 8615 must generally be used to figure the tax for any child who was under age 14 at the end of 2002, and who had more than \$1,500 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, 2002, do not use Form 8615 to figure the child's tax.



A child born on January 1, 1989, is considered to be age 14 at the end of 2002. **Do not** use Form 8615 for such a child.

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 41, 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.

Capital Gain Tax Worksheet—Line 42

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 25).
- ✓ Be sure you checked the box on line 13 of Form 1040.



<p>1. Enter the amount from Form 1040, line 41</p> <p>2. Enter the amount from Form 1040, line 13</p> <p>3. Subtract line 2 from line 1. If zero or less, enter -0-</p> <p>4. Figure the tax on the amount on line 3. Use the Tax Table or Tax Rate Schedules, whichever applies</p> <p>5. Enter the smaller of:</p> <ul style="list-style-type: none"> • The amount on line 1 or • \$27,950 if single; \$46,700 if married filing jointly or qualifying widow(er); \$23,350 if married filing separately; or \$37,450 if head of household. <p>6. Is the amount on line 3 equal to or more than the amount on line 5?</p> <p><input type="checkbox"/> Yes. Leave lines 6 through 8 blank; go to line 9 and check the "No" box.</p> <p><input type="checkbox"/> No. Enter the amount from line 3</p> <p>7. Subtract line 6 from line 5</p> <p>8. Multiply line 7 by 10% (.10)</p> <p>9. Are the amounts on lines 2 and 7 the same?</p> <p><input type="checkbox"/> Yes. Leave lines 9 through 12 blank; go to line 13.</p> <p><input type="checkbox"/> No. Enter the smaller of line 1 or line 2</p> <p>10. Enter the amount, if any, from line 7</p> <p>11. Subtract line 10 from line 9. If zero or less, enter -0-</p> <p>12. Multiply line 11 by 20% (.20)</p> <p>13. Add lines 4, 8, and 12</p> <p>14. Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies</p> <p>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 42</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. _____</p>
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Line 43

Alternative Minimum Tax

Use the worksheet below to see if you should fill in **Form 6251**.

Exception. Fill in Form 6251 instead of using the worksheet below if you claimed or received **any** of the following items.

- Accelerated depreciation.
- Stock by exercising an incentive stock option and you did not dispose of the stock in the same year.

- Tax-exempt interest from private activity bonds.
- Intangible drilling, circulation, research, experimental, or mining costs.
- Amortization of pollution-control facilities or depletion.
- Income or (loss) from tax-shelter farm activities or passive activities.
- Percentage-of-completion income from long-term contracts.
- Interest paid on a home mortgage **not** used to buy, build, or substantially improve your home.

- Investment interest expense reported on **Form 4952**.
- Net operating loss deduction.
- Alternative minimum tax adjustments from an estate, trust, electing large partnership, or cooperative.
- Section 1202 exclusion.



Form 6251 should be filled in for a child who was under age 14 at the end of 2002 if the child's adjusted gross income from Form 1040, line 36, exceeds the child's earned income by more than \$5,500.

Worksheet To See if You Should Fill in Form 6251—Line 43

Keep for Your Records

Before you begin:

- ✓ Be sure you have read the **Exception** above 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 45, on page 38), enter that credit on line 45.



1. Are you filing **Schedule A**?

Yes. Enter the amount from Form 1040, line 39.

No. Enter the amount from Form 1040, line 36, and go to line 4. **1.** _____

2. Enter the **smaller** of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 36. **2.** _____

3. Add lines 9 and 26 of Schedule A and enter the total. **3.** _____

4. Add lines 1 through 3 above. **4.** _____

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

- Single or head of household—\$35,750
 - Married filing jointly or qualifying widow(er)—\$49,000
 - Married filing separately—\$24,500
- } **5.** _____

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

No. You do not need to fill in Form 6251.

Yes. Subtract line 5 from line 4 **6.** _____

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

- Single or head of household—\$112,500
 - Married filing jointly or qualifying widow(er)—\$150,000
 - Married filing separately—\$75,000
- } **7.** _____

8. Is the amount on line 4 more than the amount on line 7?

No. Enter the amount from line 6 on line 10 and go to line 11.

Yes. Subtract line 7 from line 4 **8.** _____

9. Multiply line 8 by 25% (.25) and enter the result but do not enter more than line 5 above **9.** _____

10. Add lines 6 and 9 **10.** _____

11. Is the amount on line 10 more than \$175,000 (\$87,500 if married filing separately)?

Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.

No. Multiply line 10 by 26% (.26) **11.** _____

12. Enter the amount from Form 1040, line 42, minus the total of any tax from Form 4972 and any amount on Form 1040, line 45. **12.** _____

Next. Is the amount on line 11 more than the amount on line 12?

Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.

No. You do not need to fill in Form 6251.

Line 45**Foreign Tax Credit**

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

Exception. You do not have to complete 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.

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.

For more details on these requirements, see the Instructions for Form 1116.

Do you meet all five requirements above?

Yes. Enter on line 45 the **smaller** of your total foreign taxes or the amount on Form 1040, line 42.

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 46**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 13) or see **Form 2441**.

Line 47**Credit for the Elderly or the Disabled**

You may be able to take this credit if by the end of 2002 **(a)** you were age 65 or older or **(b)** 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 36, is \$17,500 or more (\$20,000 or more if married filing jointly and only one spouse is eligible for the credit; \$25,000 or more if married filing jointly and both spouses are eligible; \$12,500 or more if married filing separately). See **Schedule R** and its instructions for details.

Credit Figured by the IRS. If you can take this credit and you want us to figure it for you, see the Instructions for Schedule R.

Line 48**Education Credits**

If you (or your dependent) paid qualified expenses in 2002 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) 2002 tax return.
- Your filing status is married filing separately.
- The amount on Form 1040, line 36, is \$51,000 or more (\$102,000 or more if married filing jointly).
- You are taking a deduction for tuition and fees on Form 1040, line 26, for the same student.
- You (or your spouse) were a nonresident alien for any part of 2002 unless your filing status is married filing jointly.

Line 49**Retirement Savings Contributions Credit**

You may be able to take this credit if you, or your spouse if filing jointly, made:

- Contributions to a traditional or Roth IRA.
- Elective deferrals to a 401(k), 403(b), 457, SEP, or SIMPLE plan.
- Voluntary contributions to a qualified retirement plan.
- Voluntary contributions to a 501(c)(18) plan.

However, you **cannot** take the credit if **any** of the following apply.

- The amount on Form 1040, line 36, is more than \$25,000 (\$37,500 if head of household; \$50,000 if married filing jointly).
- You were under age 18 at the end of 2002.
- You are claimed as a dependent on someone's (such as your parent's) 2002 tax return.
- You were a **student** (defined below).

You were a **student** if during any 5 months of 2002 you:

- Were 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.

For more details, use TeleTax topic 610 (see page 13) or see **Form 8880**.

Line 50—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 22. It is in addition to the credit for child and dependent care expenses on Form 1040, line 46, and the earned income credit on Form 1040, line 64.

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 22.
- 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 40 to figure your credit or if you must use Pub. 972, Child Tax Credit. If you need Pub. 972, see page 9.

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.

- Is the amount on Form 1040, line 36, 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.

- Are you claiming any of the following credits?
 - Adoption credit, Form 8839 (see the instructions for Form 1040, line 51, on page 41)
 - Mortgage interest credit, Form 8396 (see the instructions for Form 1040, line 52, on page 41)
 - District of Columbia first-time homebuyer credit, Form 8859

No. Use the worksheet on page 40 to figure your child tax credit. **Yes.** You must use Pub. 972 to figure your child tax credit. You will also need the form(s) listed above for any credit(s) you are claiming.

Child Tax Credit Worksheet—Line 50

Keep for Your Records



● To be a qualifying child for the child tax credit, the child must be **under age 17** at the end of 2002 and meet the other requirements listed in the instructions for line 6c, column (4), on page 22.



● **Do not** use this worksheet if you answered “Yes” to question 1, 2, or 3 on page 39. Instead, use Pub. 972.

1. Number of qualifying children: _____ × \$600. Enter the result.

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

2. Enter the amount from Form 1040, line 44.

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

3. Add the amounts from Form 1040:

Line 45 _____

Line 46 + _____

Line 47 + _____

Line 48 + _____

Line 49 + _____ 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, you may be able to take the **additional child tax credit**. 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. Also, you may be able to take the **additional child tax credit**. See the **TIP** below.

This is your child tax credit.

No. Enter the amount from line 1.

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

Enter this amount on Form 1040, line 50.



You may be able to take the **additional child tax credit** on Form 1040, line 66, if you answered “Yes” on line 4 or line 5 above.

- First, complete your Form 1040 through line 65.
- Then, use Form 8812 to figure any additional child tax credit.

Line 51**Adoption Credit**

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

Line 52

Include in the total on line 52 any of the following credits and check the appropriate box(es). To find out if you can take the credit, see the form indicated.

- Mortgage interest credit. If a state or local government gave you a mortgage credit certificate, see **Form 8396**.
- District of Columbia first-time home-buyer credit. See **Form 8859**.

Line 53**Other Credits**

Include in the total on line 53 any of the following credits and check the appropriate box(es). If box **c** is checked, also enter the form number, if applicable. To find out if you can take the credit, see the form or publication indicated.

- 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 2002, 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 and renewal community employment credit. See **Form 8844**.
- New York Liberty Zone business employee credit. See **Form 8884**.
- Nonconventional source fuel credit. If you sold fuel produced from a nonconventional source, see Internal Revenue Code section 29 to find out if you can take this credit. Attach a schedule showing how you figured the credit. Check box **c** and enter "FNS" on the line to the right of box **c**.
- Qualified zone academy bond credit. This credit applies only to S corporation shareholders. See **Form 8860**.

Other Taxes**Line 57****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 58**Tax on Qualified Plans, Including IRAs, and Other Tax-Favored Accounts**

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. Excess contributions were made to your IRAs, Coverdell education savings accounts (ESAs), or Archer MSAs.
3. You received taxable distributions from Coverdell ESAs or qualified tuition programs.
4. You were born before July 2, 1931, 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 58. 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" under the heading "Other Taxes" to the left of line 58 to indicate that you do not have to file Form 5329. But if distribution code 1 is incorrectly shown in box 7 of Form 1099-R, you must file Form 5329.

Line 59**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 60**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 \$1,300 or more in 2002. Cash wages include wages paid by checks, money orders, etc.
2. You withheld Federal income tax during 2002 at the request of any household employee.
3. You paid **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 2001 or 2002 to household employees.



For item 1, **do not** count amounts paid to an employee who was under age 18 at any time in 2002 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 61**Total Tax**

Include in the total on line 61 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 61, enter the amount of the tax and identify it as indicated.

(Continued on page 42)

Recapture of the Following Credits.

- Investment credit (see **Form 4255**). Identify as “ICR.”
- Low-income housing credit (see **Form 8611**). Identify as “LIHCR.”
- Qualified electric vehicle credit (see **Pub. 535**). Identify as “QEVCR.”
- Indian employment credit. Identify as “IECR.”
- New markets credit (see **Form 8874**). Identify as “NMCR.”

Recapture of Federal Mortgage Subsidy. If you sold your home in 2002 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 12 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 12 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 62

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 62. 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 62 includes amounts withheld as shown on Form 1099-R, attach the Form 1099-R to the front of your return.

If you received a 2002 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 62. This should be shown in box 4 of the 1099 form or box 6 of **Form SSA-1099**.

Line 63

2002 Estimated Tax Payments

Enter any estimated Federal income tax payments you made using **Form 1040-ES** for 2002. Include any overpayment from your 2001 return that you applied to your 2002 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, you can divide the amount paid in any way you choose as long as you both agree. If you cannot agree, you must divide the payments in proportion to each spouse's individual tax as shown on your separate returns for 2002. For an example of how to do this, see **Pub. 505**. 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 2002 or in 2003 before filing a 2002 return.

Divorced Taxpayers

If you got divorced in 2002 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 2002, 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 63, 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 2002 and the name(s) and SSN(s) under which you made them.

Line 64 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.



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

- If, in 2002:
 - 2 children lived with you, is the amount on Form 1040, line 36, less than \$33,178 (\$34,178 if married filing jointly)?
 - 1 child lived with you, is the amount on Form 1040, line 36, less than \$29,201 (\$30,201 if married filing jointly)?
 - No children lived with you, is the amount on Form 1040, line 36, less than \$11,060 (\$12,060 if married filing jointly)?

Yes. *Continue* → **No.** You cannot take the credit.
- Do you, and your spouse if filing a joint return, have a social security number that allows you to work or is valid for EIC purposes (see page 46)?

Yes. *Continue* → **No.** You cannot take the credit.
Put "No" on the dotted line next to line 64.
- Is your filing status married filing separately?

Yes. You cannot take the credit. **No.** *Continue* →
- Are you filing Form 2555 or 2555-EZ (relating to foreign earned income)?

Yes. You cannot take the credit. **No.** *Continue* →
- Were you a nonresident alien for any part of 2002?

Yes. *See Nonresident Aliens on page 46.* **No.** *Go to Step 2.*

Step 2 Investment Income

- Add the amounts from Form 1040:

Line 8a	_____			
Line 8b	+	_____		
Line 9	+	_____		
Line 13*	+	_____		
Investment Income				=

*Do not include if line 13 is a loss.

- Is your investment income more than \$2,550?

Yes. *Continue* → **No.** *Skip the next question; go to Step 3.*
- Are you filing Form 4797 (relating to sales of business property)?

Yes. *See Form 4797 Filers on page 45.* **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. To see if you must use Pub. 596, answer the following questions.

- Are you filing Schedule E?

No. *Continue* → **Yes.** →
 - Are you reporting income or a loss from the rental of personal property not used in a trade or business?

No. *Continue* → **Yes.** →
 - 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.** →
 - Did a child live with you in 2002?

Yes. *Go to Step 4 on page 44.* **No.** *Go to Step 5 on page 44.*
- You must use Pub. 596 to see if you can take the credit.
-
- To get Pub. 596, see page 9.

Continued from page 43

Step 4 Qualifying Child

A qualifying child is a child who is...

Your son, daughter, adopted child, stepchild, or grandchild

or

Your brother, sister, stepbrother, stepsister, or a descendant of your brother, sister, stepbrother, or stepsister (for example, your niece or nephew), whom you cared for as your own child

or

A foster child (any child placed with you by an authorized placement agency whom you cared for as your own child)

AND

was at the end of 2002...

Under age 19

or

Under age 24 and a student (see page 46)

or

Any age and permanently and totally disabled (see page 46)

AND


who...

Lived with you in the United States for more than half of 2002.

If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 45.

Note. If the child was married, see page 46.

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 2002?

- Yes.**  You cannot take the credit. Put "No" on the dotted line next to line 64.
- No.** Continue →

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


- Yes.** Go to question 3.
- No.** Skip the next two questions; 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 2002?


- Yes.** See *Qualifying Child of More Than One Person* on page 46.
- No.** This child is your qualifying child. The child must have a valid social security number as defined on page 46 unless the child was born and died in 2002. Skip Step 5; go to Step 6 on page 45.

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 2002?

- Yes.**  You cannot take the credit. Put "No" on the dotted line next to line 64.
- No.** Continue →


2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2002 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 2002?

- Yes.** Continue →
- No.**  You cannot take the credit. Put "No" on the dotted line next to line 64.

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2002? Members of the military stationed outside the United States, see page 46 before you answer.

- Yes.** Go to Step 6 on page 45.
- No.**  You cannot take the credit. Put "No" on the dotted line next to line 64.

Continued from page 44

Step 6 Earned Income

1. Are you filing Schedule SE because you were a member of the clergy or you had church employee income of \$108.28 or more?

- Yes.** See *Clergy or Church Employees, whichever applies, on this page.* **No.** Continue ↘

2. Figure earned income:

Form 1040, line 7 _____

Subtract, if included on line 7, any:

- Taxable scholarship or fellowship grant not reported on a W-2 form
- 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)
- Amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (put "DFC" and the amount subtracted on the dotted line next to line 7 of Form 1040). This amount may be shown in box 11 of your W-2 form. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.



Earned Income =

3. Were you self-employed, or are you filing Schedule SE because you were a member of the clergy or you had church employee income, or are you filing Schedule C or C-EZ as a statutory employee?

- Yes.** Skip question 4 and Step 7; go to *Worksheet B on page 48.* **No.** Continue ↘

4. If you have:

- 2 or more qualifying children, is your earned income less than \$33,178 (\$34,178 if married filing jointly)?
- 1 qualifying child, is your earned income less than \$29,201 (\$30,201 if married filing jointly)?
- No qualifying children, is your earned income less than \$11,060 (\$12,060 if married filing jointly)?

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

Step 7 How To Figure the Credit

1. Do you want the IRS to figure the credit for you?

- Yes.** See *Credit Figured by the IRS on this page.* **No.** Go to *Worksheet A on page 47.*

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 6, line 2. Be sure to answer "Yes" on line 3 of Step 6.

Clergy. The following instructions apply to ministers, members of religious orders who have not taken a vow of poverty, and Christian Science practitioners. 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:

1. Put "Clergy" on the dotted line next to line 64 of Form 1040.
2. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
3. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 6, line 2.
4. Be sure to answer "Yes" on line 3 of Step 6.

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

1. Put "EIC" on the dotted line next to line 64 of Form 1040.
2. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see Form 8862, Who Must File on page 46.

Exception to "Time Lived With You" Condition. A child is considered to have lived with you for all of 2002 if the child was born or died in 2002 and your home was this child's home for the entire time he or she was alive in 2002. Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. If your child is presumed to have been kidnapped by someone who is not a family member, see Pub. 596 to find out if that child is a qualifying child for the EIC. To get Pub. 596, see page 9. If you were in the military stationed outside the United States, see Members of the Military on page 46.

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. To get Pub. 596, see page 9. Otherwise, stop; you cannot take the EIC.

(Continued on page 46)

Continued from page 45

Form 8862, Who Must File. You must file Form 8862 if your EIC for a year after 1996 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.

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

Married Child. A child who was married at the end of 2002 is a qualifying child only if (a) you can claim him or her as your dependent on Form 1040, line 6c, or (b) 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 43. 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 one person can take the EIC based on that child. The other person(s) cannot take the EIC for people without a qualifying child, but may take the EIC based on a different qualifying child. If you and the other person(s) cannot agree who will take the EIC, then the following rules apply.

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If both persons are the child's parents, the child will be treated as the qualifying child of the parent with whom

the child lived for the longer period of time during 2002. If the child lived with each parent for the same amount of time, the child will be treated as the qualifying child of the parent who had the **higher** adjusted gross income (AGI) for 2002.

- If none of the persons is the child's parent, the child will be treated as the qualifying child of the person who had the highest AGI for 2002.

The child must have a valid social security number as defined below unless the child was born and died in 2002. If you do not have a qualifying child, stop; you cannot take the EIC. Put "No" on the dotted line next to line 64. If you have a qualifying child, skip Step 5; go to Step 6 on page 45.

Example. You and your 5-year-old daughter moved in with your mother in April 2002. 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. If you and your mother cannot agree on who will treat your daughter as a qualifying child, the rules above apply. Under these rules, you are entitled to treat your daughter as a qualifying child because you are the child's parent. Your mother would not be entitled to claim any EIC unless she has a different qualifying child.

Social Security Number (SSN). For purposes of taking the EIC, a valid SSN is a number issued by the Social Security Administration unless "Not Valid for Employment" is printed on the social security card and the number was issued solely to apply for or receive a Federally funded benefit.

To find out how to get an SSN, see page 21. If you will not have an SSN by April 15, 2003, see What if You Cannot File on Time? on page 17.

Student. A child who during any 5 months of 2002:

- 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. But if the refund you receive because of the EIC is not spent within a certain period of time, it may count as an asset (or resource) and affect your eligibility.

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

Worksheet **A**—Earned Income Credit (EIC)—Line 64

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 were a member of the clergy or you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee. Instead, use Worksheet B that begins on page 48.



Part 1

All Filers Using Worksheet A

1. Enter your earned income from Step 6 on page 45.

1	
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2. Look up the amount on line 1 above in the EIC Table on pages 50–55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

2	
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If line 2 is zero, You cannot take the credit. Put “No” on the dotted line next to line 64.

3. Enter the amount from Form 1040, line 36.

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. If you have:

- No qualifying children, is the amount on line 3 less than \$6,150 (\$7,150 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 3 less than \$13,550 (\$14,550 if married filing jointly)?

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 50–55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

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

5	
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Part 3

Your Earned Income Credit

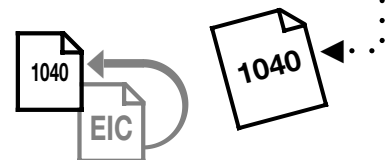
6. **This is your earned income credit.**

6	
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Enter this amount on Form 1040, line 64.


Reminder—

✓ If you have a qualifying child, complete and attach Schedule EIC.



If your EIC for a year after 1996 was reduced or disallowed, see page 46 to find out if you must file Form 8862 to take the credit for 2002.

Worksheet **B**—Earned Income Credit (EIC)—Line 64

Keep for Your Records 



Use this worksheet if you were self-employed, or you are filing Schedule SE because you were a member of the clergy or 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.

Part 1 Self-Employed, Members of the Clergy, and People With Church Employee Income Filing Schedule SE	1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.	1a		
	b. Enter any amount from Schedule SE, Section B, line 4b, and line 5a.	+	1b	
	c. Combine lines 1a and 1b.	=	1c	
	d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.	-	1d	
	e. Subtract line 1d from 1c.	=	1e	

Part 2 Self-Employed NOT Required To File Schedule SE <small>For example, your net earnings from self-employment were less than \$400.</small>	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.		
	a. Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a*.	2a	
	b. Enter any net profit or (loss) 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*.	+	2b
c. Combine lines 2a and 2b.	=	2c	
<small>*If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule SE, Section A. Put your name and social security number on Schedule SE and attach it to your return.</small>			

Part 3 Statutory Employees Filing Schedule C or C-EZ	3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.	3	
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Part 4 All Filers Using Worksheet B <small>Note. If line 4b 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>	4a. Enter your earned income from Step 6 on page 45.	4a	
	b. Combine lines 1e, 2c, 3, and 4a. This is your total earned income.	4b	
If line 4b is zero or less,  You cannot take the credit. Put "No" on the dotted line next to line 64.			
5. If you have: <ul style="list-style-type: none"> ● 2 or more qualifying children, is line 4b less than \$33,178 (\$34,178 if married filing jointly)? ● 1 qualifying child, is line 4b less than \$29,201 (\$30,201 if married filing jointly)? ● No qualifying children, is line 4b less than \$11,060 (\$12,060 if married filing jointly)? 			
<input type="checkbox"/> Yes. If you want the IRS to figure your credit, see page 45. <i>If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 49).</i>			
<input type="checkbox"/> No.  You cannot take the credit. Put "No" on the dotted line next to line 64.			

(Continued on page 49)

Worksheet **B**—Continued from page 48

Keep for Your Records

Part 5


All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4b, on page 48.

6	
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7. Look up the amount on line 6 above in the EIC Table on pages 50–55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

7	
---	--

If line 7 is zero,  You cannot take the credit. Put “No” on the dotted line next to line 64.

8. Enter the amount from Form 1040, line 36.

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.

Part 6

Filers Who Answered “No” on Line 9

10. If you have:
- No qualifying children, is the amount on line 8 less than \$6,150 (\$7,150 if married filing jointly)?
 - 1 or more qualifying children, is the amount on line 8 less than \$13,550 (\$14,550 if married filing jointly)?
- 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 50–55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. Look at the amounts on lines 10 and 7. Then, enter the **smaller** amount on line 11.

10	
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Part 7

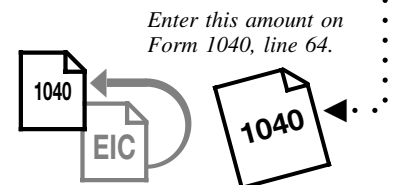
Your Earned Income Credit

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

11	
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Reminder—

- ✓ If you have a qualifying child, complete and attach Schedule EIC.



If your EIC for a year after 1996 was reduced or disallowed, see page 46 to find out if you must file Form 8862 to take the credit for 2002.

2002 Earned Income Credit (EIC) Table

Caution. 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, go to the column that includes your filing status and the number of qualifying children you have. Enter the credit from that column on your EIC Worksheet.

Example. If your filing status is single, you have one qualifying child, and the amount you are looking up from your EIC Worksheet is \$2,455, you would enter \$842.

If the amount you are looking up from the worksheet is—		And your filing status is—		
		No children	One child	Two children
At least	But less than	Your credit is—		
2,400	2,450	186	825	970
2,450	2,500	189	842	990

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly 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—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
\$1	\$50	\$2	\$9	\$10	\$2	\$9	\$10	2,400	2,450	186	825	970	186	825	970
50	100	6	26	30	6	26	30	2,450	2,500	189	842	990	189	842	990
100	150	10	43	50	10	43	50	2,500	2,550	193	859	1,010	193	859	1,010
150	200	13	60	70	13	60	70	2,550	2,600	197	876	1,030	197	876	1,030
200	250	17	77	90	17	77	90	2,600	2,650	201	893	1,050	201	893	1,050
250	300	21	94	110	21	94	110	2,650	2,700	205	910	1,070	205	910	1,070
300	350	25	111	130	25	111	130	2,700	2,750	208	927	1,090	208	927	1,090
350	400	29	128	150	29	128	150	2,750	2,800	212	944	1,110	212	944	1,110
400	450	33	145	170	33	145	170	2,800	2,850	216	961	1,130	216	961	1,130
450	500	36	162	190	36	162	190	2,850	2,900	220	978	1,150	220	978	1,150
500	550	40	179	210	40	179	210	2,900	2,950	224	995	1,170	224	995	1,170
550	600	44	196	230	44	196	230	2,950	3,000	228	1,012	1,190	228	1,012	1,190
600	650	48	213	250	48	213	250	3,000	3,050	231	1,029	1,210	231	1,029	1,210
650	700	52	230	270	52	230	270	3,050	3,100	235	1,046	1,230	235	1,046	1,230
700	750	55	247	290	55	247	290	3,100	3,150	239	1,063	1,250	239	1,063	1,250
750	800	59	264	310	59	264	310	3,150	3,200	243	1,080	1,270	243	1,080	1,270
800	850	63	281	330	63	281	330	3,200	3,250	247	1,097	1,290	247	1,097	1,290
850	900	67	298	350	67	298	350	3,250	3,300	251	1,114	1,310	251	1,114	1,310
900	950	71	315	370	71	315	370	3,300	3,350	254	1,131	1,330	254	1,131	1,330
950	1,000	75	332	390	75	332	390	3,350	3,400	258	1,148	1,350	258	1,148	1,350
1,000	1,050	78	349	410	78	349	410	3,400	3,450	262	1,165	1,370	262	1,165	1,370
1,050	1,100	82	366	430	82	366	430	3,450	3,500	266	1,182	1,390	266	1,182	1,390
1,100	1,150	86	383	450	86	383	450	3,500	3,550	270	1,199	1,410	270	1,199	1,410
1,150	1,200	90	400	470	90	400	470	3,550	3,600	273	1,216	1,430	273	1,216	1,430
1,200	1,250	94	417	490	94	417	490	3,600	3,650	277	1,233	1,450	277	1,233	1,450
1,250	1,300	98	434	510	98	434	510	3,650	3,700	281	1,250	1,470	281	1,250	1,470
1,300	1,350	101	451	530	101	451	530	3,700	3,750	285	1,267	1,490	285	1,267	1,490
1,350	1,400	105	468	550	105	468	550	3,750	3,800	289	1,284	1,510	289	1,284	1,510
1,400	1,450	109	485	570	109	485	570	3,800	3,850	293	1,301	1,530	293	1,301	1,530
1,450	1,500	113	502	590	113	502	590	3,850	3,900	296	1,318	1,550	296	1,318	1,550
1,500	1,550	117	519	610	117	519	610	3,900	3,950	300	1,335	1,570	300	1,335	1,570
1,550	1,600	120	536	630	120	536	630	3,950	4,000	304	1,352	1,590	304	1,352	1,590
1,600	1,650	124	553	650	124	553	650	4,000	4,050	308	1,369	1,610	308	1,369	1,610
1,650	1,700	128	570	670	128	570	670	4,050	4,100	312	1,386	1,630	312	1,386	1,630
1,700	1,750	132	587	690	132	587	690	4,100	4,150	316	1,403	1,650	316	1,403	1,650
1,750	1,800	136	604	710	136	604	710	4,150	4,200	319	1,420	1,670	319	1,420	1,670
1,800	1,850	140	621	730	140	621	730	4,200	4,250	323	1,437	1,690	323	1,437	1,690
1,850	1,900	143	638	750	143	638	750	4,250	4,300	327	1,454	1,710	327	1,454	1,710
1,900	1,950	147	655	770	147	655	770	4,300	4,350	331	1,471	1,730	331	1,471	1,730
1,950	2,000	151	672	790	151	672	790	4,350	4,400	335	1,488	1,750	335	1,488	1,750
2,000	2,050	155	689	810	155	689	810	4,400	4,450	339	1,505	1,770	339	1,505	1,770
2,050	2,100	159	706	830	159	706	830	4,450	4,500	342	1,522	1,790	342	1,522	1,790
2,100	2,150	163	723	850	163	723	850	4,500	4,550	346	1,539	1,810	346	1,539	1,810
2,150	2,200	166	740	870	166	740	870	4,550	4,600	350	1,556	1,830	350	1,556	1,830
2,200	2,250	170	757	890	170	757	890	4,600	4,650	354	1,573	1,850	354	1,573	1,850
2,250	2,300	174	774	910	174	774	910	4,650	4,700	358	1,590	1,870	358	1,590	1,870
2,300	2,350	178	791	930	178	791	930	4,700	4,750	361	1,607	1,890	361	1,607	1,890
2,350	2,400	182	808	950	182	808	950	4,750	4,800	365	1,624	1,910	365	1,624	1,910

(Continued on page 51)

2002 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 your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly 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—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
4,800	4,850	369	1,641	1,930	369	1,641	1,930	7,600	7,650	263	2,506	3,050	339	2,506	3,050
4,850	4,900	373	1,658	1,950	373	1,658	1,950	7,650	7,700	259	2,506	3,070	335	2,506	3,070
4,900	4,950	376	1,675	1,970	376	1,675	1,970	7,700	7,750	255	2,506	3,090	332	2,506	3,090
4,950	5,000	376	1,692	1,990	376	1,692	1,990	7,750	7,800	251	2,506	3,110	328	2,506	3,110
5,000	5,050	376	1,709	2,010	376	1,709	2,010	7,800	7,850	247	2,506	3,130	324	2,506	3,130
5,050	5,100	376	1,726	2,030	376	1,726	2,030	7,850	7,900	244	2,506	3,150	320	2,506	3,150
5,100	5,150	376	1,743	2,050	376	1,743	2,050	7,900	7,950	240	2,506	3,170	316	2,506	3,170
5,150	5,200	376	1,760	2,070	376	1,760	2,070	7,950	8,000	236	2,506	3,190	313	2,506	3,190
5,200	5,250	376	1,777	2,090	376	1,777	2,090	8,000	8,050	232	2,506	3,210	309	2,506	3,210
5,250	5,300	376	1,794	2,110	376	1,794	2,110	8,050	8,100	228	2,506	3,230	305	2,506	3,230
5,300	5,350	376	1,811	2,130	376	1,811	2,130	8,100	8,150	225	2,506	3,250	301	2,506	3,250
5,350	5,400	376	1,828	2,150	376	1,828	2,150	8,150	8,200	221	2,506	3,270	297	2,506	3,270
5,400	5,450	376	1,845	2,170	376	1,845	2,170	8,200	8,250	217	2,506	3,290	293	2,506	3,290
5,450	5,500	376	1,862	2,190	376	1,862	2,190	8,250	8,300	213	2,506	3,310	290	2,506	3,310
5,500	5,550	376	1,879	2,210	376	1,879	2,210	8,300	8,350	209	2,506	3,330	286	2,506	3,330
5,550	5,600	376	1,896	2,230	376	1,896	2,230	8,350	8,400	205	2,506	3,350	282	2,506	3,350
5,600	5,650	376	1,913	2,250	376	1,913	2,250	8,400	8,450	202	2,506	3,370	278	2,506	3,370
5,650	5,700	376	1,930	2,270	376	1,930	2,270	8,450	8,500	198	2,506	3,390	274	2,506	3,390
5,700	5,750	376	1,947	2,290	376	1,947	2,290	8,500	8,550	194	2,506	3,410	270	2,506	3,410
5,750	5,800	376	1,964	2,310	376	1,964	2,310	8,550	8,600	190	2,506	3,430	267	2,506	3,430
5,800	5,850	376	1,981	2,330	376	1,981	2,330	8,600	8,650	186	2,506	3,450	263	2,506	3,450
5,850	5,900	376	1,998	2,350	376	1,998	2,350	8,650	8,700	182	2,506	3,470	259	2,506	3,470
5,900	5,950	376	2,015	2,370	376	2,015	2,370	8,700	8,750	179	2,506	3,490	255	2,506	3,490
5,950	6,000	376	2,032	2,390	376	2,032	2,390	8,750	8,800	175	2,506	3,510	251	2,506	3,510
6,000	6,050	376	2,049	2,410	376	2,049	2,410	8,800	8,850	171	2,506	3,530	247	2,506	3,530
6,050	6,100	376	2,066	2,430	376	2,066	2,430	8,850	8,900	167	2,506	3,550	244	2,506	3,550
6,100	6,150	376	2,083	2,450	376	2,083	2,450	8,900	8,950	163	2,506	3,570	240	2,506	3,570
6,150	6,200	374	2,100	2,470	376	2,100	2,470	8,950	9,000	160	2,506	3,590	236	2,506	3,590
6,200	6,250	370	2,117	2,490	376	2,117	2,490	9,000	9,050	156	2,506	3,610	232	2,506	3,610
6,250	6,300	366	2,134	2,510	376	2,134	2,510	9,050	9,100	152	2,506	3,630	228	2,506	3,630
6,300	6,350	362	2,151	2,530	376	2,151	2,530	9,100	9,150	148	2,506	3,650	225	2,506	3,650
6,350	6,400	358	2,168	2,550	376	2,168	2,550	9,150	9,200	144	2,506	3,670	221	2,506	3,670
6,400	6,450	355	2,185	2,570	376	2,185	2,570	9,200	9,250	140	2,506	3,690	217	2,506	3,690
6,450	6,500	351	2,202	2,590	376	2,202	2,590	9,250	9,300	137	2,506	3,710	213	2,506	3,710
6,500	6,550	347	2,219	2,610	376	2,219	2,610	9,300	9,350	133	2,506	3,730	209	2,506	3,730
6,550	6,600	343	2,236	2,630	376	2,236	2,630	9,350	9,400	129	2,506	3,750	205	2,506	3,750
6,600	6,650	339	2,253	2,650	376	2,253	2,650	9,400	9,450	125	2,506	3,770	202	2,506	3,770
6,650	6,700	335	2,270	2,670	376	2,270	2,670	9,450	9,500	121	2,506	3,790	198	2,506	3,790
6,700	6,750	332	2,287	2,690	376	2,287	2,690	9,500	9,550	117	2,506	3,810	194	2,506	3,810
6,750	6,800	328	2,304	2,710	376	2,304	2,710	9,550	9,600	114	2,506	3,830	190	2,506	3,830
6,800	6,850	324	2,321	2,730	376	2,321	2,730	9,600	9,650	110	2,506	3,850	186	2,506	3,850
6,850	6,900	320	2,338	2,750	376	2,338	2,750	9,650	9,700	106	2,506	3,870	182	2,506	3,870
6,900	6,950	316	2,355	2,770	376	2,355	2,770	9,700	9,750	102	2,506	3,890	179	2,506	3,890
6,950	7,000	313	2,372	2,790	376	2,372	2,790	9,750	9,800	98	2,506	3,910	175	2,506	3,910
7,000	7,050	309	2,389	2,810	376	2,389	2,810	9,800	9,850	94	2,506	3,930	171	2,506	3,930
7,050	7,100	305	2,406	2,830	376	2,406	2,830	9,850	9,900	91	2,506	3,950	167	2,506	3,950
7,100	7,150	301	2,423	2,850	376	2,423	2,850	9,900	9,950	87	2,506	3,970	163	2,506	3,970
7,150	7,200	297	2,440	2,870	374	2,440	2,870	9,950	10,000	83	2,506	3,990	160	2,506	3,990
7,200	7,250	293	2,457	2,890	370	2,457	2,890	10,000	10,050	79	2,506	4,010	156	2,506	4,010
7,250	7,300	290	2,474	2,910	366	2,474	2,910	10,050	10,100	75	2,506	4,030	152	2,506	4,030
7,300	7,350	286	2,491	2,930	362	2,491	2,930	10,100	10,150	72	2,506	4,050	148	2,506	4,050
7,350	7,400	282	2,506	2,950	358	2,506	2,950	10,150	10,200	68	2,506	4,070	144	2,506	4,070
7,400	7,450	278	2,506	2,970	355	2,506	2,970	10,200	10,250	64	2,506	4,090	140	2,506	4,090
7,450	7,500	274	2,506	2,990	351	2,506	2,990	10,250	10,300	60	2,506	4,110	137	2,506	4,110
7,500	7,550	270	2,506	3,010	347	2,506	3,010	10,300	10,350	56	2,506	4,130	133	2,506	4,130
7,550	7,600	267	2,506	3,030	343	2,506	3,030	10,350	10,400	52	2,506	4,140	129	2,506	4,140

(Continued on page 52)

2002 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 your filing status is—						If the amount you are looking up from the worksheet is—	And your filing status is—							
	Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—				Single, head of household, or qualifying widow(er) and you have—			Married filing jointly 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—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
10,400	10,450	49	2,506	4,140	125	2,506	4,140	14,600	14,650	0	2,329	3,907	0	2,489	4,118
10,450	10,500	45	2,506	4,140	121	2,506	4,140	14,650	14,700	0	2,321	3,897	0	2,481	4,107
10,500	10,550	41	2,506	4,140	117	2,506	4,140	14,700	14,750	0	2,313	3,886	0	2,473	4,097
10,550	10,600	37	2,506	4,140	114	2,506	4,140	14,750	14,800	0	2,305	3,876	0	2,465	4,086
10,600	10,650	33	2,506	4,140	110	2,506	4,140	14,800	14,850	0	2,297	3,865	0	2,457	4,076
10,650	10,700	29	2,506	4,140	106	2,506	4,140	14,850	14,900	0	2,289	3,855	0	2,449	4,065
10,700	10,750	26	2,506	4,140	102	2,506	4,140	14,900	14,950	0	2,281	3,844	0	2,441	4,055
10,750	10,800	22	2,506	4,140	98	2,506	4,140	14,950	15,000	0	2,273	3,834	0	2,433	4,044
10,800	10,850	18	2,506	4,140	94	2,506	4,140	15,000	15,050	0	2,265	3,823	0	2,425	4,034
10,850	10,900	14	2,506	4,140	91	2,506	4,140	15,050	15,100	0	2,257	3,813	0	2,417	4,023
10,900	10,950	10	2,506	4,140	87	2,506	4,140	15,100	15,150	0	2,249	3,802	0	2,409	4,013
10,950	11,000	7	2,506	4,140	83	2,506	4,140	15,150	15,200	0	2,241	3,791	0	2,401	4,002
11,000	11,050	3	2,506	4,140	79	2,506	4,140	15,200	15,250	0	2,233	3,781	0	2,393	3,992
11,050	11,100	*	2,506	4,140	75	2,506	4,140	15,250	15,300	0	2,225	3,770	0	2,385	3,981
11,100	11,150	0	2,506	4,140	72	2,506	4,140	15,300	15,350	0	2,217	3,760	0	2,377	3,970
11,150	11,200	0	2,506	4,140	68	2,506	4,140	15,350	15,400	0	2,209	3,749	0	2,369	3,960
11,200	11,250	0	2,506	4,140	64	2,506	4,140	15,400	15,450	0	2,201	3,739	0	2,361	3,949
11,250	11,300	0	2,506	4,140	60	2,506	4,140	15,450	15,500	0	2,193	3,728	0	2,353	3,939
11,300	11,350	0	2,506	4,140	56	2,506	4,140	15,500	15,550	0	2,185	3,718	0	2,345	3,928
11,350	11,400	0	2,506	4,140	52	2,506	4,140	15,550	15,600	0	2,177	3,707	0	2,337	3,918
11,400	11,450	0	2,506	4,140	49	2,506	4,140	15,600	15,650	0	2,169	3,697	0	2,329	3,907
11,450	11,500	0	2,506	4,140	45	2,506	4,140	15,650	15,700	0	2,161	3,686	0	2,321	3,897
11,500	11,550	0	2,506	4,140	41	2,506	4,140	15,700	15,750	0	2,153	3,676	0	2,313	3,886
11,550	11,600	0	2,506	4,140	37	2,506	4,140	15,750	15,800	0	2,145	3,665	0	2,305	3,876
11,600	11,650	0	2,506	4,140	33	2,506	4,140	15,800	15,850	0	2,137	3,655	0	2,297	3,865
11,650	11,700	0	2,506	4,140	29	2,506	4,140	15,850	15,900	0	2,129	3,644	0	2,289	3,855
11,700	11,750	0	2,506	4,140	26	2,506	4,140	15,900	15,950	0	2,121	3,634	0	2,281	3,844
11,750	11,800	0	2,506	4,140	22	2,506	4,140	15,950	16,000	0	2,113	3,623	0	2,273	3,834
11,800	11,850	0	2,506	4,140	18	2,506	4,140	16,000	16,050	0	2,106	3,612	0	2,265	3,823
11,850	11,900	0	2,506	4,140	14	2,506	4,140	16,050	16,100	0	2,098	3,602	0	2,257	3,813
11,900	11,950	0	2,506	4,140	10	2,506	4,140	16,100	16,150	0	2,090	3,591	0	2,249	3,802
11,950	12,000	0	2,506	4,140	7	2,506	4,140	16,150	16,200	0	2,082	3,581	0	2,241	3,791
12,000	12,050	0	2,506	4,140	3	2,506	4,140	16,200	16,250	0	2,074	3,570	0	2,233	3,781
12,050	12,100	0	2,506	4,140	*	2,506	4,140	16,250	16,300	0	2,066	3,560	0	2,225	3,770
12,100	13,550	0	2,506	4,140	0	2,506	4,140	16,300	16,350	0	2,058	3,549	0	2,217	3,760
13,550	13,600	0	2,497	4,128	0	2,506	4,140	16,350	16,400	0	2,050	3,539	0	2,209	3,749
13,600	13,650	0	2,489	4,118	0	2,506	4,140	16,400	16,450	0	2,042	3,528	0	2,201	3,739
13,650	13,700	0	2,481	4,107	0	2,506	4,140	16,450	16,500	0	2,034	3,518	0	2,193	3,728
13,700	13,750	0	2,473	4,097	0	2,506	4,140	16,500	16,550	0	2,026	3,507	0	2,185	3,718
13,750	13,800	0	2,465	4,086	0	2,506	4,140	16,550	16,600	0	2,018	3,497	0	2,177	3,707
13,800	13,850	0	2,457	4,076	0	2,506	4,140	16,600	16,650	0	2,010	3,486	0	2,169	3,697
13,850	13,900	0	2,449	4,065	0	2,506	4,140	16,650	16,700	0	2,002	3,476	0	2,161	3,686
13,900	13,950	0	2,441	4,055	0	2,506	4,140	16,700	16,750	0	1,994	3,465	0	2,153	3,676
13,950	14,000	0	2,433	4,044	0	2,506	4,140	16,750	16,800	0	1,986	3,454	0	2,145	3,665
14,000	14,050	0	2,425	4,034	0	2,506	4,140	16,800	16,850	0	1,978	3,444	0	2,137	3,655
14,050	14,100	0	2,417	4,023	0	2,506	4,140	16,850	16,900	0	1,970	3,433	0	2,129	3,644
14,100	14,150	0	2,409	4,013	0	2,506	4,140	16,900	16,950	0	1,962	3,423	0	2,121	3,634
14,150	14,200	0	2,401	4,002	0	2,506	4,140	16,950	17,000	0	1,954	3,412	0	2,113	3,623
14,200	14,250	0	2,393	3,992	0	2,506	4,140	17,000	17,050	0	1,946	3,402	0	2,106	3,612
14,250	14,300	0	2,385	3,981	0	2,506	4,140	17,050	17,100	0	1,938	3,391	0	2,098	3,602
14,300	14,350	0	2,377	3,970	0	2,506	4,140	17,100	17,150	0	1,930	3,381	0	2,090	3,591
14,350	14,400	0	2,369	3,960	0	2,506	4,140	17,150	17,200	0	1,922	3,370	0	2,082	3,581
14,400	14,450	0	2,361	3,949	0	2,506	4,140	17,200	17,250	0	1,914	3,360	0	2,074	3,570
14,450	14,500	0	2,353	3,939	0	2,506	4,140	17,250	17,300	0	1,906	3,349	0	2,066	3,560
14,500	14,550	0	2,345	3,928	0	2,506	4,140	17,300	17,350	0	1,898	3,339	0	2,058	3,549
14,550	14,600	0	2,337	3,918	0	2,497	4,128	17,350	17,400	0	1,890	3,328	0	2,050	3,539

*If the amount you are looking up from the worksheet is at least \$11,050 (\$12,050 if married filing jointly) but less than \$11,060 (\$12,060 if married filing jointly), your credit is \$1. Otherwise, you cannot take the credit. (Continued on page 53)

2002 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 your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly 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—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
17,400	17,450	0	1,882	3,318	0	2,042	3,528	20,200	20,250	0	1,434	2,728	0	1,594	2,939
17,450	17,500	0	1,874	3,307	0	2,034	3,518	20,250	20,300	0	1,426	2,717	0	1,586	2,928
17,500	17,550	0	1,866	3,297	0	2,026	3,507	20,300	20,350	0	1,418	2,707	0	1,578	2,917
17,550	17,600	0	1,858	3,286	0	2,018	3,497	20,350	20,400	0	1,410	2,696	0	1,570	2,907
17,600	17,650	0	1,850	3,275	0	2,010	3,486	20,400	20,450	0	1,402	2,686	0	1,562	2,896
17,650	17,700	0	1,842	3,265	0	2,002	3,476	20,450	20,500	0	1,394	2,675	0	1,554	2,886
17,700	17,750	0	1,834	3,254	0	1,994	3,465	20,500	20,550	0	1,386	2,665	0	1,546	2,875
17,750	17,800	0	1,826	3,244	0	1,986	3,454	20,550	20,600	0	1,378	2,654	0	1,538	2,865
17,800	17,850	0	1,818	3,233	0	1,978	3,444	20,600	20,650	0	1,370	2,644	0	1,530	2,854
17,850	17,900	0	1,810	3,223	0	1,970	3,433	20,650	20,700	0	1,362	2,633	0	1,522	2,844
17,900	17,950	0	1,802	3,212	0	1,962	3,423	20,700	20,750	0	1,354	2,623	0	1,514	2,833
17,950	18,000	0	1,794	3,202	0	1,954	3,412	20,750	20,800	0	1,346	2,612	0	1,506	2,823
18,000	18,050	0	1,786	3,191	0	1,946	3,402	20,800	20,850	0	1,338	2,602	0	1,498	2,812
18,050	18,100	0	1,778	3,181	0	1,938	3,391	20,850	20,900	0	1,330	2,591	0	1,490	2,802
18,100	18,150	0	1,770	3,170	0	1,930	3,381	20,900	20,950	0	1,322	2,581	0	1,482	2,791
18,150	18,200	0	1,762	3,160	0	1,922	3,370	20,950	21,000	0	1,314	2,570	0	1,474	2,781
18,200	18,250	0	1,754	3,149	0	1,914	3,360	21,000	21,050	0	1,307	2,559	0	1,466	2,770
18,250	18,300	0	1,746	3,139	0	1,906	3,349	21,050	21,100	0	1,299	2,549	0	1,458	2,760
18,300	18,350	0	1,738	3,128	0	1,898	3,339	21,100	21,150	0	1,291	2,538	0	1,450	2,749
18,350	18,400	0	1,730	3,118	0	1,890	3,328	21,150	21,200	0	1,283	2,528	0	1,442	2,738
18,400	18,450	0	1,722	3,107	0	1,882	3,318	21,200	21,250	0	1,275	2,517	0	1,434	2,728
18,450	18,500	0	1,714	3,096	0	1,874	3,307	21,250	21,300	0	1,267	2,507	0	1,426	2,717
18,500	18,550	0	1,706	3,086	0	1,866	3,297	21,300	21,350	0	1,259	2,496	0	1,418	2,707
18,550	18,600	0	1,698	3,075	0	1,858	3,286	21,350	21,400	0	1,251	2,486	0	1,410	2,696
18,600	18,650	0	1,690	3,065	0	1,850	3,275	21,400	21,450	0	1,243	2,475	0	1,402	2,686
18,650	18,700	0	1,682	3,054	0	1,842	3,265	21,450	21,500	0	1,235	2,465	0	1,394	2,675
18,700	18,750	0	1,674	3,044	0	1,834	3,254	21,500	21,550	0	1,227	2,454	0	1,386	2,665
18,750	18,800	0	1,666	3,033	0	1,826	3,244	21,550	21,600	0	1,219	2,444	0	1,378	2,654
18,800	18,850	0	1,658	3,023	0	1,818	3,233	21,600	21,650	0	1,211	2,433	0	1,370	2,644
18,850	18,900	0	1,650	3,012	0	1,810	3,223	21,650	21,700	0	1,203	2,423	0	1,362	2,633
18,900	18,950	0	1,642	3,002	0	1,802	3,212	21,700	21,750	0	1,195	2,412	0	1,354	2,623
18,950	19,000	0	1,634	2,991	0	1,794	3,202	21,750	21,800	0	1,187	2,401	0	1,346	2,612
19,000	19,050	0	1,626	2,981	0	1,786	3,191	21,800	21,850	0	1,179	2,391	0	1,338	2,602
19,050	19,100	0	1,618	2,970	0	1,778	3,181	21,850	21,900	0	1,171	2,380	0	1,330	2,591
19,100	19,150	0	1,610	2,960	0	1,770	3,170	21,900	21,950	0	1,163	2,370	0	1,322	2,581
19,150	19,200	0	1,602	2,949	0	1,762	3,160	21,950	22,000	0	1,155	2,359	0	1,314	2,570
19,200	19,250	0	1,594	2,939	0	1,754	3,149	22,000	22,050	0	1,147	2,349	0	1,307	2,559
19,250	19,300	0	1,586	2,928	0	1,746	3,139	22,050	22,100	0	1,139	2,338	0	1,299	2,549
19,300	19,350	0	1,578	2,917	0	1,738	3,128	22,100	22,150	0	1,131	2,328	0	1,291	2,538
19,350	19,400	0	1,570	2,907	0	1,730	3,118	22,150	22,200	0	1,123	2,317	0	1,283	2,528
19,400	19,450	0	1,562	2,896	0	1,722	3,107	22,200	22,250	0	1,115	2,307	0	1,275	2,517
19,450	19,500	0	1,554	2,886	0	1,714	3,096	22,250	22,300	0	1,107	2,296	0	1,267	2,507
19,500	19,550	0	1,546	2,875	0	1,706	3,086	22,300	22,350	0	1,099	2,286	0	1,259	2,496
19,550	19,600	0	1,538	2,865	0	1,698	3,075	22,350	22,400	0	1,091	2,275	0	1,251	2,486
19,600	19,650	0	1,530	2,854	0	1,690	3,065	22,400	22,450	0	1,083	2,265	0	1,243	2,475
19,650	19,700	0	1,522	2,844	0	1,682	3,054	22,450	22,500	0	1,075	2,254	0	1,235	2,465
19,700	19,750	0	1,514	2,833	0	1,674	3,044	22,500	22,550	0	1,067	2,244	0	1,227	2,454
19,750	19,800	0	1,506	2,823	0	1,666	3,033	22,550	22,600	0	1,059	2,233	0	1,219	2,444
19,800	19,850	0	1,498	2,812	0	1,658	3,023	22,600	22,650	0	1,051	2,222	0	1,211	2,433
19,850	19,900	0	1,490	2,802	0	1,650	3,012	22,650	22,700	0	1,043	2,212	0	1,203	2,423
19,900	19,950	0	1,482	2,791	0	1,642	3,002	22,700	22,750	0	1,035	2,201	0	1,195	2,412
19,950	20,000	0	1,474	2,781	0	1,634	2,991	22,750	22,800	0	1,027	2,191	0	1,187	2,401
20,000	20,050	0	1,466	2,770	0	1,626	2,981	22,800	22,850	0	1,019	2,180	0	1,179	2,391
20,050	20,100	0	1,458	2,760	0	1,618	2,970	22,850	22,900	0	1,011	2,170	0	1,171	2,380
20,100	20,150	0	1,450	2,749	0	1,610	2,960	22,900	22,950	0	1,003	2,159	0	1,163	2,370
20,150	20,200	0	1,442	2,738	0	1,602	2,949	22,950	23,000	0	995	2,149	0	1,155	2,359

(Continued on page 54)

2002 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 your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly 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—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
23,000	23,050	0	987	2,138	0	1,147	2,349	25,800	25,850	0	539	1,549	0	699	1,759
23,050	23,100	0	979	2,128	0	1,139	2,338	25,850	25,900	0	531	1,538	0	691	1,749
23,100	23,150	0	971	2,117	0	1,131	2,328	25,900	25,950	0	523	1,528	0	683	1,738
23,150	23,200	0	963	2,107	0	1,123	2,317	25,950	26,000	0	515	1,517	0	675	1,728
23,200	23,250	0	955	2,096	0	1,115	2,307	26,000	26,050	0	508	1,506	0	667	1,717
23,250	23,300	0	947	2,086	0	1,107	2,296	26,050	26,100	0	500	1,496	0	659	1,707
23,300	23,350	0	939	2,075	0	1,099	2,286	26,100	26,150	0	492	1,485	0	651	1,696
23,350	23,400	0	931	2,065	0	1,091	2,275	26,150	26,200	0	484	1,475	0	643	1,685
23,400	23,450	0	923	2,054	0	1,083	2,265	26,200	26,250	0	476	1,464	0	635	1,675
23,450	23,500	0	915	2,043	0	1,075	2,254	26,250	26,300	0	468	1,454	0	627	1,664
23,500	23,550	0	907	2,033	0	1,067	2,244	26,300	26,350	0	460	1,443	0	619	1,654
23,550	23,600	0	899	2,022	0	1,059	2,233	26,350	26,400	0	452	1,433	0	611	1,643
23,600	23,650	0	891	2,012	0	1,051	2,222	26,400	26,450	0	444	1,422	0	603	1,633
23,650	23,700	0	883	2,001	0	1,043	2,212	26,450	26,500	0	436	1,412	0	595	1,622
23,700	23,750	0	875	1,991	0	1,035	2,201	26,500	26,550	0	428	1,401	0	587	1,612
23,750	23,800	0	867	1,980	0	1,027	2,191	26,550	26,600	0	420	1,391	0	579	1,601
23,800	23,850	0	859	1,970	0	1,019	2,180	26,600	26,650	0	412	1,380	0	571	1,591
23,850	23,900	0	851	1,959	0	1,011	2,170	26,650	26,700	0	404	1,370	0	563	1,580
23,900	23,950	0	843	1,949	0	1,003	2,159	26,700	26,750	0	396	1,359	0	555	1,570
23,950	24,000	0	835	1,938	0	995	2,149	26,750	26,800	0	388	1,348	0	547	1,559
24,000	24,050	0	827	1,928	0	987	2,138	26,800	26,850	0	380	1,338	0	539	1,549
24,050	24,100	0	819	1,917	0	979	2,128	26,850	26,900	0	372	1,327	0	531	1,538
24,100	24,150	0	811	1,907	0	971	2,117	26,900	26,950	0	364	1,317	0	523	1,528
24,150	24,200	0	803	1,896	0	963	2,107	26,950	27,000	0	356	1,306	0	515	1,517
24,200	24,250	0	795	1,886	0	955	2,096	27,000	27,050	0	348	1,296	0	508	1,506
24,250	24,300	0	787	1,875	0	947	2,086	27,050	27,100	0	340	1,285	0	500	1,496
24,300	24,350	0	779	1,864	0	939	2,075	27,100	27,150	0	332	1,275	0	492	1,485
24,350	24,400	0	771	1,854	0	931	2,065	27,150	27,200	0	324	1,264	0	484	1,475
24,400	24,450	0	763	1,843	0	923	2,054	27,200	27,250	0	316	1,254	0	476	1,464
24,450	24,500	0	755	1,833	0	915	2,043	27,250	27,300	0	308	1,243	0	468	1,454
24,500	24,550	0	747	1,822	0	907	2,033	27,300	27,350	0	300	1,233	0	460	1,443
24,550	24,600	0	739	1,812	0	899	2,022	27,350	27,400	0	292	1,222	0	452	1,433
24,600	24,650	0	731	1,801	0	891	2,012	27,400	27,450	0	284	1,212	0	444	1,422
24,650	24,700	0	723	1,791	0	883	2,001	27,450	27,500	0	276	1,201	0	436	1,412
24,700	24,750	0	715	1,780	0	875	1,991	27,500	27,550	0	268	1,191	0	428	1,401
24,750	24,800	0	707	1,770	0	867	1,980	27,550	27,600	0	260	1,180	0	420	1,391
24,800	24,850	0	699	1,759	0	859	1,970	27,600	27,650	0	252	1,169	0	412	1,380
24,850	24,900	0	691	1,749	0	851	1,959	27,650	27,700	0	244	1,159	0	404	1,370
24,900	24,950	0	683	1,738	0	843	1,949	27,700	27,750	0	236	1,148	0	396	1,359
24,950	25,000	0	675	1,728	0	835	1,938	27,750	27,800	0	228	1,138	0	388	1,348
25,000	25,050	0	667	1,717	0	827	1,928	27,800	27,850	0	220	1,127	0	380	1,338
25,050	25,100	0	659	1,707	0	819	1,917	27,850	27,900	0	212	1,117	0	372	1,327
25,100	25,150	0	651	1,696	0	811	1,907	27,900	27,950	0	204	1,106	0	364	1,317
25,150	25,200	0	643	1,685	0	803	1,896	27,950	28,000	0	196	1,096	0	356	1,306
25,200	25,250	0	635	1,675	0	795	1,886	28,000	28,050	0	188	1,085	0	348	1,296
25,250	25,300	0	627	1,664	0	787	1,875	28,050	28,100	0	180	1,075	0	340	1,285
25,300	25,350	0	619	1,654	0	779	1,864	28,100	28,150	0	172	1,064	0	332	1,275
25,350	25,400	0	611	1,643	0	771	1,854	28,150	28,200	0	164	1,054	0	324	1,264
25,400	25,450	0	603	1,633	0	763	1,843	28,200	28,250	0	156	1,043	0	316	1,254
25,450	25,500	0	595	1,622	0	755	1,833	28,250	28,300	0	148	1,033	0	308	1,243
25,500	25,550	0	587	1,612	0	747	1,822	28,300	28,350	0	140	1,022	0	300	1,233
25,550	25,600	0	579	1,601	0	739	1,812	28,350	28,400	0	132	1,012	0	292	1,222
25,600	25,650	0	571	1,591	0	731	1,801	28,400	28,450	0	124	1,001	0	284	1,212
25,650	25,700	0	563	1,580	0	723	1,791	28,450	28,500	0	116	990	0	276	1,201
25,700	25,750	0	555	1,570	0	715	1,780	28,500	28,550	0	108	980	0	268	1,191
25,750	25,800	0	547	1,559	0	707	1,770	28,550	28,600	0	100	969	0	260	1,180

(Continued on page 55)

2002 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 your filing status is—						If the amount you are looking up from the worksheet is—	And your filing status is—							
	Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—				Single, head of household, or qualifying widow(er) and you have—			Married filing jointly 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—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
28,600	28,650	0	92	959	0	252	1,169	31,400	31,450	0	0	369	0	0	580
28,650	28,700	0	84	948	0	244	1,159	31,450	31,500	0	0	359	0	0	569
28,700	28,750	0	76	938	0	236	1,148	31,500	31,550	0	0	348	0	0	559
28,750	28,800	0	68	927	0	228	1,138	31,550	31,600	0	0	338	0	0	548
28,800	28,850	0	60	917	0	220	1,127	31,600	31,650	0	0	327	0	0	538
28,850	28,900	0	52	906	0	212	1,117	31,650	31,700	0	0	317	0	0	527
28,900	28,950	0	44	896	0	204	1,106	31,700	31,750	0	0	306	0	0	517
28,950	29,000	0	36	885	0	196	1,096	31,750	31,800	0	0	295	0	0	506
29,000	29,050	0	28	875	0	188	1,085	31,800	31,850	0	0	285	0	0	496
29,050	29,100	0	20	864	0	180	1,075	31,850	31,900	0	0	274	0	0	485
29,100	29,150	0	12	854	0	172	1,064	31,900	31,950	0	0	264	0	0	475
29,150	29,200	0	4	843	0	164	1,054	31,950	32,000	0	0	253	0	0	464
29,200	29,250	0	**	833	0	156	1,043	32,000	32,050	0	0	243	0	0	453
29,250	29,300	0	0	822	0	148	1,033	32,050	32,100	0	0	232	0	0	443
29,300	29,350	0	0	811	0	140	1,022	32,100	32,150	0	0	222	0	0	432
29,350	29,400	0	0	801	0	132	1,012	32,150	32,200	0	0	211	0	0	422
29,400	29,450	0	0	790	0	124	1,001	32,200	32,250	0	0	201	0	0	411
29,450	29,500	0	0	780	0	116	990	32,250	32,300	0	0	190	0	0	401
29,500	29,550	0	0	769	0	108	980	32,300	32,350	0	0	180	0	0	390
29,550	29,600	0	0	759	0	100	969	32,350	32,400	0	0	169	0	0	380
29,600	29,650	0	0	748	0	92	959	32,400	32,450	0	0	159	0	0	369
29,650	29,700	0	0	738	0	84	948	32,450	32,500	0	0	148	0	0	359
29,700	29,750	0	0	727	0	76	938	32,500	32,550	0	0	138	0	0	348
29,750	29,800	0	0	717	0	68	927	32,550	32,600	0	0	127	0	0	338
29,800	29,850	0	0	706	0	60	917	32,600	32,650	0	0	116	0	0	327
29,850	29,900	0	0	696	0	52	906	32,650	32,700	0	0	106	0	0	317
29,900	29,950	0	0	685	0	44	896	32,700	32,750	0	0	95	0	0	306
29,950	30,000	0	0	675	0	36	885	32,750	32,800	0	0	85	0	0	295
30,000	30,050	0	0	664	0	28	875	32,800	32,850	0	0	74	0	0	285
30,050	30,100	0	0	654	0	20	864	32,850	32,900	0	0	64	0	0	274
30,100	30,150	0	0	643	0	12	854	32,900	32,950	0	0	53	0	0	264
30,150	30,200	0	0	632	0	4	843	32,950	33,000	0	0	43	0	0	253
30,200	30,250	0	0	622	0	**	833	33,000	33,050	0	0	32	0	0	243
30,250	30,300	0	0	611	0	0	822	33,050	33,100	0	0	22	0	0	232
30,300	30,350	0	0	601	0	0	811	33,100	33,150	0	0	11	0	0	222
30,350	30,400	0	0	590	0	0	801	33,150	33,200	0	0	***	0	0	211
30,400	30,450	0	0	580	0	0	790	33,200	33,250	0	0	0	0	0	201
30,450	30,500	0	0	569	0	0	780	33,250	33,300	0	0	0	0	0	190
30,500	30,550	0	0	559	0	0	769	33,300	33,350	0	0	0	0	0	180
30,550	30,600	0	0	548	0	0	759	33,350	33,400	0	0	0	0	0	169
30,600	30,650	0	0	538	0	0	748	33,400	33,450	0	0	0	0	0	159
30,650	30,700	0	0	527	0	0	738	33,450	33,500	0	0	0	0	0	148
30,700	30,750	0	0	517	0	0	727	33,500	33,550	0	0	0	0	0	138
30,750	30,800	0	0	506	0	0	717	33,550	33,600	0	0	0	0	0	127
30,800	30,850	0	0	496	0	0	706	33,600	33,650	0	0	0	0	0	116
30,850	30,900	0	0	485	0	0	696	33,650	33,700	0	0	0	0	0	106
30,900	30,950	0	0	475	0	0	685	33,700	33,750	0	0	0	0	0	95
30,950	31,000	0	0	464	0	0	675	33,750	33,800	0	0	0	0	0	85
31,000	31,050	0	0	453	0	0	664	33,800	33,850	0	0	0	0	0	74
31,050	31,100	0	0	443	0	0	654	33,850	33,900	0	0	0	0	0	64
31,100	31,150	0	0	432	0	0	643	33,900	33,950	0	0	0	0	0	53
31,150	31,200	0	0	422	0	0	632	33,950	34,000	0	0	0	0	0	43
31,200	31,250	0	0	411	0	0	622	34,000	34,050	0	0	0	0	0	32
31,250	31,300	0	0	401	0	0	611	34,050	34,100	0	0	0	0	0	22
31,300	31,350	0	0	390	0	0	601	34,100	34,150	0	0	0	0	0	11
31,350	31,400	0	0	380	0	0	590	34,150	34,178	0	0	0	0	0	3
								34,178 or more		0	0	0	0	0	0

**If the amount you are looking up from the worksheet is at least \$29,200 (\$30,200 if married filing jointly) but less than \$29,201 (\$30,201 if married filing jointly), your credit is \$1. Otherwise, you cannot take the credit.

***If the amount you are looking up from the worksheet is at least \$33,150 but less than \$33,178, your credit is \$3. Otherwise, you cannot take the credit.

Line 65**Excess Social Security and Tier 1 RRTA Tax Withheld**

If you, or your spouse if filing a joint return, had more than one employer for 2002 and total wages of more than \$84,900, too much social security or tier 1 railroad retirement (RRTA) tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$5,263.80. But if any one employer withheld more than \$5,263.80, 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.

You cannot claim a refund for excess tier 2 RRTA tax on Form 1040. Instead, use **Form 843**.

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

Line 66**Additional Child Tax Credit****What Is the Additional Child Tax Credit?**

This credit is for certain people who have at least one qualifying child as defined in the instructions for line 6c, column (4), on page 22. 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 50 that begin on page 39.

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, but only if you meet the condition given in that TIP.

Line 67**Amount Paid With Request for Extension To File**

If you filed **Form 4868** to get an automatic extension of time to file Form 1040, enter any amount you paid with that form or by electronic funds withdrawal or credit card. If you paid by credit card, do not include on line 67 the convenience fee you were charged. Also, include any amounts paid with **Form 2688** or **2350**.

Line 68**Other Payments**

Check the box(es) on line 68 to report any credit from **Form 2439**, **4136**, or **8885**.

Refund**Line 70****Amount Overpaid**

If line 70 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 (3 weeks if you filed electronically) from the date you filed your return to do so. See page 13 for details.



If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay by filing a new **Form W-4**. See **Income Tax Withholding and Estimated Tax Payments for 2003** on page 59.

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 70 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 70 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 13) or see Form 8379.

Lines 71b Through 71d**Direct Deposit of Refund**

Complete lines 71b through 71d if you want us to directly deposit the amount shown on line 71a into your checking or savings 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 71b through 71d, you are appointing your spouse as an agent to receive the refund. This appointment cannot be changed later.

Line 71b

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 57, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one 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 71b.

Line 71d

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 57, the account number is 20202086. Be sure **not** to include the check number.

(Continued on page 57)



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 72

Applied to Your 2003 Estimated Tax

Enter on line 72 the amount, if any, of the overpayment on line 70 you want applied to your 2003 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 2003 estimated tax cannot be changed later.

Amount You Owe

Line 73

Amount You Owe



You do not have to pay if line 73 is under \$1.

Include any estimated tax penalty from line 74 in the amount you enter on line 73.

Sample Check—Lines 71b Through 71d

JEFFREY MAPLE
SUZANNE MAPLE
123 Pear Lane
Anyplace, VA 20000

PAY TO THE ORDER OF \$

ANYPLACE BANK
Anyplace, VA 20000

For

Routing number (line 71b): 250250025
Account number (line 71d): 2020207867
1234

15-00000000

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 for 2003 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 “2002 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 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 $\frac{XX}{100}$ ”).

Then, please complete **Form 1040-V** following the instructions on that form and enclose it in the envelope with your tax return and 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, MasterCard® card, or Visa® card. To pay by credit card, call toll free or visit the web site of either service provider listed on this page and follow the instructions. 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 pay by credit card** before filing your return, please 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-TAXSM (1-800-272-9829)
1-877-754-4413 (Customer Service)
www.officialpayments.com

Link2Gov Corporation
1-888-PAY-1040SM (1-888-729-1040)
1-888-658-5465 (Customer Service)
www.PAY1040.com



You may need to (a) increase the amount of income tax withheld from your pay by filing a new **Form W-4** or (b) make estimated tax payments for 2003. See **Income Tax Withholding and Estimated Tax Payments for 2003** on page 59.

What if You Cannot Pay?

If you cannot pay the full amount shown on line 73 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 15, 2003, 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 74

Estimated Tax Penalty

You may owe this penalty if:

- Line 73 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 61 minus the total of any amounts shown on lines 64 and

66 and Forms 8828, 4137, 4136, 5329 (Parts III, IV, V, VI, and VII only), and 8885. When figuring the amount on line 61, include the amount on line 60 only if line 62 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 60.

Exception. You will not owe the penalty if your 2001 tax return was for a tax year of 12 full months **and either** of the following applies.

1. You had no tax liability for 2001 and you were a U.S. citizen or resident for all of 2001 **or**

2. The total of lines 62, 63, and 65 on your 2002 return is at least as much as the tax liability shown on your 2001 return. Your estimated tax payments for 2002 must have been made on time and for the required amount.



If your 2001 adjusted gross income was over \$150,000 (over \$75,000 if your 2002 filing status is married filing separately), item 2 above applies only if the total of lines 62, 63, and 65 on your 2002 return is at least 112% of the tax liability shown on your 2001 return. This rule does not apply to farmers and fishermen.

Figuring the Penalty

If the **Exception** above does 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.

Enter the penalty on line 74. Add the penalty to any tax due and enter the total on line 73. If you are due a refund, subtract the penalty from the overpayment you show on line 70. **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 74 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. In certain situations, you may be able to lower your penalty, but only by filing Form 2210. For details, see the Instructions for Form 2210.

Third Party Designee

If you want to allow a friend, family member, or any other person you choose to discuss your 2002 tax return with the IRS, check the “Yes” box in the “Third Party Designee” area of your return. Also, enter the designee’s name, phone number, and any five numbers the designee chooses as his or her personal identification number (PIN). **But** if you want to allow the paid preparer who signed your return to discuss it with the IRS, just enter “Preparer” in the space for the designee’s name. You do not have to provide the other information requested.

If you check the “Yes” box, you, and your spouse if filing a joint return, are authorizing the IRS to call the designee to answer any questions that may arise during the processing of your return. You are also authorizing the designee 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 designee about math errors, offsets, and return preparation. The notices will not be sent to the designee.

You are not authorizing the designee 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 designee’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 2003 tax return. This is April 15, 2004, for most people.

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 60.

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.

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 to the front of Form 1040 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 social security number (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 under age 17 who is also a qualifying child for the child tax credit.

2. Check your math, especially for the child tax credit, earned income credit (EIC), 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 42 on page 36.

4. Be sure to enter your 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 37a or you (or your spouse if filing jointly) can be claimed as a dependent on someone else's 2002 return, see page 34 to be sure you entered the correct amount on line 38.

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. If you are taking the EIC, be sure you used the correct column of the EIC Table for your filing status and the number of children you have.

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

10. 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 58.

11. 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 73 on page 57 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 (a) there is an understatement of tax because your spouse omitted income or claimed false deductions or credits, (b) you are divorced, separated, or no longer living with your spouse, or (c) given all the facts and circumstances, it would not be fair to hold you liable. See **Form 8857** or **Pub. 971** for more details.

Income Tax Withholding and Estimated Tax Payments for 2003

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 2003 pay. For details on how to complete Form W-4, see **Pub. 919**.

In general, you do not have to make estimated tax payments if you expect that your 2003 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 2003 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 docu-

ment 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 57 for details on how to pay any tax you owe.



If you itemize your deductions for 2003, you may be able to deduct this gift.

Address Change

If you move after you file, always notify the IRS of your new address. To do this, 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 Forms W-2 and 1099) 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 want a free printed copy of your account, call us. See page 15 for the number.

Death of a Taxpayer

If a taxpayer died before filing a return for 2002, 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 must enter "**DECEASED**," the deceased taxpayer's name, and the date of death across the top of the return. If this information is not provided, it may delay the processing of the return.

If your spouse died in 2002 and you did not remarry in 2002, you can file a joint return. You can also file a joint return if your spouse died in 2003 before filing a return for 2002. A joint return should show your spouse's 2002 income before death and your income for all of 2002. 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 13) or see **Pub. 559**.

Parent of a Kidnapped Child

The parent of a child who is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member may be able to take the child into account in determining his or her eligibility

for the head of household or qualifying widow(er) filing status, deduction for dependents, child tax credit, and the earned income credit (EIC). For details, use TeleTax topic 357 (see page 13) or see **Pub. 501** (**Pub. 596** for the EIC).

Other Ways To Get Help

Send or E-Mail Your Written Tax Questions to the IRS

You should get an answer in about 30 days. If you do not have the mailing address, call us. See page 15 for the number. Or e-mail your question to us through the IRS Web Site at www.irs.gov/help and click on **Tax Law Questions**. Do not send questions with your return.

Free Help With Your Return

Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 or older with their tax returns. Some locations offer free electronic filing and all volunteers will let you know about the credits and deductions you may be entitled to claim. For details, call us. See page 15 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 2001 tax return (if available), all your Forms W-2 and 1099 for 2002, any other information about your 2002 income and expenses, and the social security number (or individual taxpayer identification number) for your spouse, your dependents, and yourself. **Or** to find the nearest AARP Tax-Aide site, visit AARP's Web Site at www.aarp.org/taxaide or call **1-888-227-7669**.

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 Forms 1040-V and 8812, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file them. You can get **Pub. 1614** by phone or mail. See pages 9 and 61.

Help for People With Disabilities

Telephone help is available using TTY/TDD equipment. See page 15 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. **Do not** include interest or penalties (other than the estimated tax penalty) in the **amount you owe** on line 73.

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 ½ 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.

Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. See pages 10 through 12 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 9.

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 will 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

▲ *Cut here* ▲

Order Blank

Fill in your name and address.

Name		
Postal mailing address		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 (2003)	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

2002 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 41 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 \$3,199. This is the tax amount they should enter on line 42 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	3,484	3,184	3,709	3,284
25,250	25,300	3,491	3,191	3,722	3,291
25,300	25,350	3,499	3,199	3,736	3,299
25,350	25,400	3,506	3,206	3,749	3,306

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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	131	131	131	131	2,700	2,725	271	271	271	271				
5	15	1	1	1	1	1,325	1,350	134	134	134	134	2,725	2,750	274	274	274	274				
15	25	2	2	2	2	1,350	1,375	136	136	136	136	2,750	2,775	276	276	276	276				
25	50	4	4	4	4	1,375	1,400	139	139	139	139	2,775	2,800	279	279	279	279				
50	75	6	6	6	6	1,400	1,425	141	141	141	141	2,800	2,825	281	281	281	281				
75	100	9	9	9	9	1,425	1,450	144	144	144	144	2,825	2,850	284	284	284	284				
100	125	11	11	11	11	1,450	1,475	146	146	146	146	2,850	2,875	286	286	286	286				
125	150	14	14	14	14	1,475	1,500	149	149	149	149	2,875	2,900	289	289	289	289				
150	175	16	16	16	16	1,500	1,525	151	151	151	151	2,900	2,925	291	291	291	291				
175	200	19	19	19	19	1,525	1,550	154	154	154	154	2,925	2,950	294	294	294	294				
200	225	21	21	21	21	1,550	1,575	156	156	156	156	2,950	2,975	296	296	296	296				
225	250	24	24	24	24	1,575	1,600	159	159	159	159	2,975	3,000	299	299	299	299				
250	275	26	26	26	26	1,600	1,625	161	161	161	161	3,000									
275	300	29	29	29	29	1,625	1,650	164	164	164	164	3,000	3,050	303	303	303	303				
300	325	31	31	31	31	1,650	1,675	166	166	166	166	3,050	3,100	308	308	308	308				
325	350	34	34	34	34	1,675	1,700	169	169	169	169	3,100	3,150	313	313	313	313				
350	375	36	36	36	36	1,700	1,725	171	171	171	171	3,150	3,200	318	318	318	318				
375	400	39	39	39	39	1,725	1,750	174	174	174	174	3,200	3,250	323	323	323	323				
400	425	41	41	41	41	1,750	1,775	176	176	176	176	3,250	3,300	328	328	328	328				
425	450	44	44	44	44	1,775	1,800	179	179	179	179	3,300	3,350	333	333	333	333				
450	475	46	46	46	46	1,800	1,825	181	181	181	181	3,350	3,400	338	338	338	338				
475	500	49	49	49	49	1,825	1,850	184	184	184	184	3,400	3,450	343	343	343	343				
500	525	51	51	51	51	1,850	1,875	186	186	186	186	3,450	3,500	348	348	348	348				
525	550	54	54	54	54	1,875	1,900	189	189	189	189	3,500	3,550	353	353	353	353				
550	575	56	56	56	56	1,900	1,925	191	191	191	191	3,550	3,600	358	358	358	358				
575	600	59	59	59	59	1,925	1,950	194	194	194	194	3,600	3,650	363	363	363	363				
600	625	61	61	61	61	1,950	1,975	196	196	196	196	3,650	3,700	368	368	368	368				
625	650	64	64	64	64	1,975	2,000	199	199	199	199	3,700	3,750	373	373	373	373				
650	675	66	66	66	66	2,000						3,750	3,800	378	378	378	378				
675	700	69	69	69	69	2,000	2,025	201	201	201	201	3,800	3,850	383	383	383	383				
700	725	71	71	71	71	2,025	2,050	204	204	204	204	3,850	3,900	388	388	388	388				
725	750	74	74	74	74	2,050	2,075	206	206	206	206	3,900	3,950	393	393	393	393				
750	775	76	76	76	76	2,075	2,100	209	209	209	209	3,950	4,000	398	398	398	398				
775	800	79	79	79	79	2,100	2,125	211	211	211	211	4,000									
800	825	81	81	81	81	2,125	2,150	214	214	214	214	4,000	4,050	403	403	403	403				
825	850	84	84	84	84	2,150	2,175	216	216	216	216	4,050	4,100	408	408	408	408				
850	875	86	86	86	86	2,175	2,200	219	219	219	219	4,100	4,150	413	413	413	413				
875	900	89	89	89	89	2,200	2,225	221	221	221	221	4,150	4,200	418	418	418	418				
900	925	91	91	91	91	2,225	2,250	224	224	224	224	4,200	4,250	423	423	423	423				
925	950	94	94	94	94	2,250	2,275	226	226	226	226	4,250	4,300	428	428	428	428				
950	975	96	96	96	96	2,275	2,300	229	229	229	229	4,300	4,350	433	433	433	433				
975	1,000	99	99	99	99	2,300	2,325	231	231	231	231	4,350	4,400	438	438	438	438				
1,000						2,325	2,350	234	234	234	234	4,400	4,450	443	443	443	443				
1,000	1,025	101	101	101	101	2,350	2,375	236	236	236	236	4,450	4,500	448	448	448	448				
1,025	1,050	104	104	104	104	2,375	2,400	239	239	239	239	4,500	4,550	453	453	453	453				
1,050	1,075	106	106	106	106	2,400	2,425	241	241	241	241	4,550	4,600	458	458	458	458				
1,075	1,100	109	109	109	109	2,425	2,450	244	244	244	244	4,600	4,650	463	463	463	463				
1,100	1,125	111	111	111	111	2,450	2,475	246	246	246	246	4,650	4,700	468	468	468	468				
1,125	1,150	114	114	114	114	2,475	2,500	249	249	249	249	4,700	4,750	473	473	473	473				
1,150	1,175	116	116	116	116	2,500	2,525	251	251	251	251	4,750	4,800	478	478	478	478				
1,175	1,200	119	119	119	119	2,525	2,550	254	254	254	254	4,800	4,850	483	483	483	483				
1,200	1,225	121	121	121	121	2,550	2,575	256	256	256	256	4,850	4,900	488	488	488	488				
1,225	1,250	124	124	124	124	2,575	2,600	259	259	259	259	4,900	4,950	493	493	493	493				
1,250	1,275	126	126	126	126	2,600	2,625	261	261	261	261	4,950	5,000	498	498	498	498				
1,275	1,300	129	129	129	129	2,625	2,650	264	264	264	264										
						2,650	2,675	266	266	266	266										
						2,675	2,700	269	269	269	269										

(Continued on page 64)

* This column must also be used by a qualifying widow(er).

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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	503	503	503	503	8,000	8,050	904	803	904	803	11,000	11,050	1,354	1,103	1,354	1,154
5,050	5,100	508	508	508	508	8,050	8,100	911	808	911	808	11,050	11,100	1,361	1,108	1,361	1,161
5,100	5,150	513	513	513	513	8,100	8,150	919	813	919	813	11,100	11,150	1,369	1,113	1,369	1,169
5,150	5,200	518	518	518	518	8,150	8,200	926	818	926	818	11,150	11,200	1,376	1,118	1,376	1,176
5,200	5,250	523	523	523	523	8,200	8,250	934	823	934	823	11,200	11,250	1,384	1,123	1,384	1,184
5,250	5,300	528	528	528	528	8,250	8,300	941	828	941	828	11,250	11,300	1,391	1,128	1,391	1,191
5,300	5,350	533	533	533	533	8,300	8,350	949	833	949	833	11,300	11,350	1,399	1,133	1,399	1,199
5,350	5,400	538	538	538	538	8,350	8,400	956	838	956	838	11,350	11,400	1,406	1,138	1,406	1,206
5,400	5,450	543	543	543	543	8,400	8,450	964	843	964	843	11,400	11,450	1,414	1,143	1,414	1,214
5,450	5,500	548	548	548	548	8,450	8,500	971	848	971	848	11,450	11,500	1,421	1,148	1,421	1,221
5,500	5,550	553	553	553	553	8,500	8,550	979	853	979	853	11,500	11,550	1,429	1,153	1,429	1,229
5,550	5,600	558	558	558	558	8,550	8,600	986	858	986	858	11,550	11,600	1,436	1,158	1,436	1,236
5,600	5,650	563	563	563	563	8,600	8,650	994	863	994	863	11,600	11,650	1,444	1,163	1,444	1,244
5,650	5,700	568	568	568	568	8,650	8,700	1,001	868	1,001	868	11,650	11,700	1,451	1,168	1,451	1,251
5,700	5,750	573	573	573	573	8,700	8,750	1,009	873	1,009	873	11,700	11,750	1,459	1,173	1,459	1,259
5,750	5,800	578	578	578	578	8,750	8,800	1,016	878	1,016	878	11,750	11,800	1,466	1,178	1,466	1,266
5,800	5,850	583	583	583	583	8,800	8,850	1,024	883	1,024	883	11,800	11,850	1,474	1,183	1,474	1,274
5,850	5,900	588	588	588	588	8,850	8,900	1,031	888	1,031	888	11,850	11,900	1,481	1,188	1,481	1,281
5,900	5,950	593	593	593	593	8,900	8,950	1,039	893	1,039	893	11,900	11,950	1,489	1,193	1,489	1,289
5,950	6,000	598	598	598	598	8,950	9,000	1,046	898	1,046	898	11,950	12,000	1,496	1,198	1,496	1,296
6,000						9,000						12,000					
6,000	6,050	604	603	604	603	9,000	9,050	1,054	903	1,054	903	12,000	12,050	1,504	1,204	1,504	1,304
6,050	6,100	611	608	611	608	9,050	9,100	1,061	908	1,061	908	12,050	12,100	1,511	1,211	1,511	1,311
6,100	6,150	619	613	619	613	9,100	9,150	1,069	913	1,069	913	12,100	12,150	1,519	1,219	1,519	1,319
6,150	6,200	626	618	626	618	9,150	9,200	1,076	918	1,076	918	12,150	12,200	1,526	1,226	1,526	1,326
6,200	6,250	634	623	634	623	9,200	9,250	1,084	923	1,084	923	12,200	12,250	1,534	1,234	1,534	1,334
6,250	6,300	641	628	641	628	9,250	9,300	1,091	928	1,091	928	12,250	12,300	1,541	1,241	1,541	1,341
6,300	6,350	649	633	649	633	9,300	9,350	1,099	933	1,099	933	12,300	12,350	1,549	1,249	1,549	1,349
6,350	6,400	656	638	656	638	9,350	9,400	1,106	938	1,106	938	12,350	12,400	1,556	1,256	1,556	1,356
6,400	6,450	664	643	664	643	9,400	9,450	1,114	943	1,114	943	12,400	12,450	1,564	1,264	1,564	1,364
6,450	6,500	671	648	671	648	9,450	9,500	1,121	948	1,121	948	12,450	12,500	1,571	1,271	1,571	1,371
6,500	6,550	679	653	679	653	9,500	9,550	1,129	953	1,129	953	12,500	12,550	1,579	1,279	1,579	1,379
6,550	6,600	686	658	686	658	9,550	9,600	1,136	958	1,136	958	12,550	12,600	1,586	1,286	1,586	1,386
6,600	6,650	694	663	694	663	9,600	9,650	1,144	963	1,144	963	12,600	12,650	1,594	1,294	1,594	1,394
6,650	6,700	701	668	701	668	9,650	9,700	1,151	968	1,151	968	12,650	12,700	1,601	1,301	1,601	1,401
6,700	6,750	709	673	709	673	9,700	9,750	1,159	973	1,159	973	12,700	12,750	1,609	1,309	1,609	1,409
6,750	6,800	716	678	716	678	9,750	9,800	1,166	978	1,166	978	12,750	12,800	1,616	1,316	1,616	1,416
6,800	6,850	724	683	724	683	9,800	9,850	1,174	983	1,174	983	12,800	12,850	1,624	1,324	1,624	1,424
6,850	6,900	731	688	731	688	9,850	9,900	1,181	988	1,181	988	12,850	12,900	1,631	1,331	1,631	1,431
6,900	6,950	739	693	739	693	9,900	9,950	1,189	993	1,189	993	12,900	12,950	1,639	1,339	1,639	1,439
6,950	7,000	746	698	746	698	9,950	10,000	1,196	998	1,196	998	12,950	13,000	1,646	1,346	1,646	1,446
7,000						10,000						13,000					
7,000	7,050	754	703	754	703	10,000	10,050	1,204	1,003	1,204	1,004	13,000	13,050	1,654	1,354	1,654	1,454
7,050	7,100	761	708	761	708	10,050	10,100	1,211	1,008	1,211	1,011	13,050	13,100	1,661	1,361	1,661	1,461
7,100	7,150	769	713	769	713	10,100	10,150	1,219	1,013	1,219	1,019	13,100	13,150	1,669	1,369	1,669	1,469
7,150	7,200	776	718	776	718	10,150	10,200	1,226	1,018	1,226	1,026	13,150	13,200	1,676	1,376	1,676	1,476
7,200	7,250	784	723	784	723	10,200	10,250	1,234	1,023	1,234	1,034	13,200	13,250	1,684	1,384	1,684	1,484
7,250	7,300	791	728	791	728	10,250	10,300	1,241	1,028	1,241	1,041	13,250	13,300	1,691	1,391	1,691	1,491
7,300	7,350	799	733	799	733	10,300	10,350	1,249	1,033	1,249	1,049	13,300	13,350	1,699	1,399	1,699	1,499
7,350	7,400	806	738	806	738	10,350	10,400	1,256	1,038	1,256	1,056	13,350	13,400	1,706	1,406	1,706	1,506
7,400	7,450	814	743	814	743	10,400	10,450	1,264	1,043	1,264	1,064	13,400	13,450	1,714	1,414	1,714	1,514
7,450	7,500	821	748	821	748	10,450	10,500	1,271	1,048	1,271	1,071	13,450	13,500	1,721	1,421	1,721	1,521
7,500	7,550	829	753	829	753	10,500	10,550	1,279	1,053	1,279	1,079	13,500	13,550	1,729	1,429	1,729	1,529
7,550	7,600	836	758	836	758	10,550	10,600	1,286	1,058	1,286	1,086	13,550	13,600	1,736	1,436	1,736	1,536
7,600	7,650	844	763	844	763	10,600	10,650	1,294	1,063	1,294	1,094	13,600	13,650	1,744	1,444	1,744	1,544
7,650	7,700	851	768	851	768	10,650	10,700	1,301	1,068	1,301	1,101	13,650	13,700	1,751	1,451	1,751	1,551
7,700	7,750	859	773	859	773	10,700	10,750	1,309	1,073	1,309	1,109	13,700	13,750	1,759	1,459	1,759	1,559
7,750	7,800	866	778	866	778	10,750	10,800	1,316	1,078	1,316	1,116	13,750	13,800	1,766	1,466	1,766	1,566
7,800	7,850	874	783	874	783	10,800	10,850	1,324	1,083	1,324	1,124	13,800	13,850	1,774	1,474	1,774	1,574
7,850	7,900	881	788	881	788	10,850	10,900	1,331	1,088	1,331	1,131	13,850	13,900	1,781	1,481	1,781	1,581
7,900	7,950	889	793	889	793	10,900	10,950	1,339	1,093	1,339	1,139	13,900	13,950	1,789	1,489	1,789	1,589
7,950	8,000	896	798	896	798	10,950	11,000	1,346	1,098	1,346	1,146	13,950	14,000	1,796	1,496	1,796	1,596

* This column must also be used by a qualifying widow(er).

(Continued on page 65)

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household			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	1,804	1,504	1,804	1,604	17,000	17,050	2,254	1,954	2,254	2,054	20,000	20,050	2,704	2,404	2,704	2,504
14,050	14,100	1,811	1,511	1,811	1,611	17,050	17,100	2,261	1,961	2,261	2,061	20,050	20,100	2,711	2,411	2,711	2,511
14,100	14,150	1,819	1,519	1,819	1,619	17,100	17,150	2,269	1,969	2,269	2,069	20,100	20,150	2,719	2,419	2,719	2,519
14,150	14,200	1,826	1,526	1,826	1,626	17,150	17,200	2,276	1,976	2,276	2,076	20,150	20,200	2,726	2,426	2,726	2,526
14,200	14,250	1,834	1,534	1,834	1,634	17,200	17,250	2,284	1,984	2,284	2,084	20,200	20,250	2,734	2,434	2,734	2,534
14,250	14,300	1,841	1,541	1,841	1,641	17,250	17,300	2,291	1,991	2,291	2,091	20,250	20,300	2,741	2,441	2,741	2,541
14,300	14,350	1,849	1,549	1,849	1,649	17,300	17,350	2,299	1,999	2,299	2,099	20,300	20,350	2,749	2,449	2,749	2,549
14,350	14,400	1,856	1,556	1,856	1,656	17,350	17,400	2,306	2,006	2,306	2,106	20,350	20,400	2,756	2,456	2,756	2,556
14,400	14,450	1,864	1,564	1,864	1,664	17,400	17,450	2,314	2,014	2,314	2,114	20,400	20,450	2,764	2,464	2,764	2,564
14,450	14,500	1,871	1,571	1,871	1,671	17,450	17,500	2,321	2,021	2,321	2,121	20,450	20,500	2,771	2,471	2,771	2,571
14,500	14,550	1,879	1,579	1,879	1,679	17,500	17,550	2,329	2,029	2,329	2,129	20,500	20,550	2,779	2,479	2,779	2,579
14,550	14,600	1,886	1,586	1,886	1,686	17,550	17,600	2,336	2,036	2,336	2,136	20,550	20,600	2,786	2,486	2,786	2,586
14,600	14,650	1,894	1,594	1,894	1,694	17,600	17,650	2,344	2,044	2,344	2,144	20,600	20,650	2,794	2,494	2,794	2,594
14,650	14,700	1,901	1,601	1,901	1,701	17,650	17,700	2,351	2,051	2,351	2,151	20,650	20,700	2,801	2,501	2,801	2,601
14,700	14,750	1,909	1,609	1,909	1,709	17,700	17,750	2,359	2,059	2,359	2,159	20,700	20,750	2,809	2,509	2,809	2,609
14,750	14,800	1,916	1,616	1,916	1,716	17,750	17,800	2,366	2,066	2,366	2,166	20,750	20,800	2,816	2,516	2,816	2,616
14,800	14,850	1,924	1,624	1,924	1,724	17,800	17,850	2,374	2,074	2,374	2,174	20,800	20,850	2,824	2,524	2,824	2,624
14,850	14,900	1,931	1,631	1,931	1,731	17,850	17,900	2,381	2,081	2,381	2,181	20,850	20,900	2,831	2,531	2,831	2,631
14,900	14,950	1,939	1,639	1,939	1,739	17,900	17,950	2,389	2,089	2,389	2,189	20,900	20,950	2,839	2,539	2,839	2,639
14,950	15,000	1,946	1,646	1,946	1,746	17,950	18,000	2,396	2,096	2,396	2,196	20,950	21,000	2,846	2,546	2,846	2,646
15,000						18,000						21,000					
15,000	15,050	1,954	1,654	1,954	1,754	18,000	18,050	2,404	2,104	2,404	2,204	21,000	21,050	2,854	2,554	2,854	2,654
15,050	15,100	1,961	1,661	1,961	1,761	18,050	18,100	2,411	2,111	2,411	2,211	21,050	21,100	2,861	2,561	2,861	2,661
15,100	15,150	1,969	1,669	1,969	1,769	18,100	18,150	2,419	2,119	2,419	2,219	21,100	21,150	2,869	2,569	2,869	2,669
15,150	15,200	1,976	1,676	1,976	1,776	18,150	18,200	2,426	2,126	2,426	2,226	21,150	21,200	2,876	2,576	2,876	2,676
15,200	15,250	1,984	1,684	1,984	1,784	18,200	18,250	2,434	2,134	2,434	2,234	21,200	21,250	2,884	2,584	2,884	2,684
15,250	15,300	1,991	1,691	1,991	1,791	18,250	18,300	2,441	2,141	2,441	2,241	21,250	21,300	2,891	2,591	2,891	2,691
15,300	15,350	1,999	1,699	1,999	1,799	18,300	18,350	2,449	2,149	2,449	2,249	21,300	21,350	2,899	2,599	2,899	2,699
15,350	15,400	2,006	1,706	2,006	1,806	18,350	18,400	2,456	2,156	2,456	2,256	21,350	21,400	2,906	2,606	2,906	2,706
15,400	15,450	2,014	1,714	2,014	1,814	18,400	18,450	2,464	2,164	2,464	2,264	21,400	21,450	2,914	2,614	2,914	2,714
15,450	15,500	2,021	1,721	2,021	1,821	18,450	18,500	2,471	2,171	2,471	2,271	21,450	21,500	2,921	2,621	2,921	2,721
15,500	15,550	2,029	1,729	2,029	1,829	18,500	18,550	2,479	2,179	2,479	2,279	21,500	21,550	2,929	2,629	2,929	2,729
15,550	15,600	2,036	1,736	2,036	1,836	18,550	18,600	2,486	2,186	2,486	2,286	21,550	21,600	2,936	2,636	2,936	2,736
15,600	15,650	2,044	1,744	2,044	1,844	18,600	18,650	2,494	2,194	2,494	2,294	21,600	21,650	2,944	2,644	2,944	2,744
15,650	15,700	2,051	1,751	2,051	1,851	18,650	18,700	2,501	2,201	2,501	2,301	21,650	21,700	2,951	2,651	2,951	2,751
15,700	15,750	2,059	1,759	2,059	1,859	18,700	18,750	2,509	2,209	2,509	2,309	21,700	21,750	2,959	2,659	2,959	2,759
15,750	15,800	2,066	1,766	2,066	1,866	18,750	18,800	2,516	2,216	2,516	2,316	21,750	21,800	2,966	2,666	2,966	2,766
15,800	15,850	2,074	1,774	2,074	1,874	18,800	18,850	2,524	2,224	2,524	2,324	21,800	21,850	2,974	2,674	2,974	2,774
15,850	15,900	2,081	1,781	2,081	1,881	18,850	18,900	2,531	2,231	2,531	2,331	21,850	21,900	2,981	2,681	2,981	2,781
15,900	15,950	2,089	1,789	2,089	1,889	18,900	18,950	2,539	2,239	2,539	2,339	21,900	21,950	2,989	2,689	2,989	2,789
15,950	16,000	2,096	1,796	2,096	1,896	18,950	19,000	2,546	2,246	2,546	2,346	21,950	22,000	2,996	2,696	2,996	2,796
16,000						19,000						22,000					
16,000	16,050	2,104	1,804	2,104	1,904	19,000	19,050	2,554	2,254	2,554	2,354	22,000	22,050	3,004	2,704	3,004	2,804
16,050	16,100	2,111	1,811	2,111	1,911	19,050	19,100	2,561	2,261	2,561	2,361	22,050	22,100	3,011	2,711	3,011	2,811
16,100	16,150	2,119	1,819	2,119	1,919	19,100	19,150	2,569	2,269	2,569	2,369	22,100	22,150	3,019	2,719	3,019	2,819
16,150	16,200	2,126	1,826	2,126	1,926	19,150	19,200	2,576	2,276	2,576	2,376	22,150	22,200	3,026	2,726	3,026	2,826
16,200	16,250	2,134	1,834	2,134	1,934	19,200	19,250	2,584	2,284	2,584	2,384	22,200	22,250	3,034	2,734	3,034	2,834
16,250	16,300	2,141	1,841	2,141	1,941	19,250	19,300	2,591	2,291	2,591	2,391	22,250	22,300	3,041	2,741	3,041	2,841
16,300	16,350	2,149	1,849	2,149	1,949	19,300	19,350	2,599	2,299	2,599	2,399	22,300	22,350	3,049	2,749	3,049	2,849
16,350	16,400	2,156	1,856	2,156	1,956	19,350	19,400	2,606	2,306	2,606	2,406	22,350	22,400	3,056	2,756	3,056	2,856
16,400	16,450	2,164	1,864	2,164	1,964	19,400	19,450	2,614	2,314	2,614	2,414	22,400	22,450	3,064	2,764	3,064	2,864
16,450	16,500	2,171	1,871	2,171	1,971	19,450	19,500	2,621	2,321	2,621	2,421	22,450	22,500	3,071	2,771	3,071	2,871
16,500	16,550	2,179	1,879	2,179	1,979	19,500	19,550	2,629	2,329	2,629	2,429	22,500	22,550	3,079	2,779	3,079	2,879
16,550	16,600	2,186	1,886	2,186	1,986	19,550	19,600	2,636	2,336	2,636	2,436	22,550	22,600	3,086	2,786	3,086	2,886
16,600	16,650	2,194	1,894	2,194	1,994	19,600	19,650	2,644	2,344	2,644	2,444	22,600	22,650	3,094	2,794	3,094	2,894
16,650	16,700	2,201	1,901	2,201	2,001	19,650	19,700	2,651	2,351	2,651	2,451	22,650	22,700	3,101	2,801	3,101	2,901
16,700	16,750	2,209	1,909	2,209	2,009	19,700	19,750	2,659	2,359	2,659	2,459	22,700	22,750	3,109	2,809	3,109	2,909
16,750	16,800	2,216	1,916	2,216	2,016	19,750	19,800	2,666	2,366	2,666	2,466	22,750	22,800	3,116	2,816	3,116	2,916
16,800	16,850	2,224	1,924	2,224	2,024	19,800	19,850	2,674	2,374	2,674	2,474	22,800	22,850	3,124	2,824	3,124	2,924
16,850	16,900	2,231	1,931	2,231	2,031	19,850	19,900	2,681	2,381	2,681	2,481	22,850	22,900	3,131	2,831	3,131	2,931
16,900	16,950	2,239	1,939	2,239	2,039	19,900	19,950	2,689	2,389	2,689	2,489	22,900	22,950	3,139	2,839	3,139	2,939
16,950	17,000	2,246	1,946	2,246	2,046	19,950	20,000	2,696	2,396	2,696	2,496	22,950	23,000	3,1			

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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	3,154	2,854	3,154	2,954	26,000	26,050	3,604	3,304	3,925	3,404	29,000	29,050	4,183	3,754	4,735	3,854
23,050	23,100	3,161	2,861	3,161	2,961	26,050	26,100	3,611	3,311	3,938	3,411	29,050	29,100	4,196	3,761	4,748	3,861
23,100	23,150	3,169	2,869	3,169	2,969	26,100	26,150	3,619	3,319	3,952	3,419	29,100	29,150	4,210	3,769	4,762	3,869
23,150	23,200	3,176	2,876	3,176	2,976	26,150	26,200	3,626	3,326	3,965	3,426	29,150	29,200	4,223	3,776	4,775	3,876
23,200	23,250	3,184	2,884	3,184	2,984	26,200	26,250	3,634	3,334	3,979	3,434	29,200	29,250	4,237	3,784	4,789	3,884
23,250	23,300	3,191	2,891	3,191	2,991	26,250	26,300	3,641	3,341	3,992	3,441	29,250	29,300	4,250	3,791	4,802	3,891
23,300	23,350	3,199	2,899	3,199	2,999	26,300	26,350	3,649	3,349	4,006	3,449	29,300	29,350	4,264	3,799	4,816	3,899
23,350	23,400	3,206	2,906	3,209	3,006	26,350	26,400	3,656	3,356	4,019	3,456	29,350	29,400	4,277	3,806	4,829	3,906
23,400	23,450	3,214	2,914	3,223	3,014	26,400	26,450	3,664	3,364	4,033	3,464	29,400	29,450	4,291	3,814	4,843	3,914
23,450	23,500	3,221	2,921	3,236	3,021	26,450	26,500	3,671	3,371	4,046	3,471	29,450	29,500	4,304	3,821	4,856	3,921
23,500	23,550	3,229	2,929	3,250	3,029	26,500	26,550	3,679	3,379	4,060	3,479	29,500	29,550	4,318	3,829	4,870	3,929
23,550	23,600	3,236	2,936	3,263	3,036	26,550	26,600	3,686	3,386	4,073	3,486	29,550	29,600	4,331	3,836	4,883	3,936
23,600	23,650	3,244	2,944	3,277	3,044	26,600	26,650	3,694	3,394	4,087	3,494	29,600	29,650	4,345	3,844	4,897	3,944
23,650	23,700	3,251	2,951	3,290	3,051	26,650	26,700	3,701	3,401	4,100	3,501	29,650	29,700	4,358	3,851	4,910	3,951
23,700	23,750	3,259	2,959	3,304	3,059	26,700	26,750	3,709	3,409	4,114	3,509	29,700	29,750	4,372	3,859	4,924	3,959
23,750	23,800	3,266	2,966	3,317	3,066	26,750	26,800	3,716	3,416	4,127	3,516	29,750	29,800	4,385	3,866	4,937	3,966
23,800	23,850	3,274	2,974	3,331	3,074	26,800	26,850	3,724	3,424	4,141	3,524	29,800	29,850	4,399	3,874	4,951	3,974
23,850	23,900	3,281	2,981	3,344	3,081	26,850	26,900	3,731	3,431	4,154	3,531	29,850	29,900	4,412	3,881	4,964	3,981
23,900	23,950	3,289	2,989	3,358	3,089	26,900	26,950	3,739	3,439	4,168	3,539	29,900	29,950	4,426	3,889	4,978	3,989
23,950	24,000	3,296	2,996	3,371	3,096	26,950	27,000	3,746	3,446	4,181	3,546	29,950	30,000	4,439	3,896	4,991	3,996
24,000						27,000						30,000					
24,000	24,050	3,304	3,004	3,385	3,104	27,000	27,050	3,754	3,454	4,195	3,554	30,000	30,050	4,453	3,904	5,005	4,004
24,050	24,100	3,311	3,011	3,398	3,111	27,050	27,100	3,761	3,461	4,208	3,561	30,050	30,100	4,466	3,911	5,018	4,011
24,100	24,150	3,319	3,019	3,412	3,119	27,100	27,150	3,769	3,469	4,222	3,569	30,100	30,150	4,480	3,919	5,032	4,019
24,150	24,200	3,326	3,026	3,425	3,126	27,150	27,200	3,776	3,476	4,235	3,576	30,150	30,200	4,493	3,926	5,045	4,026
24,200	24,250	3,334	3,034	3,439	3,134	27,200	27,250	3,784	3,484	4,249	3,584	30,200	30,250	4,507	3,934	5,059	4,034
24,250	24,300	3,341	3,041	3,452	3,141	27,250	27,300	3,791	3,491	4,262	3,591	30,250	30,300	4,520	3,941	5,072	4,041
24,300	24,350	3,349	3,049	3,466	3,149	27,300	27,350	3,799	3,499	4,276	3,599	30,300	30,350	4,534	3,949	5,086	4,049
24,350	24,400	3,356	3,056	3,479	3,156	27,350	27,400	3,806	3,506	4,289	3,606	30,350	30,400	4,547	3,956	5,099	4,056
24,400	24,450	3,364	3,064	3,493	3,164	27,400	27,450	3,814	3,514	4,303	3,614	30,400	30,450	4,561	3,964	5,113	4,064
24,450	24,500	3,371	3,071	3,506	3,171	27,450	27,500	3,821	3,521	4,316	3,621	30,450	30,500	4,574	3,971	5,126	4,071
24,500	24,550	3,379	3,079	3,520	3,179	27,500	27,550	3,829	3,529	4,330	3,629	30,500	30,550	4,588	3,979	5,140	4,079
24,550	24,600	3,386	3,086	3,533	3,186	27,550	27,600	3,836	3,536	4,343	3,636	30,550	30,600	4,601	3,986	5,153	4,086
24,600	24,650	3,394	3,094	3,547	3,194	27,600	27,650	3,844	3,544	4,357	3,644	30,600	30,650	4,615	3,994	5,167	4,094
24,650	24,700	3,401	3,101	3,560	3,201	27,650	27,700	3,851	3,551	4,370	3,651	30,650	30,700	4,628	4,001	5,180	4,101
24,700	24,750	3,409	3,109	3,574	3,209	27,700	27,750	3,859	3,559	4,384	3,659	30,700	30,750	4,642	4,009	5,194	4,109
24,750	24,800	3,416	3,116	3,587	3,216	27,750	27,800	3,866	3,566	4,397	3,666	30,750	30,800	4,655	4,016	5,207	4,116
24,800	24,850	3,424	3,124	3,601	3,224	27,800	27,850	3,874	3,574	4,411	3,674	30,800	30,850	4,669	4,024	5,221	4,124
24,850	24,900	3,431	3,131	3,614	3,231	27,850	27,900	3,881	3,581	4,424	3,681	30,850	30,900	4,682	4,031	5,234	4,131
24,900	24,950	3,439	3,139	3,628	3,239	27,900	27,950	3,889	3,589	4,438	3,689	30,900	30,950	4,696	4,039	5,248	4,139
24,950	25,000	3,446	3,146	3,641	3,246	27,950	28,000	3,899	3,596	4,451	3,696	30,950	31,000	4,709	4,046	5,261	4,146
25,000						28,000						31,000					
25,000	25,050	3,454	3,154	3,655	3,254	28,000	28,050	3,913	3,604	4,465	3,704	31,000	31,050	4,723	4,054	5,275	4,154
25,050	25,100	3,461	3,161	3,668	3,261	28,050	28,100	3,926	3,611	4,478	3,711	31,050	31,100	4,736	4,061	5,288	4,161
25,100	25,150	3,469	3,169	3,682	3,269	28,100	28,150	3,940	3,619	4,492	3,719	31,100	31,150	4,750	4,069	5,302	4,169
25,150	25,200	3,476	3,176	3,695	3,276	28,150	28,200	3,953	3,626	4,505	3,726	31,150	31,200	4,763	4,076	5,315	4,176
25,200	25,250	3,484	3,184	3,709	3,284	28,200	28,250	3,967	3,634	4,519	3,734	31,200	31,250	4,777	4,084	5,329	4,184
25,250	25,300	3,491	3,191	3,722	3,291	28,250	28,300	3,980	3,641	4,532	3,741	31,250	31,300	4,790	4,091	5,342	4,191
25,300	25,350	3,499	3,199	3,736	3,299	28,300	28,350	3,994	3,649	4,546	3,749	31,300	31,350	4,804	4,099	5,356	4,199
25,350	25,400	3,506	3,206	3,749	3,306	28,350	28,400	4,007	3,656	4,559	3,756	31,350	31,400	4,817	4,106	5,369	4,206
25,400	25,450	3,514	3,214	3,763	3,314	28,400	28,450	4,021	3,664	4,573	3,764	31,400	31,450	4,831	4,114	5,383	4,214
25,450	25,500	3,521	3,221	3,776	3,321	28,450	28,500	4,034	3,671	4,586	3,771	31,450	31,500	4,844	4,121	5,396	4,221
25,500	25,550	3,529	3,229	3,790	3,329	28,500	28,550	4,048	3,679	4,600	3,779	31,500	31,550	4,858	4,129	5,410	4,229
25,550	25,600	3,536	3,236	3,803	3,336	28,550	28,600	4,061	3,686	4,613	3,786	31,550	31,600	4,871	4,136	5,423	4,236
25,600	25,650	3,544	3,244	3,817	3,344	28,600	28,650	4,075	3,694	4,627	3,794	31,600	31,650	4,885	4,144	5,437	4,244
25,650	25,700	3,551	3,251	3,830	3,351	28,650	28,700	4,088	3,701	4,640	3,801	31,650	31,700	4,898	4,151	5,450	4,251
25,700	25,750	3,559	3,259	3,844	3,359	28,700	28,750	4,102	3,709	4,654	3,809	31,700	31,750	4,912	4,159	5,464	4,259
25,750	25,800	3,566	3,266	3,857	3,366	28,750	28,800	4,115	3,716	4,667	3,816	31,750	31,800	4,925	4,166	5,477	4,266
25,800	25,850	3,574	3,274	3,871	3,374	28,800	28,850	4,129	3,724	4,681	3,824	31,800	31,850	4,939	4,174	5,491	4,274
25,850	25,900	3,581	3,281	3,884	3,381	28,850	28,900	4,142	3,731	4,694	3,831	31,850	31,900	4,952	4,181	5,504	4,281
25,900	25,950	3,589	3,289	3,898	3,389	28,900	28,950	4,156	3,739	4,708	3,839	31,900	31,950	4,966	4,189	5,518	4,289
25,950	26,000	3,596	3,296	3,911	3,396	28,950	29,000	4,169	3,746	4,721	3,846	31,950	32,000	4,979	4,196	5,531	4,296

* This

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household			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	4,993	4,204	5,545	4,304	35,000	35,050	5,803	4,654	6,355	4,754	38,000	38,050	6,613	5,104	7,165	5,273
32,050	32,100	5,006	4,211	5,558	4,311	35,050	35,100	5,816	4,661	6,368	4,761	38,050	38,100	6,626	5,111	7,178	5,286
32,100	32,150	5,020	4,219	5,572	4,319	35,100	35,150	5,830	4,669	6,382	4,769	38,100	38,150	6,640	5,119	7,192	5,300
32,150	32,200	5,033	4,226	5,585	4,326	35,150	35,200	5,843	4,676	6,395	4,776	38,150	38,200	6,653	5,126	7,205	5,313
32,200	32,250	5,047	4,234	5,599	4,334	35,200	35,250	5,857	4,684	6,409	4,784	38,200	38,250	6,667	5,134	7,219	5,327
32,250	32,300	5,060	4,241	5,612	4,341	35,250	35,300	5,870	4,691	6,422	4,791	38,250	38,300	6,680	5,141	7,232	5,340
32,300	32,350	5,074	4,249	5,626	4,349	35,300	35,350	5,884	4,699	6,436	4,799	38,300	38,350	6,694	5,149	7,246	5,354
32,350	32,400	5,087	4,256	5,639	4,356	35,350	35,400	5,897	4,706	6,449	4,806	38,350	38,400	6,707	5,156	7,259	5,367
32,400	32,450	5,101	4,264	5,653	4,364	35,400	35,450	5,911	4,714	6,463	4,814	38,400	38,450	6,721	5,164	7,273	5,381
32,450	32,500	5,114	4,271	5,666	4,371	35,450	35,500	5,924	4,721	6,476	4,821	38,450	38,500	6,734	5,171	7,286	5,394
32,500	32,550	5,128	4,279	5,680	4,379	35,500	35,550	5,938	4,729	6,490	4,829	38,500	38,550	6,748	5,179	7,300	5,408
32,550	32,600	5,141	4,286	5,693	4,386	35,550	35,600	5,951	4,736	6,503	4,836	38,550	38,600	6,761	5,186	7,313	5,421
32,600	32,650	5,155	4,294	5,707	4,394	35,600	35,650	5,965	4,744	6,517	4,844	38,600	38,650	6,775	5,194	7,327	5,435
32,650	32,700	5,168	4,301	5,720	4,401	35,650	35,700	5,978	4,751	6,530	4,851	38,650	38,700	6,788	5,201	7,340	5,448
32,700	32,750	5,182	4,309	5,734	4,409	35,700	35,750	5,992	4,759	6,544	4,859	38,700	38,750	6,802	5,209	7,354	5,462
32,750	32,800	5,195	4,316	5,747	4,416	35,750	35,800	6,005	4,766	6,557	4,866	38,750	38,800	6,815	5,216	7,367	5,475
32,800	32,850	5,209	4,324	5,761	4,424	35,800	35,850	6,019	4,774	6,571	4,874	38,800	38,850	6,829	5,224	7,381	5,489
32,850	32,900	5,222	4,331	5,774	4,431	35,850	35,900	6,032	4,781	6,584	4,881	38,850	38,900	6,842	5,231	7,394	5,502
32,900	32,950	5,236	4,339	5,788	4,439	35,900	35,950	6,046	4,789	6,598	4,889	38,900	38,950	6,856	5,239	7,408	5,516
32,950	33,000	5,249	4,346	5,801	4,446	35,950	36,000	6,059	4,796	6,611	4,896	38,950	39,000	6,869	5,246	7,421	5,529
33,000						36,000						39,000					
33,000	33,050	5,263	4,354	5,815	4,454	36,000	36,050	6,073	4,804	6,625	4,904	39,000	39,050	6,883	5,254	7,435	5,543
33,050	33,100	5,276	4,361	5,828	4,461	36,050	36,100	6,086	4,811	6,638	4,911	39,050	39,100	6,896	5,261	7,448	5,556
33,100	33,150	5,290	4,369	5,842	4,469	36,100	36,150	6,100	4,819	6,652	4,919	39,100	39,150	6,910	5,269	7,462	5,570
33,150	33,200	5,303	4,376	5,855	4,476	36,150	36,200	6,113	4,826	6,665	4,926	39,150	39,200	6,923	5,276	7,475	5,583
33,200	33,250	5,317	4,384	5,869	4,484	36,200	36,250	6,127	4,834	6,679	4,934	39,200	39,250	6,937	5,284	7,489	5,597
33,250	33,300	5,330	4,391	5,882	4,491	36,250	36,300	6,140	4,841	6,692	4,941	39,250	39,300	6,950	5,291	7,502	5,610
33,300	33,350	5,344	4,399	5,896	4,499	36,300	36,350	6,154	4,849	6,706	4,949	39,300	39,350	6,964	5,299	7,516	5,624
33,350	33,400	5,357	4,406	5,909	4,506	36,350	36,400	6,167	4,856	6,719	4,956	39,350	39,400	6,977	5,306	7,529	5,637
33,400	33,450	5,371	4,414	5,923	4,514	36,400	36,450	6,181	4,864	6,733	4,964	39,400	39,450	6,991	5,314	7,543	5,651
33,450	33,500	5,384	4,421	5,936	4,521	36,450	36,500	6,194	4,871	6,746	4,971	39,450	39,500	7,004	5,321	7,556	5,664
33,500	33,550	5,398	4,429	5,950	4,529	36,500	36,550	6,208	4,879	6,760	4,979	39,500	39,550	7,018	5,329	7,570	5,678
33,550	33,600	5,411	4,436	5,963	4,536	36,550	36,600	6,221	4,886	6,773	4,986	39,550	39,600	7,031	5,336	7,583	5,691
33,600	33,650	5,425	4,444	5,977	4,544	36,600	36,650	6,235	4,894	6,787	4,994	39,600	39,650	7,045	5,344	7,597	5,705
33,650	33,700	5,438	4,451	5,990	4,551	36,650	36,700	6,248	4,901	6,800	5,001	39,650	39,700	7,058	5,351	7,610	5,718
33,700	33,750	5,452	4,459	6,004	4,559	36,700	36,750	6,262	4,909	6,814	5,009	39,700	39,750	7,072	5,359	7,624	5,732
33,750	33,800	5,465	4,466	6,017	4,566	36,750	36,800	6,275	4,916	6,827	5,016	39,750	39,800	7,085	5,366	7,637	5,745
33,800	33,850	5,479	4,474	6,031	4,574	36,800	36,850	6,289	4,924	6,841	5,024	39,800	39,850	7,099	5,374	7,651	5,759
33,850	33,900	5,492	4,481	6,044	4,581	36,850	36,900	6,302	4,931	6,854	5,031	39,850	39,900	7,112	5,381	7,664	5,772
33,900	33,950	5,506	4,489	6,058	4,589	36,900	36,950	6,316	4,939	6,868	5,039	39,900	39,950	7,126	5,389	7,678	5,786
33,950	34,000	5,519	4,496	6,071	4,596	36,950	37,000	6,329	4,946	6,881	5,046	39,950	40,000	7,139	5,396	7,691	5,799
34,000						37,000						40,000					
34,000	34,050	5,533	4,504	6,085	4,604	37,000	37,050	6,343	4,954	6,895	5,054	40,000	40,050	7,153	5,404	7,705	5,813
34,050	34,100	5,546	4,511	6,098	4,611	37,050	37,100	6,356	4,961	6,908	5,061	40,050	40,100	7,166	5,411	7,718	5,826
34,100	34,150	5,560	4,519	6,112	4,619	37,100	37,150	6,370	4,969	6,922	5,069	40,100	40,150	7,180	5,419	7,732	5,840
34,150	34,200	5,573	4,526	6,125	4,626	37,150	37,200	6,383	4,976	6,935	5,076	40,150	40,200	7,193	5,426	7,745	5,853
34,200	34,250	5,587	4,534	6,139	4,634	37,200	37,250	6,397	4,984	6,949	5,084	40,200	40,250	7,207	5,434	7,759	5,867
34,250	34,300	5,600	4,541	6,152	4,641	37,250	37,300	6,410	4,991	6,962	5,091	40,250	40,300	7,220	5,441	7,772	5,880
34,300	34,350	5,614	4,549	6,166	4,649	37,300	37,350	6,424	4,999	6,976	5,099	40,300	40,350	7,234	5,449	7,786	5,894
34,350	34,400	5,627	4,556	6,179	4,656	37,350	37,400	6,437	5,006	6,989	5,106	40,350	40,400	7,247	5,456	7,799	5,907
34,400	34,450	5,641	4,564	6,193	4,664	37,400	37,450	6,451	5,014	7,003	5,114	40,400	40,450	7,261	5,464	7,813	5,921
34,450	34,500	5,654	4,571	6,206	4,671	37,450	37,500	6,464	5,021	7,016	5,124	40,450	40,500	7,274	5,471	7,826	5,934
34,500	34,550	5,668	4,579	6,220	4,679	37,500	37,550	6,478	5,029	7,030	5,138	40,500	40,550	7,288	5,479	7,840	5,948
34,550	34,600	5,681	4,586	6,233	4,686	37,550	37,600	6,491	5,036	7,043	5,151	40,550	40,600	7,301	5,486	7,853	5,961
34,600	34,650	5,695	4,594	6,247	4,694	37,600	37,650	6,505	5,044	7,057	5,165	40,600	40,650	7,315	5,494	7,867	5,975
34,650	34,700	5,708	4,601	6,260	4,701	37,650	37,700	6,518	5,051	7,070	5,178	40,650	40,700	7,328	5,501	7,880	5,988
34,700	34,750	5,722	4,609	6,274	4,709	37,700	37,750	6,532	5,059	7,084	5,192	40,700	40,750	7,342	5,509	7,894	6,002
34,750	34,800	5,735	4,616	6,287	4,716	37,750	37,800	6,545	5,066	7,097	5,205	40,750	40,800	7,355	5,516	7,907	6,015
34,800	34,850	5,749	4,624	6,301	4,724	37,800	37,850	6,559	5,074	7,111	5,219	40,800	40,850	7,369	5,524	7,921	6,029
34,850	34,900	5,762	4,631	6,314	4,731	37,850	37,900	6,572	5,081	7,124	5,232	40,850	40,900	7,382	5,531	7,934	6,042
34,900	34,950	5,776	4,639	6,328	4,739	37,900	37,950	6,586	5,089	7,138	5,246	40,900	40,950	7,396	5,539	7,948	6,056
34,950	35,000	5,789	4,646	6,341	4,746	37,950	38,000	6,599	5,096	7,151	5,259	40,950	41,000	7,4			

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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	7,423	5,554	7,975	6,083	44,000	44,050	8,233	6,004	8,785	6,893	47,000	47,050	9,043	6,493	9,595	7,703
41,050	41,100	7,436	5,561	7,988	6,096	44,050	44,100	8,246	6,011	8,798	6,906	47,050	47,100	9,056	6,506	9,608	7,716
41,100	41,150	7,450	5,569	8,002	6,110	44,100	44,150	8,260	6,019	8,812	6,920	47,100	47,150	9,070	6,520	9,622	7,730
41,150	41,200	7,463	5,576	8,015	6,123	44,150	44,200	8,273	6,026	8,825	6,933	47,150	47,200	9,083	6,533	9,635	7,743
41,200	41,250	7,477	5,584	8,029	6,137	44,200	44,250	8,287	6,034	8,839	6,947	47,200	47,250	9,097	6,547	9,649	7,757
41,250	41,300	7,490	5,591	8,042	6,150	44,250	44,300	8,300	6,041	8,852	6,960	47,250	47,300	9,110	6,560	9,662	7,770
41,300	41,350	7,504	5,599	8,056	6,164	44,300	44,350	8,314	6,049	8,866	6,974	47,300	47,350	9,124	6,574	9,676	7,784
41,350	41,400	7,517	5,606	8,069	6,177	44,350	44,400	8,327	6,056	8,879	6,987	47,350	47,400	9,137	6,587	9,689	7,797
41,400	41,450	7,531	5,614	8,083	6,191	44,400	44,450	8,341	6,064	8,893	7,001	47,400	47,450	9,151	6,601	9,703	7,811
41,450	41,500	7,544	5,621	8,096	6,204	44,450	44,500	8,354	6,071	8,906	7,014	47,450	47,500	9,164	6,614	9,716	7,824
41,500	41,550	7,558	5,629	8,110	6,218	44,500	44,550	8,368	6,079	8,920	7,028	47,500	47,550	9,178	6,628	9,730	7,838
41,550	41,600	7,571	5,636	8,123	6,231	44,550	44,600	8,381	6,086	8,933	7,041	47,550	47,600	9,191	6,641	9,743	7,851
41,600	41,650	7,585	5,644	8,137	6,245	44,600	44,650	8,395	6,094	8,947	7,055	47,600	47,650	9,205	6,655	9,757	7,865
41,650	41,700	7,598	5,651	8,150	6,258	44,650	44,700	8,408	6,101	8,960	7,068	47,650	47,700	9,218	6,668	9,770	7,878
41,700	41,750	7,612	5,659	8,164	6,272	44,700	44,750	8,422	6,109	8,974	7,082	47,700	47,750	9,232	6,682	9,784	7,892
41,750	41,800	7,625	5,666	8,177	6,285	44,750	44,800	8,435	6,116	8,987	7,095	47,750	47,800	9,245	6,695	9,797	7,905
41,800	41,850	7,639	5,674	8,191	6,299	44,800	44,850	8,449	6,124	9,001	7,109	47,800	47,850	9,259	6,709	9,811	7,919
41,850	41,900	7,652	5,681	8,204	6,312	44,850	44,900	8,462	6,131	9,014	7,122	47,850	47,900	9,272	6,722	9,824	7,932
41,900	41,950	7,666	5,689	8,218	6,326	44,900	44,950	8,476	6,139	9,028	7,136	47,900	47,950	9,286	6,736	9,838	7,946
41,950	42,000	7,679	5,696	8,231	6,339	44,950	45,000	8,489	6,146	9,041	7,149	47,950	48,000	9,299	6,749	9,851	7,959
42,000						45,000						48,000					
42,000	42,050	7,693	5,704	8,245	6,353	45,000	45,050	8,503	6,154	9,055	7,163	48,000	48,050	9,313	6,763	9,865	7,973
42,050	42,100	7,706	5,711	8,258	6,366	45,050	45,100	8,516	6,161	9,068	7,176	48,050	48,100	9,326	6,776	9,878	7,986
42,100	42,150	7,720	5,719	8,272	6,380	45,100	45,150	8,530	6,169	9,082	7,190	48,100	48,150	9,340	6,790	9,892	8,000
42,150	42,200	7,733	5,726	8,285	6,393	45,150	45,200	8,543	6,176	9,095	7,203	48,150	48,200	9,353	6,803	9,905	8,013
42,200	42,250	7,747	5,734	8,299	6,407	45,200	45,250	8,557	6,184	9,109	7,217	48,200	48,250	9,367	6,817	9,919	8,027
42,250	42,300	7,760	5,741	8,312	6,420	45,250	45,300	8,570	6,191	9,122	7,230	48,250	48,300	9,380	6,830	9,932	8,040
42,300	42,350	7,774	5,749	8,326	6,434	45,300	45,350	8,584	6,199	9,136	7,244	48,300	48,350	9,394	6,844	9,946	8,054
42,350	42,400	7,787	5,756	8,339	6,447	45,350	45,400	8,597	6,206	9,149	7,257	48,350	48,400	9,407	6,857	9,959	8,067
42,400	42,450	7,801	5,764	8,353	6,461	45,400	45,450	8,611	6,214	9,163	7,271	48,400	48,450	9,421	6,871	9,973	8,081
42,450	42,500	7,814	5,771	8,366	6,474	45,450	45,500	8,624	6,221	9,176	7,284	48,450	48,500	9,434	6,884	9,986	8,094
42,500	42,550	7,828	5,779	8,380	6,488	45,500	45,550	8,638	6,229	9,190	7,298	48,500	48,550	9,448	6,898	10,000	8,108
42,550	42,600	7,841	5,786	8,393	6,501	45,550	45,600	8,651	6,236	9,203	7,311	48,550	48,600	9,461	6,911	10,013	8,121
42,600	42,650	7,855	5,794	8,407	6,515	45,600	45,650	8,665	6,244	9,217	7,325	48,600	48,650	9,475	6,925	10,027	8,135
42,650	42,700	7,868	5,801	8,420	6,528	45,650	45,700	8,678	6,251	9,230	7,338	48,650	48,700	9,488	6,938	10,040	8,148
42,700	42,750	7,882	5,809	8,434	6,542	45,700	45,750	8,692	6,259	9,244	7,352	48,700	48,750	9,502	6,952	10,054	8,162
42,750	42,800	7,895	5,816	8,447	6,555	45,750	45,800	8,705	6,266	9,257	7,365	48,750	48,800	9,515	6,965	10,067	8,175
42,800	42,850	7,909	5,824	8,461	6,569	45,800	45,850	8,719	6,274	9,271	7,379	48,800	48,850	9,529	6,979	10,081	8,189
42,850	42,900	7,922	5,831	8,474	6,582	45,850	45,900	8,732	6,281	9,284	7,392	48,850	48,900	9,542	6,992	10,094	8,202
42,900	42,950	7,936	5,839	8,488	6,596	45,900	45,950	8,746	6,289	9,298	7,406	48,900	48,950	9,556	7,006	10,108	8,216
42,950	43,000	7,949	5,846	8,501	6,609	45,950	46,000	8,759	6,296	9,311	7,419	48,950	49,000	9,569	7,019	10,121	8,229
43,000						46,000						49,000					
43,000	43,050	7,963	5,854	8,515	6,623	46,000	46,050	8,773	6,304	9,325	7,433	49,000	49,050	9,583	7,033	10,135	8,243
43,050	43,100	7,976	5,861	8,528	6,636	46,050	46,100	8,786	6,311	9,338	7,446	49,050	49,100	9,596	7,046	10,148	8,256
43,100	43,150	7,990	5,869	8,542	6,650	46,100	46,150	8,800	6,319	9,352	7,460	49,100	49,150	9,610	7,060	10,162	8,270
43,150	43,200	8,003	5,876	8,555	6,663	46,150	46,200	8,813	6,326	9,365	7,473	49,150	49,200	9,623	7,073	10,175	8,283
43,200	43,250	8,017	5,884	8,569	6,677	46,200	46,250	8,827	6,334	9,379	7,487	49,200	49,250	9,637	7,087	10,189	8,297
43,250	43,300	8,030	5,891	8,582	6,690	46,250	46,300	8,840	6,341	9,392	7,500	49,250	49,300	9,650	7,100	10,202	8,310
43,300	43,350	8,044	5,899	8,596	6,704	46,300	46,350	8,854	6,349	9,406	7,514	49,300	49,350	9,664	7,114	10,216	8,324
43,350	43,400	8,057	5,906	8,609	6,717	46,350	46,400	8,867	6,356	9,419	7,527	49,350	49,400	9,677	7,127	10,229	8,337
43,400	43,450	8,071	5,914	8,623	6,731	46,400	46,450	8,881	6,364	9,433	7,541	49,400	49,450	9,691	7,141	10,243	8,351
43,450	43,500	8,084	5,921	8,636	6,744	46,450	46,500	8,894	6,371	9,446	7,554	49,450	49,500	9,704	7,154	10,256	8,364
43,500	43,550	8,098	5,929	8,650	6,758	46,500	46,550	8,908	6,379	9,460	7,568	49,500	49,550	9,718	7,168	10,270	8,378
43,550	43,600	8,111	5,936	8,663	6,771	46,550	46,600	8,921	6,386	9,473	7,581	49,550	49,600	9,731	7,181	10,283	8,391
43,600	43,650	8,125	5,944	8,677	6,785	46,600	46,650	8,935	6,394	9,487	7,595	49,600	49,650	9,745	7,195	10,297	8,405
43,650	43,700	8,138	5,951	8,690	6,798	46,650	46,700	8,948	6,401	9,500	7,608	49,650	49,700	9,758	7,208	10,310	8,418
43,700	43,750	8,152	5,959	8,704	6,812	46,700	46,750	8,962	6,412	9,514	7,622	49,700	49,750	9,772	7,222	10,324	8,432
43,750	43,800	8,165	5,966	8,717	6,825	46,750	46,800	8,975	6,425	9,527	7,635	49,750	49,800	9,785	7,235	10,337	8,445
43,800	43,850	8,179	5,974	8,731	6,839	46,800	46,850	8,989	6,439	9,541	7,649	49,800	49,850	9,799	7,249	10,351	8,459
43,850	43,900	8,192	5,981	8,744	6,852	46,850	46,900	9,002	6,452	9,554	7,662	49,850	49,900	9,812	7,262	10,364	8,472
43,900	43,950	8,206	5,989	8,758	6,866	46,900	46,950	9,016	6,466	9,568	7,676	49,900	49,950	9,826	7,276	10,378	8,486
43,950	44,000	8,219	5,996	8,771	6,879	46,950	47,000										

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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	9,853	7,303	10,405	8,513	53,000	53,050	10,663	8,113	11,215	9,323	56,000	56,050	11,473	8,923	12,025	10,133
50,050	50,100	9,866	7,316	10,418	8,526	53,050	53,100	10,676	8,126	11,228	9,336	56,050	56,100	11,486	8,936	12,038	10,146
50,100	50,150	9,880	7,330	10,432	8,540	53,100	53,150	10,690	8,140	11,242	9,350	56,100	56,150	11,500	8,950	12,052	10,160
50,150	50,200	9,893	7,343	10,445	8,553	53,150	53,200	10,703	8,153	11,255	9,363	56,150	56,200	11,513	8,963	12,065	10,173
50,200	50,250	9,907	7,357	10,459	8,567	53,200	53,250	10,717	8,167	11,269	9,377	56,200	56,250	11,527	8,977	12,079	10,187
50,250	50,300	9,920	7,370	10,472	8,580	53,250	53,300	10,730	8,180	11,282	9,390	56,250	56,300	11,540	8,990	12,092	10,200
50,300	50,350	9,934	7,384	10,486	8,594	53,300	53,350	10,744	8,194	11,296	9,404	56,300	56,350	11,554	9,004	12,106	10,214
50,350	50,400	9,947	7,397	10,499	8,607	53,350	53,400	10,757	8,207	11,309	9,417	56,350	56,400	11,567	9,017	12,119	10,227
50,400	50,450	9,961	7,411	10,513	8,621	53,400	53,450	10,771	8,221	11,323	9,431	56,400	56,450	11,581	9,031	12,133	10,241
50,450	50,500	9,974	7,424	10,526	8,634	53,450	53,500	10,784	8,234	11,336	9,444	56,450	56,500	11,594	9,044	12,148	10,254
50,500	50,550	9,988	7,438	10,540	8,648	53,500	53,550	10,798	8,248	11,350	9,458	56,500	56,550	11,608	9,058	12,163	10,268
50,550	50,600	10,001	7,451	10,553	8,661	53,550	53,600	10,811	8,261	11,363	9,471	56,550	56,600	11,621	9,071	12,178	10,281
50,600	50,650	10,015	7,465	10,567	8,675	53,600	53,650	10,825	8,275	11,377	9,485	56,600	56,650	11,635	9,085	12,193	10,295
50,650	50,700	10,028	7,478	10,580	8,688	53,650	53,700	10,838	8,288	11,390	9,498	56,650	56,700	11,648	9,098	12,208	10,308
50,700	50,750	10,042	7,492	10,594	8,702	53,700	53,750	10,852	8,302	11,404	9,512	56,700	56,750	11,662	9,112	12,223	10,322
50,750	50,800	10,055	7,505	10,607	8,715	53,750	53,800	10,865	8,315	11,417	9,525	56,750	56,800	11,675	9,125	12,238	10,335
50,800	50,850	10,069	7,519	10,621	8,729	53,800	53,850	10,879	8,329	11,431	9,539	56,800	56,850	11,689	9,139	12,253	10,349
50,850	50,900	10,082	7,532	10,634	8,742	53,850	53,900	10,892	8,342	11,444	9,552	56,850	56,900	11,702	9,152	12,268	10,362
50,900	50,950	10,096	7,546	10,648	8,756	53,900	53,950	10,906	8,356	11,458	9,566	56,900	56,950	11,716	9,166	12,283	10,376
50,950	51,000	10,109	7,559	10,661	8,769	53,950	54,000	10,919	8,369	11,471	9,579	56,950	57,000	11,729	9,179	12,298	10,389
51,000						54,000						57,000					
51,000	51,050	10,123	7,573	10,675	8,783	54,000	54,050	10,933	8,383	11,485	9,593	57,000	57,050	11,743	9,193	12,313	10,403
51,050	51,100	10,136	7,586	10,688	8,796	54,050	54,100	10,946	8,396	11,498	9,606	57,050	57,100	11,756	9,206	12,328	10,416
51,100	51,150	10,150	7,600	10,702	8,810	54,100	54,150	10,960	8,410	11,512	9,620	57,100	57,150	11,770	9,220	12,343	10,430
51,150	51,200	10,163	7,613	10,715	8,823	54,150	54,200	10,973	8,423	11,525	9,633	57,150	57,200	11,783	9,233	12,358	10,443
51,200	51,250	10,177	7,627	10,729	8,837	54,200	54,250	10,987	8,437	11,539	9,647	57,200	57,250	11,797	9,247	12,373	10,457
51,250	51,300	10,190	7,640	10,742	8,850	54,250	54,300	11,000	8,450	11,552	9,660	57,250	57,300	11,810	9,260	12,388	10,470
51,300	51,350	10,204	7,654	10,756	8,864	54,300	54,350	11,014	8,464	11,566	9,674	57,300	57,350	11,824	9,274	12,403	10,484
51,350	51,400	10,217	7,667	10,769	8,877	54,350	54,400	11,027	8,477	11,579	9,687	57,350	57,400	11,837	9,287	12,418	10,497
51,400	51,450	10,231	7,681	10,783	8,891	54,400	54,450	11,041	8,491	11,593	9,701	57,400	57,450	11,851	9,301	12,433	10,511
51,450	51,500	10,244	7,694	10,796	8,904	54,450	54,500	11,054	8,504	11,606	9,714	57,450	57,500	11,864	9,314	12,448	10,524
51,500	51,550	10,258	7,708	10,810	8,918	54,500	54,550	11,068	8,518	11,620	9,728	57,500	57,550	11,878	9,328	12,463	10,538
51,550	51,600	10,271	7,721	10,823	8,931	54,550	54,600	11,081	8,531	11,633	9,741	57,550	57,600	11,891	9,341	12,478	10,551
51,600	51,650	10,285	7,735	10,837	8,945	54,600	54,650	11,095	8,545	11,647	9,755	57,600	57,650	11,905	9,355	12,493	10,565
51,650	51,700	10,298	7,748	10,850	8,958	54,650	54,700	11,108	8,558	11,660	9,768	57,650	57,700	11,918	9,368	12,508	10,578
51,700	51,750	10,312	7,762	10,864	8,972	54,700	54,750	11,122	8,572	11,674	9,782	57,700	57,750	11,932	9,382	12,523	10,592
51,750	51,800	10,325	7,775	10,877	8,985	54,750	54,800	11,135	8,585	11,687	9,795	57,750	57,800	11,945	9,395	12,538	10,605
51,800	51,850	10,339	7,789	10,891	8,999	54,800	54,850	11,149	8,599	11,701	9,809	57,800	57,850	11,959	9,409	12,553	10,619
51,850	51,900	10,352	7,802	10,904	9,012	54,850	54,900	11,162	8,612	11,714	9,822	57,850	57,900	11,972	9,422	12,568	10,632
51,900	51,950	10,366	7,816	10,918	9,026	54,900	54,950	11,176	8,626	11,728	9,836	57,900	57,950	11,986	9,436	12,583	10,646
51,950	52,000	10,379	7,829	10,931	9,039	54,950	55,000	11,189	8,639	11,741	9,849	57,950	58,000	11,999	9,449	12,598	10,659
52,000						55,000						58,000					
52,000	52,050	10,393	7,843	10,945	9,053	55,000	55,050	11,203	8,653	11,755	9,863	58,000	58,050	12,013	9,463	12,613	10,673
52,050	52,100	10,406	7,856	10,958	9,066	55,050	55,100	11,216	8,666	11,768	9,876	58,050	58,100	12,026	9,476	12,628	10,686
52,100	52,150	10,420	7,870	10,972	9,080	55,100	55,150	11,230	8,680	11,782	9,890	58,100	58,150	12,040	9,490	12,643	10,700
52,150	52,200	10,433	7,883	10,985	9,093	55,150	55,200	11,243	8,693	11,795	9,903	58,150	58,200	12,053	9,503	12,658	10,713
52,200	52,250	10,447	7,897	10,999	9,107	55,200	55,250	11,257	8,707	11,809	9,917	58,200	58,250	12,067	9,517	12,673	10,727
52,250	52,300	10,460	7,910	11,012	9,120	55,250	55,300	11,270	8,720	11,822	9,930	58,250	58,300	12,080	9,530	12,688	10,740
52,300	52,350	10,474	7,924	11,026	9,134	55,300	55,350	11,284	8,734	11,836	9,944	58,300	58,350	12,094	9,544	12,703	10,754
52,350	52,400	10,487	7,937	11,039	9,147	55,350	55,400	11,297	8,747	11,849	9,957	58,350	58,400	12,107	9,557	12,718	10,767
52,400	52,450	10,501	7,951	11,053	9,161	55,400	55,450	11,311	8,761	11,863	9,971	58,400	58,450	12,121	9,571	12,733	10,781
52,450	52,500	10,514	7,964	11,066	9,174	55,450	55,500	11,324	8,774	11,876	9,984	58,450	58,500	12,134	9,584	12,748	10,794
52,500	52,550	10,528	7,978	11,080	9,188	55,500	55,550	11,338	8,788	11,890	9,998	58,500	58,550	12,148	9,598	12,763	10,808
52,550	52,600	10,541	7,991	11,093	9,201	55,550	55,600	11,351	8,801	11,903	10,011	58,550	58,600	12,161	9,611	12,778	10,821
52,600	52,650	10,555	8,005	11,107	9,215	55,600	55,650	11,365	8,815	11,917	10,025	58,600	58,650	12,175	9,625	12,793	10,835
52,650	52,700	10,568	8,018	11,120	9,228	55,650	55,700	11,378	8,828	11,930	10,038	58,650	58,700	12,188	9,638	12,808	10,848
52,700	52,750	10,582	8,032	11,134	9,242	55,700	55,750	11,392	8,842	11,944	10,052	58,700	58,750	12,202	9,652	12,823	10,862
52,750	52,800	10,595	8,045	11,147	9,255	55,750	55,800	11,405	8,855	11,957	10,065	58,750	58,800	12,215	9,665	12,838	10,875
52,800	52,850	10,609	8,059	11,161	9,269	55,800	55,850	11,419	8,869	11,971	10,079	58,800	58,850	12,229	9,679	12,853	10,889
52,850	52,900	10,622	8,072	11,174	9,282	55,850	55,900	11,432	8,882	11							

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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—			
59,000						62,000						65,000					
59,000	59,050	12,283	9,733	12,913	10,943	62,000	62,050	13,093	10,543	13,813	11,753	65,000	65,050	13,903	11,353	14,713	12,563
59,050	59,100	12,296	9,746	12,928	10,956	62,050	62,100	13,106	10,556	13,828	11,766	65,050	65,100	13,916	11,366	14,728	12,576
59,100	59,150	12,310	9,760	12,943	10,970	62,100	62,150	13,120	10,570	13,843	11,780	65,100	65,150	13,930	11,380	14,743	12,590
59,150	59,200	12,323	9,773	12,958	10,983	62,150	62,200	13,133	10,583	13,858	11,793	65,150	65,200	13,943	11,393	14,758	12,603
59,200	59,250	12,337	9,787	12,973	10,997	62,200	62,250	13,147	10,597	13,873	11,807	65,200	65,250	13,957	11,407	14,773	12,617
59,250	59,300	12,350	9,800	12,988	11,010	62,250	62,300	13,160	10,610	13,888	11,820	65,250	65,300	13,970	11,420	14,788	12,630
59,300	59,350	12,364	9,814	13,003	11,024	62,300	62,350	13,174	10,624	13,903	11,834	65,300	65,350	13,984	11,434	14,803	12,644
59,350	59,400	12,377	9,827	13,018	11,037	62,350	62,400	13,187	10,637	13,918	11,847	65,350	65,400	13,997	11,447	14,818	12,657
59,400	59,450	12,391	9,841	13,033	11,051	62,400	62,450	13,201	10,651	13,933	11,861	65,400	65,450	14,011	11,461	14,833	12,671
59,450	59,500	12,404	9,854	13,048	11,064	62,450	62,500	13,214	10,664	13,948	11,874	65,450	65,500	14,024	11,474	14,848	12,684
59,500	59,550	12,418	9,868	13,063	11,078	62,500	62,550	13,228	10,678	13,963	11,888	65,500	65,550	14,038	11,488	14,863	12,698
59,550	59,600	12,431	9,881	13,078	11,091	62,550	62,600	13,241	10,691	13,978	11,901	65,550	65,600	14,051	11,501	14,878	12,711
59,600	59,650	12,445	9,895	13,093	11,105	62,600	62,650	13,255	10,705	13,993	11,915	65,600	65,650	14,065	11,515	14,893	12,725
59,650	59,700	12,458	9,908	13,108	11,118	62,650	62,700	13,268	10,718	14,008	11,928	65,650	65,700	14,078	11,528	14,908	12,738
59,700	59,750	12,472	9,922	13,123	11,132	62,700	62,750	13,282	10,732	14,023	11,942	65,700	65,750	14,092	11,542	14,923	12,752
59,750	59,800	12,485	9,935	13,138	11,145	62,750	62,800	13,295	10,745	14,038	11,955	65,750	65,800	14,105	11,555	14,938	12,765
59,800	59,850	12,499	9,949	13,153	11,159	62,800	62,850	13,309	10,759	14,053	11,969	65,800	65,850	14,119	11,569	14,953	12,779
59,850	59,900	12,512	9,962	13,168	11,172	62,850	62,900	13,322	10,772	14,068	11,982	65,850	65,900	14,132	11,582	14,968	12,792
59,900	59,950	12,526	9,976	13,183	11,186	62,900	62,950	13,336	10,786	14,083	11,996	65,900	65,950	14,146	11,596	14,983	12,806
59,950	60,000	12,539	9,989	13,198	11,199	62,950	63,000	13,349	10,799	14,098	12,009	65,950	66,000	14,159	11,609	14,998	12,819
60,000						63,000						66,000					
60,000	60,050	12,553	10,003	13,213	11,213	63,000	63,050	13,363	10,813	14,113	12,023	66,000	66,050	14,173	11,623	15,013	12,833
60,050	60,100	12,566	10,016	13,228	11,226	63,050	63,100	13,376	10,826	14,128	12,036	66,050	66,100	14,186	11,636	15,028	12,846
60,100	60,150	12,580	10,030	13,243	11,240	63,100	63,150	13,390	10,840	14,143	12,050	66,100	66,150	14,200	11,650	15,043	12,860
60,150	60,200	12,593	10,043	13,258	11,253	63,150	63,200	13,403	10,853	14,158	12,063	66,150	66,200	14,213	11,663	15,058	12,873
60,200	60,250	12,607	10,057	13,273	11,267	63,200	63,250	13,417	10,867	14,173	12,077	66,200	66,250	14,227	11,677	15,073	12,887
60,250	60,300	12,620	10,070	13,288	11,280	63,250	63,300	13,430	10,880	14,188	12,090	66,250	66,300	14,240	11,690	15,088	12,900
60,300	60,350	12,634	10,084	13,303	11,294	63,300	63,350	13,444	10,894	14,203	12,104	66,300	66,350	14,254	11,704	15,103	12,914
60,350	60,400	12,647	10,097	13,318	11,307	63,350	63,400	13,457	10,907	14,218	12,117	66,350	66,400	14,267	11,717	15,118	12,927
60,400	60,450	12,661	10,111	13,333	11,321	63,400	63,450	13,471	10,921	14,233	12,131	66,400	66,450	14,281	11,731	15,133	12,941
60,450	60,500	12,674	10,124	13,348	11,334	63,450	63,500	13,484	10,934	14,248	12,144	66,450	66,500	14,294	11,744	15,148	12,954
60,500	60,550	12,688	10,138	13,363	11,348	63,500	63,550	13,498	10,948	14,263	12,158	66,500	66,550	14,308	11,758	15,163	12,968
60,550	60,600	12,701	10,151	13,378	11,361	63,550	63,600	13,511	10,961	14,278	12,171	66,550	66,600	14,321	11,771	15,178	12,981
60,600	60,650	12,715	10,165	13,393	11,375	63,600	63,650	13,525	10,975	14,293	12,185	66,600	66,650	14,335	11,785	15,193	12,995
60,650	60,700	12,728	10,178	13,408	11,388	63,650	63,700	13,538	10,988	14,308	12,198	66,650	66,700	14,348	11,798	15,208	13,008
60,700	60,750	12,742	10,192	13,423	11,402	63,700	63,750	13,552	11,002	14,323	12,212	66,700	66,750	14,362	11,812	15,223	13,022
60,750	60,800	12,755	10,205	13,438	11,415	63,750	63,800	13,565	11,015	14,338	12,225	66,750	66,800	14,375	11,825	15,238	13,035
60,800	60,850	12,769	10,219	13,453	11,429	63,800	63,850	13,579	11,029	14,353	12,239	66,800	66,850	14,389	11,839	15,253	13,049
60,850	60,900	12,782	10,232	13,468	11,442	63,850	63,900	13,592	11,042	14,368	12,252	66,850	66,900	14,402	11,852	15,268	13,062
60,900	60,950	12,796	10,246	13,483	11,456	63,900	63,950	13,606	11,056	14,383	12,266	66,900	66,950	14,416	11,866	15,283	13,076
60,950	61,000	12,809	10,259	13,498	11,469	63,950	64,000	13,619	11,069	14,398	12,279	66,950	67,000	14,429	11,879	15,298	13,089
61,000						64,000						67,000					
61,000	61,050	12,823	10,273	13,513	11,483	64,000	64,050	13,633	11,083	14,413	12,293	67,000	67,050	14,443	11,893	15,313	13,103
61,050	61,100	12,836	10,286	13,528	11,496	64,050	64,100	13,646	11,096	14,428	12,306	67,050	67,100	14,456	11,906	15,328	13,116
61,100	61,150	12,850	10,300	13,543	11,510	64,100	64,150	13,660	11,110	14,443	12,320	67,100	67,150	14,470	11,920	15,343	13,130
61,150	61,200	12,863	10,313	13,558	11,523	64,150	64,200	13,673	11,123	14,458	12,333	67,150	67,200	14,483	11,933	15,358	13,143
61,200	61,250	12,877	10,327	13,573	11,537	64,200	64,250	13,687	11,137	14,473	12,347	67,200	67,250	14,497	11,947	15,373	13,157
61,250	61,300	12,890	10,340	13,588	11,550	64,250	64,300	13,700	11,150	14,488	12,360	67,250	67,300	14,510	11,960	15,388	13,170
61,300	61,350	12,904	10,354	13,603	11,564	64,300	64,350	13,714	11,164	14,503	12,374	67,300	67,350	14,524	11,974	15,403	13,184
61,350	61,400	12,917	10,367	13,618	11,577	64,350	64,400	13,727	11,177	14,518	12,387	67,350	67,400	14,537	11,987	15,418	13,197
61,400	61,450	12,931	10,381	13,633	11,591	64,400	64,450	13,741	11,191	14,533	12,401	67,400	67,450	14,551	12,001	15,433	13,211
61,450	61,500	12,944	10,394	13,648	11,604	64,450	64,500	13,754	11,204	14,548	12,414	67,450	67,500	14,564	12,014	15,448	13,224
61,500	61,550	12,958	10,408	13,663	11,618	64,500	64,550	13,768	11,218	14,563	12,428	67,500	67,550	14,578	12,028	15,463	13,238
61,550	61,600	12,971	10,421	13,678	11,631	64,550	64,600	13,781	11,231	14,578	12,441	67,550	67,600	14,591	12,041	15,478	13,251
61,600	61,650	12,985	10,435	13,693	11,645	64,600	64,650	13,795	11,245	14,593	12,455	67,600	67,650	14,605	12,055	15,493	13,265
61,650	61,700	12,998	10,448	13,708	11,658	64,650	64,700	13,808	11,258	14,608	12,468	67,650	67,700	14,618	12,068	15,508	13,278
61,700	61,750	13,012	10,462	13,723	11,672	64,700	64,750	13,822	11,272	14,623	12,482	67,700	67,750	14,633	12,082	15,523	13,292
61,750	61,800	13,025	10,475	13,738	11,685	64,750	64,800	13,835	11,285	14,638	12,495	67,750	67,800	14,648	12,095	15,538	13,305
61,800	61,850	13,039	10,489	13,75													

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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—			
68,000						71,000						74,000					
68,000	68,050	14,723	12,163	15,613	13,373	71,000	71,050	15,623	12,973	16,513	14,183	74,000	74,050	16,523	13,783	17,413	14,993
68,050	68,100	14,738	12,176	15,628	13,386	71,050	71,100	15,638	12,986	16,528	14,196	74,050	74,100	16,538	13,796	17,428	15,006
68,100	68,150	14,753	12,190	15,643	13,400	71,100	71,150	15,653	13,000	16,543	14,210	74,100	74,150	16,553	13,810	17,443	15,020
68,150	68,200	14,768	12,203	15,658	13,413	71,150	71,200	15,668	13,013	16,558	14,223	74,150	74,200	16,568	13,823	17,458	15,033
68,200	68,250	14,783	12,217	15,673	13,427	71,200	71,250	15,683	13,027	16,573	14,237	74,200	74,250	16,583	13,837	17,473	15,047
68,250	68,300	14,798	12,230	15,688	13,440	71,250	71,300	15,698	13,040	16,588	14,250	74,250	74,300	16,598	13,850	17,488	15,060
68,300	68,350	14,813	12,244	15,703	13,454	71,300	71,350	15,713	13,054	16,603	14,264	74,300	74,350	16,613	13,864	17,503	15,074
68,350	68,400	14,828	12,257	15,718	13,467	71,350	71,400	15,728	13,067	16,618	14,277	74,350	74,400	16,628	13,877	17,518	15,087
68,400	68,450	14,843	12,271	15,733	13,481	71,400	71,450	15,743	13,081	16,633	14,291	74,400	74,450	16,643	13,891	17,533	15,101
68,450	68,500	14,858	12,284	15,748	13,494	71,450	71,500	15,758	13,094	16,648	14,304	74,450	74,500	16,658	13,904	17,548	15,114
68,500	68,550	14,873	12,298	15,763	13,508	71,500	71,550	15,773	13,108	16,663	14,318	74,500	74,550	16,673	13,918	17,563	15,128
68,550	68,600	14,888	12,311	15,778	13,521	71,550	71,600	15,788	13,121	16,678	14,331	74,550	74,600	16,688	13,931	17,578	15,141
68,600	68,650	14,903	12,325	15,793	13,535	71,600	71,650	15,803	13,135	16,693	14,345	74,600	74,650	16,703	13,945	17,593	15,155
68,650	68,700	14,918	12,338	15,808	13,548	71,650	71,700	15,818	13,148	16,708	14,358	74,650	74,700	16,718	13,958	17,608	15,168
68,700	68,750	14,933	12,352	15,823	13,562	71,700	71,750	15,833	13,162	16,723	14,372	74,700	74,750	16,733	13,972	17,623	15,182
68,750	68,800	14,948	12,365	15,838	13,575	71,750	71,800	15,848	13,175	16,738	14,385	74,750	74,800	16,748	13,985	17,638	15,195
68,800	68,850	14,963	12,379	15,853	13,589	71,800	71,850	15,863	13,189	16,753	14,399	74,800	74,850	16,763	13,999	17,653	15,209
68,850	68,900	14,978	12,392	15,868	13,602	71,850	71,900	15,878	13,202	16,768	14,412	74,850	74,900	16,778	14,012	17,668	15,222
68,900	68,950	14,993	12,406	15,883	13,616	71,900	71,950	15,893	13,216	16,783	14,426	74,900	74,950	16,793	14,026	17,683	15,236
68,950	69,000	15,008	12,419	15,898	13,629	71,950	72,000	15,908	13,229	16,798	14,439	74,950	75,000	16,808	14,039	17,698	15,249
69,000						72,000						75,000					
69,000	69,050	15,023	12,433	15,913	13,643	72,000	72,050	15,923	13,243	16,813	14,453	75,000	75,050	16,823	14,053	17,713	15,263
69,050	69,100	15,038	12,446	15,928	13,656	72,050	72,100	15,938	13,256	16,828	14,466	75,050	75,100	16,838	14,066	17,728	15,276
69,100	69,150	15,053	12,460	15,943	13,670	72,100	72,150	15,953	13,270	16,843	14,480	75,100	75,150	16,853	14,080	17,743	15,290
69,150	69,200	15,068	12,473	15,958	13,683	72,150	72,200	15,968	13,283	16,858	14,493	75,150	75,200	16,868	14,093	17,758	15,303
69,200	69,250	15,083	12,487	15,973	13,697	72,200	72,250	15,983	13,297	16,873	14,507	75,200	75,250	16,883	14,107	17,773	15,317
69,250	69,300	15,098	12,500	15,988	13,710	72,250	72,300	15,998	13,310	16,888	14,520	75,250	75,300	16,898	14,120	17,788	15,330
69,300	69,350	15,113	12,514	16,003	13,724	72,300	72,350	16,013	13,324	16,903	14,534	75,300	75,350	16,913	14,134	17,803	15,344
69,350	69,400	15,128	12,527	16,018	13,737	72,350	72,400	16,028	13,337	16,918	14,547	75,350	75,400	16,928	14,147	17,818	15,357
69,400	69,450	15,143	12,541	16,033	13,751	72,400	72,450	16,043	13,351	16,933	14,561	75,400	75,450	16,943	14,161	17,833	15,371
69,450	69,500	15,158	12,554	16,048	13,764	72,450	72,500	16,058	13,364	16,948	14,574	75,450	75,500	16,958	14,174	17,848	15,384
69,500	69,550	15,173	12,568	16,063	13,778	72,500	72,550	16,073	13,378	16,963	14,588	75,500	75,550	16,973	14,188	17,863	15,398
69,550	69,600	15,188	12,581	16,078	13,791	72,550	72,600	16,088	13,391	16,978	14,601	75,550	75,600	16,988	14,201	17,878	15,411
69,600	69,650	15,203	12,595	16,093	13,805	72,600	72,650	16,103	13,405	16,993	14,615	75,600	75,650	17,003	14,215	17,893	15,425
69,650	69,700	15,218	12,608	16,108	13,818	72,650	72,700	16,118	13,418	17,008	14,628	75,650	75,700	17,018	14,228	17,908	15,438
69,700	69,750	15,233	12,622	16,123	13,832	72,700	72,750	16,133	13,432	17,023	14,642	75,700	75,750	17,033	14,242	17,923	15,452
69,750	69,800	15,248	12,635	16,138	13,845	72,750	72,800	16,148	13,445	17,038	14,655	75,750	75,800	17,048	14,255	17,938	15,465
69,800	69,850	15,263	12,649	16,153	13,859	72,800	72,850	16,163	13,459	17,053	14,669	75,800	75,850	17,063	14,269	17,953	15,479
69,850	69,900	15,278	12,662	16,168	13,872	72,850	72,900	16,178	13,472	17,068	14,682	75,850	75,900	17,078	14,282	17,968	15,492
69,900	69,950	15,293	12,676	16,183	13,886	72,900	72,950	16,193	13,486	17,083	14,696	75,900	75,950	17,093	14,296	17,983	15,506
69,950	70,000	15,308	12,689	16,198	13,899	72,950	73,000	16,208	13,499	17,098	14,709	75,950	76,000	17,108	14,309	17,998	15,519
70,000						73,000						76,000					
70,000	70,050	15,323	12,703	16,213	13,913	73,000	73,050	16,223	13,513	17,113	14,723	76,000	76,050	17,123	14,323	18,013	15,533
70,050	70,100	15,338	12,716	16,228	13,926	73,050	73,100	16,238	13,526	17,128	14,736	76,050	76,100	17,138	14,336	18,028	15,546
70,100	70,150	15,353	12,730	16,243	13,940	73,100	73,150	16,253	13,540	17,143	14,750	76,100	76,150	17,153	14,350	18,043	15,560
70,150	70,200	15,368	12,743	16,258	13,953	73,150	73,200	16,268	13,553	17,158	14,763	76,150	76,200	17,168	14,363	18,058	15,573
70,200	70,250	15,383	12,757	16,273	13,967	73,200	73,250	16,283	13,567	17,173	14,777	76,200	76,250	17,183	14,377	18,073	15,587
70,250	70,300	15,398	12,770	16,288	13,980	73,250	73,300	16,298	13,580	17,188	14,790	76,250	76,300	17,198	14,390	18,088	15,600
70,300	70,350	15,413	12,784	16,303	13,994	73,300	73,350	16,313	13,594	17,203	14,804	76,300	76,350	17,213	14,404	18,103	15,614
70,350	70,400	15,428	12,797	16,318	14,007	73,350	73,400	16,328	13,607	17,218	14,817	76,350	76,400	17,228	14,417	18,118	15,627
70,400	70,450	15,443	12,811	16,333	14,021	73,400	73,450	16,343	13,621	17,233	14,831	76,400	76,450	17,243	14,431	18,133	15,641
70,450	70,500	15,458	12,824	16,348	14,034	73,450	73,500	16,358	13,634	17,248	14,844	76,450	76,500	17,258	14,444	18,148	15,654
70,500	70,550	15,473	12,838	16,363	14,048	73,500	73,550	16,373	13,648	17,263	14,858	76,500	76,550	17,273	14,458	18,163	15,668
70,550	70,600	15,488	12,851	16,378	14,061	73,550	73,600	16,388	13,661	17,278	14,871	76,550	76,600	17,288	14,471	18,178	15,681
70,600	70,650	15,503	12,865	16,393	14,075	73,600	73,650	16,403	13,675	17,293	14,885	76,600	76,650	17,303	14,485	18,193	15,695
70,650	70,700	15,518	12,878	16,408	14,088	73,650	73,700	16,418	13,688	17,308	14,898	76,650	76,700	17,318	14,498	18,208	15,708
70,700	70,750	15,533	12,892	16,423	14,102	73,700	73,750	16,433	13,702	17,323	14,912	76,700	76,750	17,333	14,512	18,223	15,722
70,750	70,800	15,548	12,905	16,438	14,115	73,750	73,800	16,448	13,715	17,338	14,925	76,750	76,800	17,348	14,525	18,238	15,735
70,800	70,850	15,563															

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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—			
77,000						80,000						83,000					
77,000	77,050	17,423	14,593	18,313	15,803	80,000	80,050	18,323	15,403	19,213	16,613	83,000	83,050	19,223	16,213	20,113	17,423
77,050	77,100	17,438	14,606	18,328	15,816	80,050	80,100	18,338	15,416	19,228	16,626	83,050	83,100	19,238	16,226	20,128	17,436
77,100	77,150	17,453	14,620	18,343	15,830	80,100	80,150	18,353	15,430	19,243	16,640	83,100	83,150	19,253	16,240	20,143	17,450
77,150	77,200	17,468	14,633	18,358	15,843	80,150	80,200	18,368	15,443	19,258	16,653	83,150	83,200	19,268	16,253	20,158	17,463
77,200	77,250	17,483	14,647	18,373	15,857	80,200	80,250	18,383	15,457	19,273	16,667	83,200	83,250	19,283	16,267	20,173	17,477
77,250	77,300	17,498	14,660	18,388	15,870	80,250	80,300	18,398	15,470	19,288	16,680	83,250	83,300	19,298	16,280	20,188	17,490
77,300	77,350	17,513	14,674	18,403	15,884	80,300	80,350	18,413	15,484	19,303	16,694	83,300	83,350	19,313	16,294	20,203	17,504
77,350	77,400	17,528	14,687	18,418	15,897	80,350	80,400	18,428	15,497	19,318	16,707	83,350	83,400	19,328	16,307	20,218	17,517
77,400	77,450	17,543	14,701	18,433	15,911	80,400	80,450	18,443	15,511	19,333	16,721	83,400	83,450	19,343	16,321	20,233	17,531
77,450	77,500	17,558	14,714	18,448	15,924	80,450	80,500	18,458	15,524	19,348	16,734	83,450	83,500	19,358	16,334	20,248	17,544
77,500	77,550	17,573	14,728	18,463	15,938	80,500	80,550	18,473	15,538	19,363	16,748	83,500	83,550	19,373	16,348	20,263	17,558
77,550	77,600	17,588	14,741	18,478	15,951	80,550	80,600	18,488	15,551	19,378	16,761	83,550	83,600	19,388	16,361	20,278	17,571
77,600	77,650	17,603	14,755	18,493	15,965	80,600	80,650	18,503	15,565	19,393	16,775	83,600	83,650	19,403	16,375	20,293	17,585
77,650	77,700	17,618	14,768	18,508	15,978	80,650	80,700	18,518	15,578	19,408	16,788	83,650	83,700	19,418	16,388	20,308	17,598
77,700	77,750	17,633	14,782	18,523	15,992	80,700	80,750	18,533	15,592	19,423	16,802	83,700	83,750	19,433	16,402	20,323	17,612
77,750	77,800	17,648	14,795	18,538	16,005	80,750	80,800	18,548	15,605	19,438	16,815	83,750	83,800	19,448	16,415	20,338	17,625
77,800	77,850	17,663	14,809	18,553	16,019	80,800	80,850	18,563	15,619	19,453	16,829	83,800	83,850	19,463	16,429	20,353	17,639
77,850	77,900	17,678	14,822	18,568	16,032	80,850	80,900	18,578	15,632	19,468	16,842	83,850	83,900	19,478	16,442	20,368	17,652
77,900	77,950	17,693	14,836	18,583	16,046	80,900	80,950	18,593	15,646	19,483	16,856	83,900	83,950	19,493	16,456	20,383	17,666
77,950	78,000	17,708	14,849	18,598	16,059	80,950	81,000	18,608	15,659	19,498	16,869	83,950	84,000	19,508	16,469	20,398	17,679
78,000						81,000						84,000					
78,000	78,050	17,723	14,863	18,613	16,073	81,000	81,050	18,623	15,673	19,513	16,883	84,000	84,050	19,523	16,483	20,413	17,693
78,050	78,100	17,738	14,876	18,628	16,086	81,050	81,100	18,638	15,686	19,528	16,896	84,050	84,100	19,538	16,496	20,428	17,706
78,100	78,150	17,753	14,890	18,643	16,100	81,100	81,150	18,653	15,700	19,543	16,910	84,100	84,150	19,553	16,510	20,443	17,720
78,150	78,200	17,768	14,903	18,658	16,113	81,150	81,200	18,668	15,713	19,558	16,923	84,150	84,200	19,568	16,523	20,458	17,733
78,200	78,250	17,783	14,917	18,673	16,127	81,200	81,250	18,683	15,727	19,573	16,937	84,200	84,250	19,583	16,537	20,473	17,747
78,250	78,300	17,798	14,930	18,688	16,140	81,250	81,300	18,698	15,740	19,588	16,950	84,250	84,300	19,598	16,550	20,488	17,760
78,300	78,350	17,813	14,944	18,703	16,154	81,300	81,350	18,713	15,754	19,603	16,964	84,300	84,350	19,613	16,564	20,503	17,774
78,350	78,400	17,828	14,957	18,718	16,167	81,350	81,400	18,728	15,767	19,618	16,977	84,350	84,400	19,628	16,577	20,518	17,787
78,400	78,450	17,843	14,971	18,733	16,181	81,400	81,450	18,743	15,781	19,633	16,991	84,400	84,450	19,643	16,591	20,533	17,801
78,450	78,500	17,858	14,984	18,748	16,194	81,450	81,500	18,758	15,794	19,648	17,004	84,450	84,500	19,658	16,604	20,548	17,814
78,500	78,550	17,873	14,998	18,763	16,208	81,500	81,550	18,773	15,808	19,663	17,018	84,500	84,550	19,673	16,618	20,563	17,828
78,550	78,600	17,888	15,011	18,778	16,221	81,550	81,600	18,788	15,821	19,678	17,031	84,550	84,600	19,688	16,631	20,578	17,841
78,600	78,650	17,903	15,025	18,793	16,235	81,600	81,650	18,803	15,835	19,693	17,045	84,600	84,650	19,703	16,645	20,593	17,855
78,650	78,700	17,918	15,038	18,808	16,248	81,650	81,700	18,818	15,848	19,708	17,058	84,650	84,700	19,718	16,658	20,608	17,868
78,700	78,750	17,933	15,052	18,823	16,262	81,700	81,750	18,833	15,862	19,723	17,072	84,700	84,750	19,733	16,672	20,623	17,882
78,750	78,800	17,948	15,065	18,838	16,275	81,750	81,800	18,848	15,875	19,738	17,085	84,750	84,800	19,748	16,685	20,638	17,895
78,800	78,850	17,963	15,079	18,853	16,289	81,800	81,850	18,863	15,889	19,753	17,099	84,800	84,850	19,763	16,699	20,653	17,909
78,850	78,900	17,978	15,092	18,868	16,302	81,850	81,900	18,878	15,902	19,768	17,112	84,850	84,900	19,778	16,712	20,668	17,922
78,900	78,950	17,993	15,106	18,883	16,316	81,900	81,950	18,893	15,916	19,783	17,126	84,900	84,950	19,793	16,726	20,683	17,936
78,950	79,000	18,008	15,119	18,898	16,329	81,950	82,000	18,908	15,929	19,798	17,139	84,950	85,000	19,808	16,739	20,698	17,949
79,000						82,000						85,000					
79,000	79,050	18,023	15,133	18,913	16,343	82,000	82,050	18,923	15,943	19,813	17,153	85,000	85,050	19,823	16,753	20,713	17,963
79,050	79,100	18,038	15,146	18,928	16,356	82,050	82,100	18,938	15,956	19,828	17,166	85,050	85,100	19,838	16,766	20,728	17,976
79,100	79,150	18,053	15,160	18,943	16,370	82,100	82,150	18,953	15,970	19,843	17,180	85,100	85,150	19,853	16,780	20,743	17,990
79,150	79,200	18,068	15,173	18,958	16,383	82,150	82,200	18,968	15,983	19,858	17,193	85,150	85,200	19,868	16,793	20,758	18,003
79,200	79,250	18,083	15,187	18,973	16,397	82,200	82,250	18,983	15,997	19,873	17,207	85,200	85,250	19,883	16,807	20,773	18,017
79,250	79,300	18,098	15,200	18,988	16,410	82,250	82,300	18,998	16,010	19,888	17,220	85,250	85,300	19,898	16,820	20,788	18,030
79,300	79,350	18,113	15,214	19,003	16,424	82,300	82,350	19,013	16,024	19,903	17,234	85,300	85,350	19,913	16,834	20,803	18,044
79,350	79,400	18,128	15,227	19,018	16,437	82,350	82,400	19,028	16,037	19,918	17,247	85,350	85,400	19,928	16,847	20,818	18,057
79,400	79,450	18,143	15,241	19,033	16,451	82,400	82,450	19,043	16,051	19,933	17,261	85,400	85,450	19,943	16,861	20,833	18,071
79,450	79,500	18,158	15,254	19,048	16,464	82,450	82,500	19,058	16,064	19,948	17,274	85,450	85,500	19,958	16,874	20,848	18,084
79,500	79,550	18,173	15,268	19,063	16,478	82,500	82,550	19,073	16,078	19,963	17,288	85,500	85,550	19,973	16,888	20,863	18,098
79,550	79,600	18,188	15,281	19,078	16,491	82,550	82,600	19,088	16,091	19,978	17,301	85,550	85,600	19,988	16,901	20,878	18,111
79,600	79,650	18,203	15,295	19,093	16,505	82,600											

If line 41 (taxable income) is—		And you are—				If line 41 (taxable income) is—		And you are—				If line 41 (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—			
86,000						89,000						92,000					
86,000	86,050	20,123	17,023	21,015	18,233	89,000	89,050	21,023	17,833	22,065	19,043	92,000	92,050	21,923	18,643	23,115	19,853
86,050	86,100	20,138	17,036	21,033	18,246	89,050	89,100	21,038	17,846	22,083	19,056	92,050	92,100	21,938	18,656	23,133	19,866
86,100	86,150	20,153	17,050	21,050	18,260	89,100	89,150	21,053	17,860	22,100	19,070	92,100	92,150	21,953	18,670	23,150	19,880
86,150	86,200	20,168	17,063	21,068	18,273	89,150	89,200	21,068	17,873	22,118	19,083	92,150	92,200	21,968	18,683	23,168	19,893
86,200	86,250	20,183	17,077	21,085	18,287	89,200	89,250	21,083	17,887	22,135	19,097	92,200	92,250	21,983	18,697	23,185	19,907
86,250	86,300	20,198	17,090	21,103	18,300	89,250	89,300	21,098	17,900	22,153	19,110	92,250	92,300	21,998	18,710	23,203	19,920
86,300	86,350	20,213	17,104	21,120	18,314	89,300	89,350	21,113	17,914	22,170	19,124	92,300	92,350	22,013	18,724	23,220	19,934
86,350	86,400	20,228	17,117	21,138	18,327	89,350	89,400	21,128	17,927	22,188	19,137	92,350	92,400	22,028	18,737	23,238	19,947
86,400	86,450	20,243	17,131	21,155	18,341	89,400	89,450	21,143	17,941	22,205	19,151	92,400	92,450	22,043	18,751	23,255	19,961
86,450	86,500	20,258	17,144	21,173	18,354	89,450	89,500	21,158	17,954	22,223	19,164	92,450	92,500	22,058	18,764	23,273	19,974
86,500	86,550	20,273	17,158	21,190	18,368	89,500	89,550	21,173	17,968	22,240	19,178	92,500	92,550	22,073	18,778	23,290	19,988
86,550	86,600	20,288	17,171	21,208	18,381	89,550	89,600	21,188	17,981	22,258	19,191	92,550	92,600	22,088	18,791	23,308	20,001
86,600	86,650	20,303	17,185	21,225	18,395	89,600	89,650	21,203	17,995	22,275	19,205	92,600	92,650	22,103	18,805	23,325	20,015
86,650	86,700	20,318	17,198	21,243	18,408	89,650	89,700	21,218	18,008	22,293	19,218	92,650	92,700	22,118	18,818	23,343	20,028
86,700	86,750	20,333	17,212	21,260	18,422	89,700	89,750	21,233	18,022	22,310	19,232	92,700	92,750	22,133	18,832	23,360	20,042
86,750	86,800	20,348	17,225	21,278	18,435	89,750	89,800	21,248	18,035	22,328	19,245	92,750	92,800	22,148	18,845	23,378	20,055
86,800	86,850	20,363	17,239	21,295	18,449	89,800	89,850	21,263	18,049	22,345	19,259	92,800	92,850	22,163	18,859	23,395	20,069
86,850	86,900	20,378	17,252	21,313	18,462	89,850	89,900	21,278	18,062	22,363	19,272	92,850	92,900	22,178	18,872	23,413	20,082
86,900	86,950	20,393	17,266	21,330	18,476	89,900	89,950	21,293	18,076	22,380	19,286	92,900	92,950	22,193	18,886	23,430	20,096
86,950	87,000	20,408	17,279	21,348	18,489	89,950	90,000	21,308	18,089	22,398	19,299	92,950	93,000	22,208	18,899	23,448	20,109
87,000						90,000						93,000					
87,000	87,050	20,423	17,293	21,365	18,503	90,000	90,050	21,323	18,103	22,415	19,313	93,000	93,050	22,223	18,913	23,465	20,123
87,050	87,100	20,438	17,306	21,383	18,516	90,050	90,100	21,338	18,116	22,433	19,326	93,050	93,100	22,238	18,926	23,483	20,136
87,100	87,150	20,453	17,320	21,400	18,530	90,100	90,150	21,353	18,130	22,450	19,340	93,100	93,150	22,253	18,940	23,500	20,150
87,150	87,200	20,468	17,333	21,418	18,543	90,150	90,200	21,368	18,143	22,468	19,353	93,150	93,200	22,268	18,953	23,518	20,163
87,200	87,250	20,483	17,347	21,435	18,557	90,200	90,250	21,383	18,157	22,485	19,367	93,200	93,250	22,283	18,967	23,535	20,177
87,250	87,300	20,498	17,360	21,453	18,570	90,250	90,300	21,398	18,170	22,503	19,380	93,250	93,300	22,298	18,980	23,553	20,190
87,300	87,350	20,513	17,374	21,470	18,584	90,300	90,350	21,413	18,184	22,520	19,394	93,300	93,350	22,313	18,994	23,570	20,204
87,350	87,400	20,528	17,387	21,488	18,597	90,350	90,400	21,428	18,197	22,538	19,407	93,350	93,400	22,328	19,007	23,588	20,217
87,400	87,450	20,543	17,401	21,505	18,611	90,400	90,450	21,443	18,211	22,555	19,421	93,400	93,450	22,343	19,021	23,605	20,231
87,450	87,500	20,558	17,414	21,523	18,624	90,450	90,500	21,458	18,224	22,573	19,434	93,450	93,500	22,358	19,034	23,623	20,244
87,500	87,550	20,573	17,428	21,540	18,638	90,500	90,550	21,473	18,238	22,590	19,448	93,500	93,550	22,373	19,048	23,640	20,258
87,550	87,600	20,588	17,441	21,558	18,651	90,550	90,600	21,488	18,251	22,608	19,461	93,550	93,600	22,388	19,061	23,658	20,271
87,600	87,650	20,603	17,455	21,575	18,665	90,600	90,650	21,503	18,265	22,625	19,475	93,600	93,650	22,403	19,075	23,675	20,285
87,650	87,700	20,618	17,468	21,593	18,678	90,650	90,700	21,518	18,278	22,643	19,488	93,650	93,700	22,418	19,088	23,693	20,298
87,700	87,750	20,633	17,482	21,610	18,692	90,700	90,750	21,533	18,292	22,660	19,502	93,700	93,750	22,433	19,102	23,710	20,312
87,750	87,800	20,648	17,495	21,628	18,705	90,750	90,800	21,548	18,305	22,678	19,515	93,750	93,800	22,448	19,115	23,728	20,325
87,800	87,850	20,663	17,509	21,645	18,719	90,800	90,850	21,563	18,319	22,695	19,529	93,800	93,850	22,463	19,129	23,745	20,339
87,850	87,900	20,678	17,522	21,663	18,732	90,850	90,900	21,578	18,332	22,713	19,542	93,850	93,900	22,478	19,142	23,763	20,352
87,900	87,950	20,693	17,536	21,680	18,746	90,900	90,950	21,593	18,346	22,730	19,556	93,900	93,950	22,493	19,156	23,780	20,366
87,950	88,000	20,708	17,549	21,698	18,759	90,950	91,000	21,608	18,359	22,748	19,569	93,950	94,000	22,508	19,169	23,798	20,379
88,000						91,000						94,000					
88,000	88,050	20,723	17,563	21,715	18,773	91,000	91,050	21,623	18,373	22,765	19,583	94,000	94,050	22,523	19,183	23,815	20,393
88,050	88,100	20,738	17,576	21,733	18,786	91,050	91,100	21,638	18,386	22,783	19,596	94,050	94,100	22,538	19,196	23,833	20,406
88,100	88,150	20,753	17,590	21,750	18,800	91,100	91,150	21,653	18,400	22,800	19,610	94,100	94,150	22,553	19,210	23,850	20,420
88,150	88,200	20,768	17,603	21,768	18,813	91,150	91,200	21,668	18,413	22,818	19,623	94,150	94,200	22,568	19,223	23,868	20,433
88,200	88,250	20,783	17,617	21,785	18,827	91,200	91,250	21,683	18,427	22,835	19,637	94,200	94,250	22,583	19,237	23,885	20,447
88,250	88,300	20,798	17,630	21,803	18,840	91,250	91,300	21,698	18,440	22,853	19,650	94,250	94,300	22,598	19,250	23,903	20,460
88,300	88,350	20,813	17,644	21,820	18,854	91,300	91,350	21,713	18,454	22,870	19,664	94,300	94,350	22,613	19,264	23,920	20,474
88,350	88,400	20,828	17,657	21,838	18,867	91,350	91,400	21,728	18,467	22,888	19,677	94,350	94,400	22,628	19,277	23,938	20,487
88,400	88,450	20,843	17,671	21,855	18,881	91,400	91,450	21,743	18,481	22,905	19,691	94,400	94,450	22,643	19,291	23,955	20,501
88,450	88,500	20,858	17,684	21,873	18,894	91,450	91,500	21,758	18,494	22,923	19,704	94,450	94,500	22,658	19,304	23,973	20,514
88,500	88,550	20,873	17,698	21,890	18,908	91,500	91,550	21,773	18,508	22,940	19,718	94,500	94,550	22,673	19,318	23,990	20,528
88,550	88,600	20,888	17,711	21,908	18,921	91,550	91,600	21,788	18,521	22,958	19,731	94,550	94,600	22,688	19,331	24,008	20,541
88,600	88,650	20,903	17,725	21,925	18,935	91,600											

2002 Tax Table—Continued

If line 41 (taxable income) is—		And you are—				If line 41 (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	22,823	19,453	24,165	20,663	98,000	98,050	23,723	20,263	25,215	21,513
95,050	95,100	22,838	19,466	24,183	20,676	98,050	98,100	23,738	20,276	25,233	21,528
95,100	95,150	22,853	19,480	24,200	20,690	98,100	98,150	23,753	20,290	25,250	21,543
95,150	95,200	22,868	19,493	24,218	20,703	98,150	98,200	23,768	20,303	25,268	21,558
95,200	95,250	22,883	19,507	24,235	20,717	98,200	98,250	23,783	20,317	25,285	21,573
95,250	95,300	22,898	19,520	24,253	20,730	98,250	98,300	23,798	20,330	25,303	21,588
95,300	95,350	22,913	19,534	24,270	20,744	98,300	98,350	23,813	20,344	25,320	21,603
95,350	95,400	22,928	19,547	24,288	20,757	98,350	98,400	23,828	20,357	25,338	21,618
95,400	95,450	22,943	19,561	24,305	20,771	98,400	98,450	23,843	20,371	25,355	21,633
95,450	95,500	22,958	19,574	24,323	20,784	98,450	98,500	23,858	20,384	25,373	21,648
95,500	95,550	22,973	19,588	24,340	20,798	98,500	98,550	23,873	20,398	25,390	21,663
95,550	95,600	22,988	19,601	24,358	20,811	98,550	98,600	23,888	20,411	25,408	21,678
95,600	95,650	23,003	19,615	24,375	20,825	98,600	98,650	23,903	20,425	25,425	21,693
95,650	95,700	23,018	19,628	24,393	20,838	98,650	98,700	23,918	20,438	25,443	21,708
95,700	95,750	23,033	19,642	24,410	20,852	98,700	98,750	23,933	20,452	25,460	21,723
95,750	95,800	23,048	19,655	24,428	20,865	98,750	98,800	23,948	20,465	25,478	21,738
95,800	95,850	23,063	19,669	24,445	20,879	98,800	98,850	23,963	20,479	25,495	21,753
95,850	95,900	23,078	19,682	24,463	20,892	98,850	98,900	23,978	20,492	25,513	21,768
95,900	95,950	23,093	19,696	24,480	20,906	98,900	98,950	23,993	20,506	25,530	21,783
95,950	96,000	23,108	19,709	24,498	20,919	98,950	99,000	24,008	20,519	25,548	21,798
96,000						99,000					
96,000	96,050	23,123	19,723	24,515	20,933	99,000	99,050	24,023	20,533	25,565	21,813
96,050	96,100	23,138	19,736	24,533	20,946	99,050	99,100	24,038	20,546	25,583	21,828
96,100	96,150	23,153	19,750	24,550	20,960	99,100	99,150	24,053	20,560	25,600	21,843
96,150	96,200	23,168	19,763	24,568	20,973	99,150	99,200	24,068	20,573	25,618	21,858
96,200	96,250	23,183	19,777	24,585	20,987	99,200	99,250	24,083	20,587	25,635	21,873
96,250	96,300	23,198	19,790	24,603	21,000	99,250	99,300	24,098	20,600	25,653	21,888
96,300	96,350	23,213	19,804	24,620	21,014	99,300	99,350	24,113	20,614	25,670	21,903
96,350	96,400	23,228	19,817	24,638	21,027	99,350	99,400	24,128	20,627	25,688	21,918
96,400	96,450	23,243	19,831	24,655	21,041	99,400	99,450	24,143	20,641	25,705	21,933
96,450	96,500	23,258	19,844	24,673	21,054	99,450	99,500	24,158	20,654	25,723	21,948
96,500	96,550	23,273	19,858	24,690	21,068	99,500	99,550	24,173	20,668	25,740	21,963
96,550	96,600	23,288	19,871	24,708	21,081	99,550	99,600	24,188	20,681	25,758	21,978
96,600	96,650	23,303	19,885	24,725	21,095	99,600	99,650	24,203	20,695	25,775	21,993
96,650	96,700	23,318	19,898	24,743	21,108	99,650	99,700	24,218	20,708	25,793	22,008
96,700	96,750	23,333	19,912	24,760	21,123	99,700	99,750	24,233	20,722	25,810	22,023
96,750	96,800	23,348	19,925	24,778	21,138	99,750	99,800	24,248	20,735	25,828	22,038
96,800	96,850	23,363	19,939	24,795	21,153	99,800	99,850	24,263	20,749	25,845	22,053
96,850	96,900	23,378	19,952	24,813	21,168	99,850	99,900	24,278	20,762	25,863	22,068
96,900	96,950	23,393	19,966	24,830	21,183	99,900	99,950	24,293	20,776	25,880	22,083
96,950	97,000	23,408	19,979	24,848	21,198	99,950	100,000	24,308	20,789	25,898	22,098
97,000						<div style="border: 1px solid black; border-radius: 50%; padding: 20px; text-align: center;"> <p>\$100,000 or over — use the Tax Rate Schedules on page 75</p> </div>					
97,000	97,050	23,423	19,993	24,865	21,213						
97,050	97,100	23,438	20,006	24,883	21,228						
97,100	97,150	23,453	20,020	24,900	21,243						
97,150	97,200	23,468	20,033	24,918	21,258						
97,200	97,250	23,483	20,047	24,935	21,273						
97,250	97,300	23,498	20,060	24,953	21,288						
97,300	97,350	23,513	20,074	24,970	21,303						
97,350	97,400	23,528	20,087	24,988	21,318						
97,400	97,450	23,543	20,101	25,005	21,333						
97,450	97,500	23,558	20,114	25,023	21,348						
97,500	97,550	23,573	20,128	25,040	21,363						
97,550	97,600	23,588	20,141	25,058	21,378						
97,600	97,650	23,603	20,155	25,075	21,393						
97,650	97,700	23,618	20,168	25,093	21,408						
97,700	97,750	23,633	20,182	25,110	21,423						
97,750	97,800	23,648	20,195	25,128	21,438						
97,800	97,850	23,663	20,209	25,145	21,453						
97,850	97,900	23,678	20,222	25,163	21,468						
97,900	97,950	23,693	20,236	25,180	21,483						
97,950	98,000	23,708	20,249	25,198	21,498						

* This column must also be used by a qualifying widow(er).

2002 Tax Rate Schedules



Use **only** if your taxable income (Form 1040, line 41) 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 41, is: Over—	But not over—	Enter on Form 1040, line 42	of the amount over—
\$0	\$6,000	----- 10%	\$0
6,000	27,950	\$600.00 + 15%	6,000
27,950	67,700	3,892.50 + 27%	27,950
67,700	141,250	14,625.00 + 30%	67,700
141,250	307,050	36,690.00 + 35%	141,250
307,050	-----	94,720.00 + 38.6%	307,050

Schedule Y-1—Use if your filing status is **Married filing jointly** or **Qualifying widow(er)**

If the amount on Form 1040, line 41, is: Over—	But not over—	Enter on Form 1040, line 42	of the amount over—
\$0	\$12,000	----- 10%	\$0
12,000	46,700	\$1,200.00 + 15%	12,000
46,700	112,850	6,405.00 + 27%	46,700
112,850	171,950	24,265.50 + 30%	112,850
171,950	307,050	41,995.50 + 35%	171,950
307,050	-----	89,280.50 + 38.6%	307,050

Schedule Y-2—Use if your filing status is **Married filing separately**

If the amount on Form 1040, line 41, is: Over—	But not over—	Enter on Form 1040, line 42	of the amount over—
\$0	\$6,000	----- 10%	\$0
6,000	23,350	\$600.00 + 15%	6,000
23,350	56,425	3,202.50 + 27%	23,350
56,425	85,975	12,132.75 + 30%	56,425
85,975	153,525	20,997.75 + 35%	85,975
153,525	-----	44,640.25 + 38.6%	153,525

Schedule Z—Use if your filing status is **Head of household**

If the amount on Form 1040, line 41, is: Over—	But not over—	Enter on Form 1040, line 42	of the amount over—
\$0	\$10,000	----- 10%	\$0
10,000	37,450	\$1,000.00 + 15%	10,000
37,450	96,700	5,117.50 + 27%	37,450
96,700	156,600	21,115.00 + 30%	96,700
156,600	307,050	39,085.00 + 35%	156,600
307,050	-----	91,742.50 + 38.6%	307,050

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 the third-party designee. 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 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. We may also disclose this information to other countries under a tax treaty, or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

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 Web Site (www.irs.gov/help) and click on **Help Comments, and Feedback**) 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., 46 min.	3 hr., 45 min.	6 hr., 5 min.	34 min.	13 hr., 10 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., 4 min.	1 hr., 41 min.	2 hr., 19 min.	31 min.	10 hr., 35 min.
Sch. C-EZ	45 min.	3 min.	35 min.	20 min.	1 hr., 43 min.
Sch. D	1 hr., 29 min.	2 hr., 54 min.	2 hr., 38 min.	34 min.	7 hr., 35 min.
Sch. D-1	13 min.	1 min.	11 min.	34 min.	59 min.
Sch. E	3 hr.	1 hr., 6 min.	1 hr., 24 min.	34 min.	6 hr., 4 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.	12 min.	1 hr., 56 min.	20 min.	2 hr., 47 min.
Sch. R	19 min.	15 min.	29 min.	34 min.	1 hr., 37 min.
Sch. SE:					
Short	13 min.	14 min.	13 min.	13 min.	53 min.
Long	26 min.	20 min.	35 min.	20 min.	1 hr., 41 min.

Instructions for Schedules to Form 1040

2002 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 Form 1040, or Schedule C, C-EZ, E, or F.

Changes To Note

Medical and Dental Expenses. If you are claiming the health insurance credit for eligible recipients (see page 16 of the Form 1040 instructions), you need to complete **Form 8885** to figure the amount to enter on Schedule A, line 1.

Unreimbursed Employee Business Expenses. Do not include on Schedule A, line 20, any deduction for educator expenses you are claiming on Form 1040, line 23, or any tuition and fees deduction on Form 1040, line 26.

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 36.

Pub. 502 discusses the types of expenses that you may and may not deduct. It also explains when you may deduct capital expenses and special care expenses for disabled persons.



If you received a distribution from an MSA in 2002, 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 30. Also reduce the insurance premiums by any amount used to figure the health insurance

credit for eligible recipients on Form 8885, line 11.



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.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- 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.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- 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 defective vision, such as laser eye surgery or radial keratotomy.
- 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, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. **Do not** deduct 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 **13 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 2002, of the person for whom the premiums were paid. See the following chart for details.

IF the person was, at the end of 2002, age . . .	THEN the most you may deduct is . . .
40 or under	\$ 240
41-50	\$ 450
51-60	\$ 900
61-70	\$ 2,390
71 or older	\$ 2,990

Examples of Medical and Dental Payments You May Not Deduct

- The basic cost of Medicare insurance (Medicare A).

(Continued on page A-2)



If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

- The cost of diet food.
- 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 46.
- 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 30, reduce the premiums by the amount on line 30. Also, if you are claiming the health insurance credit for eligible recipients, reduce the premiums by the amount on line 11 of Form 8885.

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 \$3,000 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 \$3,000 in 2002. You may include on line 1 any medical and dental expenses you paid in 2002 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 2002 for medical or dental expenses you paid in 2002, reduce your 2002 expenses by this amount. If you received a reimbursement in 2002 for prior year medical or dental expenses, do not reduce your 2002 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 2002. 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 2002 for a prior year, such as taxes paid with your 2001 state or local income tax return. **Do not** include penalties or interest.

- State and local estimated tax payments made during 2002, including any part of a prior year refund that you chose to have credited to your 2002 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 2002 or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 2002. 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 uniformly 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 2002.

If you sold your home in 2002, 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** on page A-3. 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 2002 of real estate taxes you paid in 2002, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2002 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. See **Recoveries** in **Pub. 525** for details on 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 45, 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 2002 that applies to any period after 2002, you may deduct only amounts that apply for 2002.

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 2002. 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 2002. 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" to the right of line 10.

Note. If you are claiming the **mortgage interest credit** (see the instructions for Form 1040, line 52), 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 jointly) 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. To the right of 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.

(Continued on page A-4)

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 2001.

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, mosques, synagogues, temples, etc.

- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, 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.

To verify an organization's charitable status, you can:

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.

- See **Pub. 78** for a list of most qualified organizations.

- Call our **Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500**. Assistance is available Monday through Friday from 8:00 a.m. to 6:30 p.m. EST.

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** below.

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 36.

- Your gifts of capital gain property are more than 20% of the amount on **Form 1040**, line 36.

- You gave gifts of property that increased in value or gave gifts of the use of property.

Contributions You May Not Deduct

- 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. But you may be able to deduct these expenses on line 27. See page A-6 for details.

- Cost of tuition. But you may be able to:

1. Deduct this expense on line 20 (see page A-5) or

2. Take a credit for this expense. See **Form 8863** for details.

- 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. For more details on determining the value of donated property, see **Pub. 561**.

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.
- 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 36.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See Form 4684 and its instructions 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 adoption expenses. See **Form 8839** for details.

- Fines and penalties.
- Expenses of producing tax-exempt income.

Line 20

Unreimbursed Employee Expenses

Enter the total ordinary and necessary 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.)

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

But you **must** fill in and attach **Form 2106** if **either 1 or 2** next applies.

1. You claim any travel, transportation, meal, or entertainment expenses for your job.
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.



Do not include on line 20 any educator expenses you deducted on Form 1040, line 23.

Examples of other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- 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 13 of the Form 1040 instructions) or see **Pub. 587**.

- Certain educational expenses. For details, use TeleTax topic 513 (see page 13 of the Form 1040 instructions) or see **Pub. 508**. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 26.



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. If you paid your tax by credit card, **do not** include the convenience fee you were charged.

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.
- 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 of 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 state-

ment 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 of 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 36, is over \$137,300 (\$68,650 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"/>
<div data-bbox="185 1381 279 1476" data-label="Image"> </div> <div data-bbox="292 1400 1239 1457" data-label="Text"> <p>Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 27.</p> </div>		
3. Is the amount on line 2 less than the amount on line 1?	3.	<input type="text"/>
<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		
4. Multiply line 3 above by 80% (.80)	4.	<input type="text"/>
5. Enter the amount from Form 1040, line 36	5.	<input type="text"/>
6. Enter: \$137,300 (\$68,650 if married filing separately)	6.	<input type="text"/>
7. Is the amount on line 6 less than the amount on line 5?	7.	<input type="text"/>
<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"/>

2002 Instructions for Schedule B, Interest and Ordinary Dividends

Use Schedule B (Form 1040) if **any** of the following apply.

- You had over \$1,500 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 \$1,500 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You **(a)** had a foreign account or **(b)** 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 Change To Note

The filing requirements for Schedule B have changed. For 2002, you are required to file Schedule B only if your total taxable interest or ordinary dividends is more than \$1,500 (or any of the other conditions listed above apply to you).

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 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 2002, 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 2002, you were an officer or director of a foreign corporation. You may also have to file **Form 5471** if, in 2002, you owned 10% or more of the total **(a)** value of a foreign corporation's stock or **(b)** 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.

(Continued on page B-2)



Do not report capital gain distributions on line 5. Instead, see the instructions for Form 1040, line 13.

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** next applies.

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). You can get **Form TD F 90-22.1** by visiting the IRS Web Site at www.irs.gov/pub/irs-pdf/f9022-1.pdf.

If you checked the "Yes" box on line 7a, file **Form TD F 90-22.1** by June 30, 2003, 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 2002, you may have to file **Form 3520**.

2002 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 for details.

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.

Section references are to the Internal Revenue Code.

General Instructions Changes To Note

Revised Activity Codes. Some of the principal business or professional activity codes beginning on page C-7 have been revised and new codes have been added. Be sure to check the list before you enter your code on line B.

Tax Shelter Disclosure Statement. You must file a disclosure statement for each reportable tax shelter transaction in which you participated, directly or indirectly, if your Federal income tax liability was affected by the transaction. See **Tax Shelter Disclosure Statement** on this page for more details.

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 2002, to claim amortization that began in 2002, 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.

Husband-Wife Business. If you and your spouse jointly own and operate a business and share in the profits and losses, you are partners in a partnership, whether or not you have a formal partnership agreement. **Do not** use Schedule C or C-EZ. Instead, file **Form 1065**. See **Pub. 541** for more details.

Single-Member Limited Liability Company (LLC). Generally, a single-member domestic LLC is not treated as a separate entity for Federal income tax purposes. If you are the sole member of a domestic LLC, file Schedule C or C-EZ (or Schedule E or F, if applicable). However, you may elect to treat a domestic LLC as a corporation. See **Form 8832** for details on the election and the tax treatment of a foreign LLC.

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 the **Instructions for 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 2002 **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**.

Tax Shelter Disclosure Statement

For each reportable tax shelter transaction in which you participated, directly or indirectly, you must attach a **disclosure statement** to your return for each year that your Federal income tax liability is affected by your participation in the transaction. In addition, for the first tax year a disclosure statement is attached to your tax return, you must send a copy of the statement to the Internal Revenue Service, LM:PFTG:OTSA, Large & Mid-Size Busi-

ness Division, 1111 Constitution Ave., N.W., Washington, DC 20224. If a transaction becomes a reportable transaction after you file your return, you must attach the statement to the following year's return (whether or not your tax liability is affected for that year). You are considered to have indirectly participated if you know or have reason to know that the tax benefits claimed were derived from a reportable transaction.

Disclosure is required for a reportable transaction that is a listed transaction. A transaction is a listed transaction if it is the same as or substantially similar to a transaction that the IRS has determined to be a tax avoidance transaction and identified as a listed transaction in a notice, regulation, or other published guidance. See Notice 2001-51, 2001-34 I.R.B. 190, for transactions identified by the IRS as listed transactions. You can find Notice 2001-51 on page 190 of Internal Revenue Bulletin 2001-34 at www.irs.gov/pub/irs-irbs/irb01-34.pdf. The listed transactions in this notice will be updated in future published guidance.

See Temporary Regulations section 1.6011-4T for more details, including:

- Definitions of reportable transaction, listed transaction, and substantially similar.
- Form and content of the disclosure statement.
- Filing requirements for the disclosure statement.

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. Unless you are a qualifying taxpayer or a qualifying small business taxpayer, you must use the accrual method for sales and purchases of inventory items. See the Part III instructions on page C-6 for the definition of a qualifying taxpayer and a qualifying small business taxpayer. Special rules apply to long-term contracts. See 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. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See **Pub. 535**.

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, you generally 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.

Example. You change to the cash method of accounting and choose to account for inventoriable items in the same manner as materials and supplies that are not incidental. You accrued sales in 2001 for which you received payment in 2002. You must report those sales in both years as a result of changing your accounting method and must make a section 481(a) adjustment to prevent duplication of income.

A net negative section 481(a) adjustment is taken into account entirely in the year of the change. A net positive section 481(a) adjustment is generally taken into account over a period of 4 years. Include any net positive section 481(a) adjustments on line 6. If the net section 481(a) adjustment is negative, report it in Part V.

For details on figuring section 481(a) adjustments, see Rev. Proc. 2002-9, Rev. Proc. 2002-19, and Rev. Proc. 2002-54. You can find Rev. Proc. 2002-9 on page 327 of Internal Revenue Bulletin 2002-3 at www.irs.gov/pub/irs-irbs/irb02-03.pdf, Rev. Proc. 2002-19 on page 696 of Internal Revenue Bulletin 2002-13 at www.irs.gov/pub/irs-irbs/irb02-13.pdf, and Rev. Proc. 2002-54 on page 432 of Internal Revenue Bulletin 2002-35 at www.irs.gov/pub/irs-irbs/irb02-35.pdf.

Line G

If your business activity was not a rental activity **and** you met any of the material participation tests below **or** the exception for oil and gas applies (explained on page C-3), check the "Yes" box. Otherwise, check the "No" box. If you check the "No" box, this business is a passive activity. If you have a loss from this business, see **Limit on Losses** on page C-3. 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**.

Material Participation. Participation, for purposes of the seven material participation tests listed below, 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.

For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 2002 if you met 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).

Rental of Personal Property. A rental activity (such as long-term equipment leasing)

is a passive activity even if you materially participated in the activity. However, if you met any of the five exceptions listed under **Rental Activities** in the Instructions for Form 8582, the rental of the property is not treated as a rental activity and the material participation rules above apply.

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 2002, 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 2001 Schedule C or C-EZ for this business.

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes all income from whatever source derived. Gross income, however, does not include extraterritorial income that is qualifying foreign trade income. Use **Form 8873** to figure the extraterritorial income exclusion. Report it on Schedule C as explained in the Instructions for Form 8873.

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 13 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 section 453(1)(2)(B) for details. If you make this election, include the interest on Form 1040, line 61. Also, enter "453(1)(3)" and the amount of the interest on the dotted line to the left of line 61.

If you use the installment method, attach a schedule to your return. Show separately for 2002 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 2002, credit for Federal tax paid on gasoline or other fuels claimed on your 2001 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 page C-4) decreased to 50% or less in 2002, 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 Certain Producers. Producers who account for inventoriable items in the same manner as materials and supplies that are not incidental 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 2002 **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 36.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 10. **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).

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 elect under section 179 to expense part of the cost of certain property you bought in 2002 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 2002;
- 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 2002, 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 section 280A(c)(1) for deducting expenses for the business use of your home.

See the instructions for line 6 on page C-3 if the business use percentage of any listed property decreased to 50% or less in 2002.

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 30, 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 30, 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 receives 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.

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**.

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 2002 to banks or other financial institutions for which you received a **Form 1098** (or similar statement). 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, 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 and 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, include 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."

If you paid interest in 2002 that applies to future years, deduct only the part that applies to 2002.

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 31, 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 page C-5).

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 later	\$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 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 29.

- 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 on this page.

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. The standard meal allowance is the Federal M&IE rate. You can find these rates on the Internet at www.policyworks.gov/perdiem. Click on **2002 Domestic Per Diem Rates** for the period January 1, 2002–September 30, 2002 and on **2003 Domestic Per Diem Rates** for the period October 1, 2002–December 31, 2002. For locations outside the continental United States, the applicable rates are published monthly. You can find these rates on the Internet at www.state.gov/m/a/als/prdm/2002.

See **Pub. 463** for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel.

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 65% 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. 535** 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 and Renewal Community Employment Credit,
- **Form 8845**, Indian Employment Credit,
- **Form 8861**, Welfare-to-Work Credit, and
- **Form 8884**, New York Liberty Zone Business Employee 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, line 64, 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 nonrecourse 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 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 2002 because of the at-risk rules is treated as a deduction allocable to the business in 2003. 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 you are a qualifying taxpayer or a qualifying small business taxpayer, you may account for inventoriable items in the same manner as materials and supplies that are not incidental. To change your accounting method, see the instructions for line F on page C-2.

A **qualifying taxpayer** is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are \$1 million or less and (b) whose business is not a tax shelter (as defined in section 448(d)(3)).

A **qualifying small business taxpayer** is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are more than \$1 million but not more than \$10 million, (b) whose business is not a tax shelter (as defined in section 448(d)(3)), and (c) whose principal business activity is not an ineligible activity as explained in Rev. Proc. 2002-28, 2002-18 I.R.B. 815. You can find Rev. Proc. 2002-28 on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.

Under this accounting method, 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 (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method). Enter amounts paid for all raw materials and merchandise during 2002 on line 36. The amount you can deduct for 2002 is figured on line 42.

Additional information. For additional guidance on this method of accounting for inventoriable items, see Rev. Proc. 2001-10, 2001-2 I.R.B. 272 if you are a qualifying taxpayer or Rev. Proc. 2002-28 if you are a qualifying small business taxpayer. You can find Rev. Proc. 2001-10 on page 272 of Internal Revenue Bulletin 2001-2 at www.irs.gov/pub/irs-irbs/irb01-02.pdf, and Rev. Proc. 2002-28 on page 815 of Internal

Part V. Other Expenses

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 beginning with 2002, refigure last year's closing inventory using your new method of accounting 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. See the example on page C-2 for details.

Line 41

If you account for inventorable items in the same manner as materials and supplies that are not incidental, 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.

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 2002, 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.
- Qualified revitalization expenditures.
- 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 2002.

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 41, by the amount of the deduction. Next to line 41, 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 2002 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 2002 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

<p>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).</p>		<p>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 (for example,</p>		<p>531210, the code for offices of real estate agents and brokers) and enter it on line B of Schedule C or C-EZ.</p> <p>Note. If your principal source of income is from farming activities, you should file Schedule F, Profit or Loss From Farming.</p>	
<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>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>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>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>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>		

Principal Business or Professional Activity Codes (continued)

<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>Insurance Agents, Brokers, & Related Activities</p> <p>524210 Insurance agencies & brokerages</p> <p>524290 Other insurance related activities</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>Internet Publishing & Broadcasting</p> <p>516110 Internet publishing & broadcasting</p> <p>Internet Service Providers, Web Search Portals, & Data Processing Services</p> <p>518210 Data processing, hosting, & related services</p> <p>518111 Internet service providers</p> <p>518112 Web search portals</p> <p>519100 Other information services (including news syndicates and libraries)</p> <p>Motion Picture & Sound Recording</p> <p>512100 Motion picture & video industries (except video rental)</p> <p>512200 Sound recording industries</p>	<p>311300 Sugar & confectionery product mfg.</p> <p>311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)</p> <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>Construction of Buildings</p> <p>236200 Nonresidential building construction</p> <p>236100 Residential building construction</p> <p>Heavy and Civil Engineering Construction</p> <p>237310 Highway, street, & bridge construction</p> <p>237210 Land subdivision</p> <p>237100 Utility system construction</p> <p>237990 Other heavy & civil engineering construction</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>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>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>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>Specialty Trade Contractors</p> <p>238310 Drywall & insulation contractors</p> <p>238210 Electrical contractors</p> <p>238350 Finish carpentry contractors</p> <p>238330 Flooring contractors</p> <p>238130 Framing carpentry contractors</p> <p>238150 Glass & glazing contractors</p> <p>238140 Masonry contractors</p> <p>238320 Painting & wall covering contractors</p> <p>238220 Plumbing, heating & air-conditioning contractors</p> <p>238110 Poured concrete foundation & structure contractors</p> <p>238160 Roofing contractors</p> <p>238170 Siding contractors</p> <p>238910 Site preparation contractors</p> <p>238120 Structural steel & precast concrete construction contractors</p> <p>238340 Tile & terrazzo contractors</p> <p>238290 Other building equipment contractors</p> <p>238390 Other building finishing contractors</p> <p>238190 Other foundation, structure, & building exterior contractors</p> <p>238990 All other specialty trade contractors</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>Information</p> <p>511000 Publishing industries (except Internet)</p> <p>Broadcasting (except Internet) & Telecommunications</p> <p>515000 Broadcasting (except Internet)</p> <p>517000 Telecommunications</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>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 dropoff & 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>Educational Services</p> <p>611000 Educational services (including schools, colleges, & universities)</p>			
<p>Finance & Insurance 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>			

Principal Business or Professional Activity Codes (continued)

811410 Home & garden equipment & appliance repair & maintenance	532210 Consumer electronics & appliances rental	441110 New car dealers	Warehousing & Storage Facilities 493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)
811420 Reupholstery & furniture repair	532220 Formal wear & costume rental	441210 Recreational vehicle dealers (including motor home & travel trailer dealers)	
811490 Other personal & household goods repair & maintenance	532310 General rental centers 532230 Video tape & disc rental 532290 Other consumer goods rental	441120 Used car dealers 441229 All other motor vehicle dealers	
Professional, Scientific, & Technical Services	Religious, Grantmaking, Civic, Professional, & Similar Organizations	Sporting Goods, Hobby, Book, & Music Stores	Utilities 221000 Utilities
541100 Legal services	813000 Religious, grantmaking, civic, professional, & similar organizations	451211 Book stores	Wholesale Trade Merchant Wholesalers, Durable Goods
541211 Offices of certified public accountants		451120 Hobby, toy, & game stores	
541214 Payroll services		451140 Musical instrument & supplies stores	423600 Electrical & electronic goods
541213 Tax preparation services		451212 News dealers & newsstands	423200 Furniture & home furnishing
541219 Other accounting services		451220 Prerecorded tape, compact disc, & record stores	423700 Hardware, & plumbing & heating equipment & supplies
Architectural, Engineering, & Related Services	Retail Trade	451130 Sewing, needlework, & piece goods stores	423940 Jewelry, watch, precious stone, & precious metals
541310 Architectural services	Building Material & Garden Equipment & Supplies Dealers	451110 Sporting goods stores	423300 Lumber & other construction materials
541350 Building inspection services	444130 Hardware stores	Miscellaneous Store Retailers	423800 Machinery, equipment, & supplies
541340 Drafting services	444110 Home centers	453920 Art dealers	423500 Metal & mineral (except petroleum)
541330 Engineering services	444200 Lawn & garden equipment & supplies stores	453110 Florists	423100 Motor vehicle & motor vehicle parts & supplies
541360 Geophysical surveying & mapping services	444120 Paint & wallpaper stores	453220 Gift, novelty, & souvenir stores	423400 Professional & commercial equipment & supplies
541320 Landscape architecture services	444190 Other building materials dealers	453930 Manufactured (mobile) home dealers	423930 Recyclable materials
541370 Surveying & mapping (except geophysical) services	Clothing & Accessories Stores	453210 Office supplies & stationery stores	423910 Sporting & recreational goods & supplies
541380 Testing laboratories	448130 Children's & infants' clothing stores	453910 Pet & pet supplies stores	423920 Toy & hobby goods & supplies
Computer Systems Design & Related Services	448150 Clothing accessories stores	453310 Used merchandise stores	423990 Other miscellaneous durable goods
541510 Computer systems design & related services	448140 Family clothing stores	453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops)	Merchant Wholesalers, Nondurable Goods
Specialized Design Services	448310 Jewelry stores	Nonstore Retailers	424300 Apparel, piece goods, & notions
541400 Specialized design services (including interior, industrial, graphic, & fashion design)	448320 Luggage & leather goods stores	454112 Electronic auctions	424800 Beer, wine, & distilled alcoholic beverage
Other Professional, Scientific, & Technical Services	448110 Men's clothing stores	454111 Electronic shopping	424920 Books, periodicals, & newspapers
541800 Advertising & related services	448120 Women's clothing stores	454310 Fuel dealers	424600 Chemical & allied products
541600 Management, scientific, & technical consulting services	448190 Other clothing stores	454113 Mail-order houses	424210 Drugs & druggists' sundries
541910 Market research & public opinion polling	Electronic & Appliance Stores	454210 Vending machine operators	424500 Farm product raw materials
541920 Photographic services	443130 Camera & photographic supplies stores	454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	424910 Farm supplies
541700 Scientific research & development services	443120 Computer & software stores	Transportation & Warehousing	424930 Flower, nursery stock, & florists' supplies
541930 Translation & interpretation services	443111 Household appliance stores	481000 Air transportation	424400 Grocery & related products
541940 Veterinary services	443112 Radio, television, & other electronics stores	485510 Charter bus industry	424950 Paint, varnish, & supplies
541990 All other professional, scientific, & technical services	Food & Beverage Stores	484110 General freight trucking, local	424100 Paper & paper products
Real Estate & Rental & Leasing	445310 Beer, wine, & liquor stores	484120 General freight trucking, long distance	424700 Petroleum & petroleum products
Real Estate	445220 Fish & seafood markets	485210 Interurban & rural bus transportation	424940 Tobacco & tobacco products
531100 Lessors of real estate (including miniwarehouses & self-storage units)	445230 Fruit & vegetable markets	486000 Pipeline transportation	424990 Other miscellaneous nondurable goods
531210 Offices of real estate agents & brokers	445100 Grocery stores (including supermarkets & convenience stores without gas)	482110 Rail transportation	Wholesale Electronic Markets and Agents & Brokers
531320 Offices of real estate appraisers	445210 Meat markets	487000 Scenic & sightseeing transportation	425110 Business to business electronic markets
531310 Real estate property managers	445290 Other specialty food stores	485410 School & employee bus transportation	425120 Wholesale trade agents & brokers
531390 Other activities related to real estate	Furniture & Home Furnishing Stores	484200 Specialized freight trucking (including household moving vans)	999999 Unclassified establishments (unable to classify)
Rental & Leasing Services	442110 Furniture stores	485300 Taxi & limousine service	
532100 Automotive equipment rental & leasing	442200 Home furnishings stores	485110 Urban transit systems	
532400 Commercial & industrial machinery & equipment rental & leasing	Gasoline Stations	483000 Water transportation	
	447100 Gasoline stations (including convenience stores with gas)	485990 Other transit & ground passenger transportation	
	General Merchandise Stores	488000 Support activities for transportation (including motor vehicle towing)	
	452000 General merchandise stores	Couriers & Messengers	
	Health & Personal Care Stores	492000 Couriers & messengers	
	446120 Cosmetics, beauty supplies, & perfume stores		
	446130 Optical goods stores		
	446110 Pharmacies & drug stores		
	446190 Other health & personal care stores		
	Motor Vehicle & Parts Dealers		
	441300 Automotive parts, accessories, & tire stores		
	441222 Boat dealers		
	441221 Motorcycle dealers		

2002 Instructions for Schedule D, Capital Gains and Losses

General Instructions

A Change To Note

If you sold your main home because you were affected by the September 11, 2001, terrorist attacks, you may qualify to exclude part or all of the gain, even if you did not own or live in the home for 2 of the last 5 years. If you sold your main home in 2001 and did not qualify for the exclusion, you may be able to file an amended return and exclude part or all of the gain. See **September 11, 2001, Terrorist Attacks** on page D-2.

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 gain or loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See **Traders in Securities** 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** to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

Use Schedule D (Form 1040) to report the following.

- 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

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by 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 a mutual fund (or other regulated investment company) or real estate investment trust from its net realized long-term capital gains. Distributions of net realized short-term capital gains are not treated as capital gains. Instead, they are included on **Form 1099-DIV** as ordinary dividends.

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**.

If there is an amount in box 2b of **Form 1099-DIV**, include that amount on line 13, column (g).

If there is an amount in box 2c, include that amount on line 5 of the **Qualified 5-Year Gain Worksheet** on page D-8 if you complete line 29 of Schedule D.

If there is an amount in box 2d, include that amount on line 11 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-7 if you complete line 19 of Schedule D.

If there is an amount in box 2e, see **Exclusion of Gain on Qualified Small Business (QSB) Stock** 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, **do not** report it on your tax return unless your gain exceeds your exclusion amount.

(Continued on page D-2)

Generally, if you meet the two tests below, 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 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.

September 11, 2001, Terrorist Attacks. If you sold (or exchanged) your main home and do not meet the two tests above, you may qualify for a smaller maximum exclusion if you were affected by the terrorist attacks. See **Pub. 523** to figure your allowable exclusion. **Do not** report the sale or exchange on your tax return unless your gain exceeds your allowable exclusion.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unrecovered section 1250 gain. For details on 28% rate gain, see page D-6. For details on unrecovered section 1250 gain, see the instructions for line 19 beginning on page D-6.

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 you 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).

Non deductible 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**.
- 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**.
- 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**.

- 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**.

- Mutual fund load charges, which may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. See **Pub. 564**.

- The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectibles gain (28% rate gain). See page D-6.

- Gain or loss on the disposition of securities futures contracts. See **Pub. 550**.

- Gain on the constructive sale of certain appreciated financial positions. See **Pub. 550**.

- 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. 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 61. Write "Section 1260(b) interest" and the amount of the interest to the left of line 61. This interest is not deductible.

- The sale of publicly traded securities, if you elect to postpone gain by purchasing common stock or a partnership interest in a specialized small business investment company during the 60-day period that began on the date of the sale. See **Pub. 550**.

- The sale of qualified securities, held for at least 3 years, to an employee stock ownership plan or eligible worker-owned cooperative, if you elect to postpone gain by purchasing qualified replacement property. See **Pub. 550**.

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.

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 earn-

ings 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 2002, the election must have been made by April 15, 2002.

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 2003, see Pub. 550 or Rev. Proc. 99-17, 1999-1 C.B. 503. You can find Rev. Proc. 99-17 on page 52 of Internal Revenue Bulletin 1999-7 at www.irs.gov/pub/irs-irbs/irb99-07.pdf.

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 prop-

erty 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.

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 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.

If there is an amount in box 1b of Form 2439, include that amount on line 11, column (g).

If there is an amount in box 1c, include that amount on line 5 of the **Qualified 5-Year Gain Worksheet** on page D-8 if you complete line 29 of Schedule D.

If there is an amount in box 1d, include that amount on line 11 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-7 if you complete line 19 of Schedule D.

If there is an amount in box 1e, see **Exclusion of Gain on Qualified Small Business (QSB) Stock** on page D-4.

Enter on Form 1040, line 68, the tax paid as shown in box 2 of Form 2439. Also on line 68, check the box for 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 2002 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.

Demutualization of Life Insurance Companies

Demutualization of a life insurance company occurs when a mutual life insurance company changes to a stock company. If you were a policyholder or annuitant of the mutual company, you may have received either stock in the stock company or cash in exchange for your equity interest in the mutual company. The basis of your equity interest in the mutual company is considered to be zero.

If the demutualization transaction qualifies as a tax-free reorganization, no gain is recognized on the exchange of your equity interest in the mutual company for stock. The company can advise you if the transaction is a tax-free reorganization. Because the basis of your equity interest in the mutual company is considered to be zero, your basis in the stock received is zero. Your holding period for the new stock includes the period you held an equity interest in the mutual company. If you received cash in exchange for your equity interest, you must recognize a capital gain in an amount equal to the cash received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1.

If the demutualization transaction does not qualify as a tax-free reorganization, you must recognize a capital gain in an amount equal to the cash and fair market value of the stock received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1. Your holding period for the new stock begins on the day after you received the stock.

Exclusion of Gain on Qualified Small Business (QSB) Stock

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of QSB stock. The section 1202 exclusion applies only to QSB stock held for more than 5 years.

To be **QSB 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 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, to qualify for the exclusion 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.

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 re-

ported 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 2e, 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 1e, 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 line 12 of **Form 6251**.

Rollover of Gain From QSB Stock

If you sold QSB stock (defined on this page) 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 replace-

ment 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.

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.

Rollover of Gain From Empowerment Zone Assets

If you sold a qualified empowerment zone asset that you held for more than 1 year, you may be able to elect to postpone part or all of the gain that you would otherwise include on Schedule D. If you make the election, the gain on the sale generally is recognized only to the extent, if any, that the amount realized on the sale exceeds the cost of qualified empowerment zone assets (replacement property) you purchased during the 60-day period beginning on the date of the sale. The following rules apply.

- No portion of the cost of the replacement property may be taken into account to the extent the cost is taken into account to exclude gain on a different empowerment zone asset.

- The replacement property must qualify as an empowerment zone asset with respect to the same empowerment zone as the asset sold.

- You must reduce the basis of the replacement property by the amount of postponed gain.

- This election does not apply to any gain (a) treated as ordinary income or (b) attributable to real property, or an intangible asset, which is not an integral part of an enterprise zone business.

- The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.

- The election is irrevocable without IRS consent.

See **Pub. 954** for the definition of empowerment zone and enterprise zone business. You can find out if your business is located within an empowerment zone by using the RC/EZ/EC Address Locator at <http://hud.esri.com/locateservices/ezec>.

Qualified empowerment zone assets are:

- Tangible property, if:
 1. You acquired the property after December 21, 2000,
 2. The original use of the property in the empowerment zone began with you, and

3. Substantially all of the use of the property, during substantially all of the time that you held it, was in your enterprise zone business; **and**

- Stock in a domestic corporation or a capital or profits interest in a domestic partnership, if:

1. You acquired the stock or partnership interest after December 21, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;

2. The business was an enterprise zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; **and**

3. The business qualified as an enterprise zone business during substantially all of the time during which you held the stock or partnership interest.

How To Report. Report the entire gain realized from the sale as you otherwise would without regard to the election. On Schedule D, line 8, enter "Section 1397B Rollover" in column (a) and enter as a loss in column (f) the amount of gain included on Schedule D that you are electing to postpone. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

See section 1397B for more details.

Specific Instructions

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). But **do not** report the sale or exchange of your main home unless required (see page D-1). Include these transactions even if you did not receive a **Form 1099-B** or **1099-S** (or substitute statement) for the transaction. You can use stock ticker symbols or 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** to list additional 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 2002 on Forms 1099-B and 1099-S (or substitute statements) that you are not reporting on another form or schedule included with your return: (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 are not required to report it). If this total is **more** than the

total of lines 3 and 10, attach an explanation of the difference.

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.

The date acquired for an asset you held on January 1, 2001, for which you made an election to recognize any gain in a deemed sale is the date of the deemed 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.

If you elected to recognize gain on an asset held on January 1, 2001, your basis in the asset is its closing market price or fair market value, whichever applies, on the date of the deemed sale, whether the deemed sale resulted in a gain or an unallowed loss.

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).

Line 19

If you complete Part IV, complete the worksheet on page D-7 if **any** of the following apply for 2002.

- You sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments 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."
- 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."
- 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 on Page D-7

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.

Capital Loss Carryover Worksheet—Line 18

Keep for Your Records



Use this worksheet to figure your capital loss carryovers from 2002 to 2003 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 39, is a loss. Otherwise, you do not have any carryovers.

1. Enter the amount from Form 1040, line 39. 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.	_____
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 2003. Subtract line 7 from line 5. If zero or less, enter -0-	8.	_____
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 2003. Subtract line 12 from line 9. If zero or less, enter -0-	13.	_____

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 your 2002 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 your 2002 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 2002 as the **smaller** of (a) the amount from line 26 or line 37 of the 2002 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 your 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 your 2002 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 your 2002 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.

Unrecaptured Section 1250 Gain Worksheet—Line 19

Keep for Your Records



If you are not reporting a gain on Form 4797, line 7, skip lines 1 through 9 and go to line 10.

1. If 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), enter the smaller of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. If you had more than one such property, see instructions	1.	<input type="text"/>
2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1	2.	<input type="text"/>
3. Subtract line 2 from line 1	3.	<input type="text"/>
4. 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)	4.	<input type="text"/>
5. Enter the total of any amounts reported to you on a Schedule K-1 from a partnership or an S corporation as "unrecaptured section 1250 gain"	5.	<input type="text"/>
6. Add lines 3 through 5	6.	<input type="text"/>
7. Enter the smaller of line 6 or the gain from Form 4797, line 7	7.	<input type="text"/>
8. Enter the amount, if any, from Form 4797, line 8	8.	<input type="text"/>
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	<input type="text"/>
10. Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain (see instructions)	10.	<input type="text"/>
11. Enter the total of any amounts 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)	11.	<input type="text"/>
12. Enter the total of 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)	12.	<input type="text"/>
13. Add lines 9 through 12	13.	<input type="text"/>
14. Enter the gain or (loss) from Schedule D, line 15	14.	<input type="text"/>
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"/>
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	16.	<input type="text"/>
17. Unrecaptured section 1250 gain. Subtract line 16 from line 13. If zero or less, enter -0-. Enter the result here and on Schedule D, line 19	17.	<input type="text"/>

• **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 2002 as the **smaller** of (a) the amount from line 26 or line 37 of your 2002 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.

Line 29—Qualified 5-Year Gain

Qualified 5-year gain is long-term capital gain (other than 28% rate gain or gain on line 6 or 10 through 12 of the **Unrecaptured Section 1250 Gain Worksheet**) from the sale or other disposition of property held more than 5 years. Qualified 5-year gain is taxed at 8% to the extent the gain would otherwise be taxed at 10%. To figure your qualified 5-year gain, complete the worksheet on this page if any of the following apply.

- You sold or otherwise disposed of property at a gain that you had held for more than 5 years.
- You received a Schedule K-1 from an estate, trust, partnership, or S corporation that reports “qualified 5-year gain.”
- You received a Form 1099-DIV (or Form 2439) with “qualified 5-year gain” reported in box 2c (box 1c of Form 2439).
- You received payments from an installment sale of property that you had held for more than 5 years when you entered into the installment sale.

Example. John and Carol Maple had the following capital gains for 2002.

1. A sale of stock held for 3 years at a gain of \$3,700.
2. A sale of stock held for more than 5 years at a gain of \$500.
3. A sale of stock held for 6 years at a loss of \$1,950.
4. An \$1,800 capital gain distribution from a mutual fund reported in box 2a of Form 1099-DIV. The Form 1099-DIV also shows \$900 in box 2c.
5. A sale of a painting held for more than 5 years at a gain of \$1,800.
6. A sale of a rental home for \$101,000 purchased in 1996 for \$100,000, on which

\$4,300 of allowable straight-line depreciation was claimed, for a net gain of \$5,300.

7. A Schedule K-1 from a partnership reporting \$2,300 of total long-term capital gain, \$200 “qualified 5-year gain” from capital assets, a \$5,200 net loss from trade or business (section 1231) property, and \$400 “qualified 5-year gain” from trade or business (section 1231) property.

8. A long-term capital loss carryover of \$5,800.

John and Carol Maple have total qualified 5-year gain of \$3,000 figured on the **Qualified 5-Year Gain Worksheet** as follows. They enter \$2,300 from items 2 and 5 on line 1. To complete line 2, the Maples first determine that the amount on their Form 4797, line 7, is \$100, consisting of the \$5,300 gain from item 6 and the \$5,200 loss from item 7. Because Form 4797, line 7, is more than zero, they include the \$5,300 gain from item 6 and the \$400 gain from item 7, or \$5,700, on line 2. The Maples enter zero on lines 3 and 4. They enter \$900 from item 4 and \$200 from item 7, or \$1,100, on line 5. The Maples add lines 1 through 5 of the worksheet and enter \$9,100 on line 6. On line 7, they include the \$1,800 gain from item 5 because it is 28% rate gain from the sale of a collectible and \$4,300 from item 6 because it is included on line 6 of the **Unrecaptured Section 1250 Gain Worksheet**. (The Maples entered \$4,300 on line 1 of the **Unrecaptured Section 1250 Gain Worksheet**, zero on line 2, and \$4,300 on lines 3 and 6.) The Maples subtract the \$6,100 on line 7 of the worksheet from the \$9,100 on line 6. They enter the result, \$3,000, on line 8 of the worksheet and on Schedule D, line 29.

Qualified 5-Year Gain Worksheet—Line 29

Keep for Your Records



<p>1. Enter the total of all gains that you reported on line 8, column (f), of Schedules D and D-1 from dispositions of property held more than 5 years. Do not reduce these gains by any losses</p> <p>2. Enter the total of all gains from dispositions of property held more than 5 years from Form 4797, Part I, but only if Form 4797, line 7, is more than zero. Do not reduce these gains by any losses</p> <p>3. Enter the total of all capital gains from dispositions of property held more than 5 years from Form 4684, line 4, but only if Form 4684, line 15, is more than zero. Do not reduce these gains by any losses</p> <p>4. Enter the total of all capital gains from dispositions of property held more than 5 years from Form 6252; Form 6781, Part II; and Form 8824. Do not reduce these gains by any losses</p> <p>5. Enter the total of any qualified 5-year gain reported to you on:</p> <ul style="list-style-type: none"> • Form 1099-DIV, box 2c; • Form 2439, box 1c; and • Schedule K-1 from a partnership, S corporation, estate, or trust (do not include gains from section 1231 property; take them into account on line 2 above, but only if Form 4797, line 7, is more than zero). <p>6. Add lines 1 through 5</p> <p>7. Enter the part, if any, of the gain on line 6 that is:</p> <ul style="list-style-type: none"> • Attributable to 28% rate gain or • Included on line 6, 10, 11, or 12 of the Unrecaptured Section 1250 Gain Worksheet on page D-7. <p>8. Qualified 5-year gain. Subtract line 7 from line 6. Enter the result here and on Schedule D, line 29</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p>
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Schedule D Tax Worksheet—Line 40

Keep for Your Records



Complete this worksheet only if line 15 or line 19 of Schedule D is more than zero. Otherwise, complete Part IV of Schedule D to figure your tax. **Exception: Do not** use Schedule D, Part IV, or this worksheet to figure your tax if line 16 or line 17 of Schedule D or Form 1040, line 41, is zero or less; instead, see the instructions for Form 1040, line 42.

1. Enter your taxable income from Form 1040, line 41	1.	
2. Enter the smaller of line 16 or line 17 of Schedule D	2.	
3. If you are filing Form 4952, enter the amount from Form 4952, line 4e. Otherwise, enter -0-. Also enter this amount on Schedule D, line 22	3.	
4. Subtract line 3 from line 2. If zero or less, enter -0-	4.	
5. Combine lines 7 and 15 of Schedule D. If zero or less, enter -0-	5.	
6. Enter the smaller of line 5 above or Schedule D, line 15, but not less than zero	6.	
7. Enter the amount from Schedule D, line 19	7.	
8. Add lines 6 and 7	8.	
9. Subtract line 8 from line 4. If zero or less, enter -0-	9.	
10. Subtract line 9 from line 1. If zero or less, enter -0-	10.	
11. Enter the smaller of:		
• The amount on line 1 or		
• \$46,700 if married filing jointly or qualifying widow(er);		
\$27,950 if single;		
\$37,450 if head of household; or		
\$23,350 if married filing separately	11.	
12. Enter the smaller of line 10 or line 11	12.	
13. Subtract line 4 from line 1. If zero or less, enter -0-	13.	
14. Enter the larger of line 12 or line 13	▶ 14.	
15. Figure the tax on the amount on line 14. Use the Tax Table or Tax Rate Schedules, whichever applies	▶ 15.	
If lines 11 and 12 are the same, skip lines 16 through 21 and go to line 22. Otherwise, go to line 16.		
16. Subtract line 12 from line 11	▶ 16.	
17. Enter your qualified 5-year gain, if any, from line 8 of the worksheet on page D-8. Also enter this amount on Schedule D, line 29	17.	
18. Enter the smaller of line 16 above or line 17 above	18.	
19. Multiply line 18 by 8% (.08)	19.	
20. Subtract line 18 from line 16	20.	
21. Multiply line 20 by 10% (.10)	21.	
If lines 1 and 11 are the same, skip lines 22 through 34 and go to line 35. Otherwise, go to line 22.		
22. Enter the smaller of line 1 or line 9	22.	
23. Enter the amount from line 16 (if line 16 is blank, enter -0-)	23.	
24. Subtract line 23 from line 22	▶ 24.	
25. Multiply line 24 by 20% (.20)	25.	
If line 7 is zero or blank, skip lines 26 through 31 and go to line 32. Otherwise, go to line 26.		
26. Enter the smaller of line 4 or line 7	26.	
27. Add lines 4 and 14	27.	
28. Enter the amount from line 1 above	28.	
29. Subtract line 28 from line 27. If zero or less, enter -0-	29.	
30. Subtract line 29 from line 26. If zero or less, enter -0-	▶ 30.	
31. Multiply line 30 by 25% (.25)	31.	
If line 6 is zero, skip lines 32 through 34 and go to line 35. Otherwise, go to line 32.		
32. Add lines 14, 16, 24, and 30	32.	
33. Subtract line 32 from line 1	33.	
34. Multiply line 33 by 28% (.28)	34.	
35. Add lines 15, 19, 21, 25, 31, and 34	35.	
36. Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies	36.	
37. Tax on all taxable income (including capital gains). Enter the smaller of line 35 or line 36. Also enter this amount on Schedule D, line 40, and Form 1040, line 42	37.	

2002 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).

General Instructions

A Change To Note

You must file a disclosure statement for each reportable tax shelter transaction in which you participated, directly or indirectly, if your Federal income tax liability was affected by the transaction. See **Tax Shelter Disclosure Statement** on page E-2 for more details.

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** on this page.

- 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 financing 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).

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 (explained on page E-2).

Passive Activity

A passive activity is any business activity in which you **did not** materially participate

and any rental activity, except as explained on this page and page E-2. 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.

Activities That Are Not Passive Activities

Activities of Real Estate Professionals. If you were a real estate professional in 2002, 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 2002, complete line 42 on page 2 of Schedule E.

Other Activities. The rental of your home that you also used for personal purposes is not a passive activity. See the instructions for line 2 on page E-3.

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 did 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 more details on passive activities, see the Instructions for Form 8582 and Pub. 925.

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 to figure any losses allowed.

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 35, without taking into account:

- Any passive activity loss,
- Rental real estate losses allowed under the exception for real estate professionals (explained on page E-1),
- 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 tuition and fees 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.

Tax Shelter Disclosure Statement

For each reportable tax shelter transaction in which you participated, directly or indirectly, you must attach a **disclosure statement** to your return for each year that your Federal income tax liability is affected by your participation in the transaction. In addition, for the first tax year a disclosure statement is attached to your tax return, you must send a copy of the statement to the Internal Revenue Service, LM:PFTG:OTSA, Large & Mid-Size Business Division, 1111 Constitution Ave., N.W., Washington, DC 20224. If a transaction becomes a reportable transaction after you file your return, you must attach the statement to the following year's return (whether or not your tax liability is affected for that year). You are considered to have indirectly participated if you participated as

a partner in a partnership, shareholder in an S corporation, or if you know or have reason to know that the tax benefits claimed were derived from a reportable transaction.

Disclosure is required for a reportable transaction that is a listed transaction. A transaction is a listed transaction if it is the same as or substantially similar to a transaction that the IRS has determined to be a tax avoidance transaction and identified as a listed transaction in a notice, regulation, or other published guidance. See Notice 2001-51, 2001-34 I.R.B. 190, for transactions identified by the IRS as listed transactions. You can find Notice 2001-51 on page 190 of Internal Revenue Bulletin 2001-34 at www.irs.gov/pub/irs-irbs/irb01-34.pdf. The listed transactions in this notice will be updated in future published guidance.

See Temporary Regulations section 1.6011-4T for more details, including:

- Definitions of reportable transaction, listed transaction, and substantially similar.
- Form and content of the disclosure statement.
- Filing requirements for the disclosure statement.

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.

Specific Instructions

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."

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 E-2**

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.

Complete lines 1 and 2 for each rental real estate property. Leave these lines blank for each royalty property.

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. 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 34, to find out how to report the income and expenses.

Extraterritorial Income Exclusion. Except as otherwise provided in the Internal Revenue Code, gross income includes all income from whatever source derived. Gross income, however, does not include extraterritorial income that is qualifying foreign trade income. Use **Form 8873** to figure the extraterritorial income exclusion. Report it on Schedule E as explained in the Instructions for Form 8873.

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 offering 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 2002 more than the **greater** of:

- 14 days or
- 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 beginning on page E-1.

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 2003 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 13 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 2002, the payer should send you a **Form 1099-MISC** or similar statement by January 31, 2003, 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 2002 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 2002 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 2002 **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 36.5 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 tax 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 2002 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 2002, the recipient should send you a **Form 1098** or similar statement by January 31, 2003, 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 part or all of the additional interest. If you can, enter the entire deductible 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 deductible 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 below.

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 2002;
- 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 2002.

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

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. For details on the at-risk rules, see page E-1.

Line 23

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-1), 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 exception for certain rental real estate activities (explained on page E-2), you do not have to complete Form 8582. Enter the loss from line 22 on line 23.

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 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 alternative 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 9 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** beginning on page E-1.

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 on page E-2 under **Exception for Certain Rental Real Estate Activities**, 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 2001 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 2001.

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 beginning on page E-1.

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 63.

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 2002, the trust had a U.S. beneficiary. See Internal Revenue Code section 679. An individual who received a distribution from, or who was the grantor of or transferor to, a foreign trust must also complete Part III of **Schedule B** (Form 1040) and may have to file **Form 3520**. In addition, the owner of a foreign trust must ensure that the trust files an annual information return on **Form 3520-A**.

Part IV

Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)

If you are the holder of a residual interest in a 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 41). It is also the **smallest** amount you are allowed to report as your alternative minimum taxable income (AMTI) (Form 6251, line 28).

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 41. 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 28. 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 2001 or 2002 is at least two-thirds of your gross income and

2. You file your 2002 tax return and pay the tax due by March 3, 2003.

2002 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

A Change To Note

Tax Shelter Disclosure Statement. You must file a disclosure statement for each reportable tax shelter transaction in which you participated, directly or indirectly, if your Federal income tax liability was affected by the transaction. See **Tax Shelter Disclosure Statement** in the Instructions for Schedule C, on page C-1.

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 2002, to claim amortization that began in 2002, 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 the **Instructions for 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 2002 **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 2002 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 2001 or 2002 is at least two-thirds of your gross income.

2. You file your 2002 tax return and pay the tax due by March 3, 2003.

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

If you use the **cash method**, check the box labeled "Cash." Complete Parts I and II of Schedule F. Generally, report income in the year in which you actually or constructively received it and deduct expenses in the year you paid them. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See **Pub. 225**.

If you use the **accrual method**, check the box labeled "Accrual." Complete Parts II, III, and line 11 of Schedule F. Generally, report income in the year in which you earned it and deduct expenses in the year you incurred them, even if you did not pay them in that 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**.

Farming syndicates cannot use the cash method of accounting. A farming syndicate

may be a partnership, any other noncorporate group, or an S corporation if:

- The interests in the business have ever been for sale in a way that would require registration with any Federal or state agency or
- More than 35% of the loss during any tax year is 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, or 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** three of the following apply.

1. Your main business is farming.
2. You can show that you sold the livestock only because of weather-related conditions.
3. 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 in the total amount reported on that line.

Form	Where to report
1099-PATR	Line 5a
1099-A	Line 7b
1099-MISC (for crop insurance)	Line 8a
1099-G or CCC-1099-G (for disaster payments)	Line 8a
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 2002, 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 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 certificates.

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 Agriculture 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 (CCC) Loans. Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you receive them, instead of the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 2002 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 2002 was the year of damage, you may elect to include certain proceeds in income for 2003. 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 2002, even if you elect to include them in income for 2003.

Enter on line 8b the taxable amount of the proceeds you received in 2002. Do not include proceeds you elect to include in income for 2003.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 2001 and elected to include in income for 2002.

Line 10

Use this line to report income not shown on lines 1 through 9, such as the following.

• 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, 2003, showing the amount of debt canceled in 2002. However, certain solvent farmers may exclude discharged qualified farm indebtedness from income. To find out if you must include any discharge of indebtedness in income, see **Pub. 225**.

• State gasoline or fuel tax refund you received in 2002.

• The amount of credit for Federal tax paid on fuels claimed on your 2001 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 2002. Use **Form 4797** to figure the recapture. See the instructions for Schedule C, line 13, on page C-4 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 expenses of:

1. Producing any plant that has a preproductive period of 2 years or less,

2. Raising animals, or

3. 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 currently 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** on page F-4.

Do not reduce your deductions on lines 12 through 34e by the preproductive period expenses you must 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 IRS consent, 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 IRS consent.

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 supplies 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 2002 **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 36.5 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 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 paid or incurred to drain or fill wetlands, to prepare land for center pivot irrigation systems, or to clear land.

Your deduction 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. Instead, 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 elect under Internal Revenue Code section 179 to expense a portion of the cost of certain tangible property you bought in 2002 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-4.

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 30, 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 30, for details.

Line 18

If you use the cash method, you cannot deduct when paid the cost of feed your livestock will consume in a later year unless you meet **all** of the following tests.

- The payment was for the purchase of feed rather than a deposit.
- The prepayment had a business purpose and was not made merely to avoid tax.
- Deducting the prepayment will not materially distort your income.

If you meet all of these tests, you can deduct the prepaid feed, which is subject to the overall limit for **Prepaid Farm Supplies** explained on page F-4. If you **do not** meet all of these tests, you can deduct the prepaid feed only in the year it is consumed.

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 receives 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 to include on lines 23a and 23b.

How To Report. 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 2002 to banks or other financial institutions for which you received a **Form 1098** (or similar statements). If you did not receive a Form 1098, enter the interest on line 23b.

If you paid more mortgage interest than is shown on Form 1098, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 23a. Attach a statement to your return explaining the difference and enter "See attached" in the 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, include 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 margin next to line 23b, enter "See attached."

Do not deduct interest you prepaid in 2002 for later years; include only the part that applies to 2002.

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 and Renewal Community Employment Credit,
- **Form 8845**, Indian Employment Credit,
- **Form 8861**, Welfare-to-Work Credit, and
- **Form 8884**, New York Liberty Zone Business Employee 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, enter contributions made as an employer on your behalf on Form 1040, line 31, not on Schedule F.

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 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-5.

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

You can 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 taxes 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 29.
- 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 your 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-6.

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 2002, 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 2002.

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**.

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 2002

and you decided to capitalize them, you **must** enter the total of these expenses in parentheses on line 34f and enter "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 checked the "No" box on line 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, line 64, 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 checked the "No" box on line 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**, see Form 6198 to determine the amount of your deductible loss and enter that amount on line 36. But if you checked the "No" box on line 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 do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this activity not allowed for 2002 because of the at-risk rules is treated as a deduction allocable to the activity in 2003.

For details, see **Pub. 925** and 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 that begin on page F-2.

Line 44

See the instructions for line 10 on page F-3.

2002 Instructions for Schedule J, Farm Income Averaging

General Instructions

Negative Taxable Income

If your deductions exceeded your gross income for any year that is a base year for 2002 (1999, 2000, or 2001), your taxable income for farm income averaging purposes for that year may be negative. See the instructions for lines 5, 9, and 13.

If you had taxable income from farming in 1999 and your deductions exceeded your gross income for any year that is a base year for 1999 (1996, 1997, or 1998), your taxable income for farm income averaging purposes for that year may be negative. You can use that negative amount instead of limiting the amount to zero when figuring your tax using Schedule J for 1999. Unless you have already done so, file an amended return on **Form 1040X** for 1999 and attach Schedule J. Filing Form 1040X may result in a refund. You may file Form 1040X for 1999 and use Schedule J to figure your tax even if you did not use Schedule J on your original 1999 tax return. If you did use Schedule J to figure your tax for 1999 and the taxable income for any of the base years was zero, you **must** refigure your tax using a 1999 Schedule J **before** completing Schedule J for 2002. You also should amend your 1999 tax return. Figure the amount to enter on lines 5, 9, and 13 of the 1999 Schedule J in the manner shown for those lines in these instructions, but substituting the applicable base years. Also, do not limit the amount on lines 5, 9, 11, 13, and 15 of the 1999 Schedule J to zero.

Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 1999, 2000, and 2001 to figure your tax on Schedule J. If you do not have copies of those returns, you can get them by filing **Form 4506**. See your Form 1040 instruction booklet to find out how to get this form. Keep a copy of your 2002 income tax return for use in 2003, 2004, or 2005.

Use Schedule J (Form 1040) to elect to figure your 2002 tax by averaging, over the previous 3 years (base years), all or part of your 2002 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 2002 income from farming is high and your taxable income for one or more of the 3 prior years was low.

If you owe alternative minimum tax (AMT) for 2002 (figured without regard to farm income averaging), filing Schedule J will not reduce your total tax for 2002. Filing Schedule J may, however, increase your credit for prior year minimum tax in a later tax year.

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

Additional Information

See Regulations section 1.1301-1 for more details.

Specific Instructions

Line 2

Elected Farm Income

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

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

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

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

- Operating a nursery or sod farm;
- Raising or harvesting of trees bearing fruits, nuts, or other crops;

- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);

- Raising, shearing, feeding, caring for, training, and managing animals; and

- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are based on a share of the tenant's production (not a fixed amount).

A farming business **does not** include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else or

- Merely buying or reselling plants or animals grown or raised by someone else.



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

- **Form 1040**, line 7, to the extent of wages and other compensation you received as a shareholder in an S corporation engaged in a farming business;

- **Schedule D**;

- **Schedule E**, Part II;

- **Schedule F**;

- **Form 4797**; and

- **Form 4835**.

Line 4

Figure the tax on the amount on line 3 using the **2002 Tax Table**, Tax Rate Schedules, or Capital Gain Tax Worksheet from your 2002 Form 1040 instruction booklet, or use Schedule D. Enter the tax on line 4.

Line 5

If you used Schedule J to figure your tax for 2001 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 40, or on Form 1040X), enter on line 5 the amount from line 11 of your 2001 Schedule J. If you used Schedule J to figure your tax for 2000 but not 2001, enter on line 5 the amount from line 15 of your 2000 Schedule J. If you used Schedule J to figure your tax for 1999 but not 2000 nor 2001, enter on line 5 the amount from line 3 of your 1999 Schedule J.

If you figured your tax for 1999, 2000, and 2001 without using Schedule J, enter on line 5 the taxable income from your 1999 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 5.

If you filed your 1999 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 1999, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 1999 for at least 3 years after April 15, 2003 (or the date you file your 2002 tax return, if later), even if you did not file a tax return for 1999.

Instructions for 1999 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 1999 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2000. This could happen if the taxable income before subtracting exemptions shown on your 1999 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 1999 capital loss carryover to 2000 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 1999 Schedule D, line 17, over the loss on your 1999 Schedule D, line 18. If you had any net operating loss (NOL) carrybacks to 1999, be sure you refigured your 1999 capital loss carryover to 2000.

Line 3. If you had an NOL for 1999, enter the amount of that NOL as figured on line 27 of the 1999 Form 1045, Schedule A, you filed with **Form 1045** or Form 1040X. If you did not have an NOL for 1999, enter the portion, if any, of the NOL carryovers and carrybacks to 1999 that were not used in 1999 and were carried to years after 1999.

Example. John Farmington did not use farm income averaging for 1999, 2000, nor 2001. John has \$18,000 of elected farm income on line 2. The taxable income before subtracting exemptions shown on his 1999 Form 1040, line 37, was \$3,750. A deduction for exemptions of \$2,750 was shown on line 38, and line 39, taxable income, was \$1,000. However, John had a \$22,800 NOL in 2000, \$9,000 of which was remaining to carry to 1999 after the NOL was carried back to 1998. To complete line 1 of the worksheet,

John combines the \$9,000 NOL deduction with the \$3,750 from his 1999 Form 1040, line 37. The result is a negative \$5,250. John subtracts from that amount the \$2,750 deduction for exemptions. That result is a negative \$8,000, John's 1999 taxable income, which he enters as a positive amount on line 1 of the 1999 worksheet.

When John filed his 1999 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$4,000 capital loss carryover to 2000. However, when John carried back the 2000 NOL to 1999, he refigured his 1999 capital loss carryover to 2000 as \$7,000. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John had \$1,000 of taxable income in 1999 that reduced the 2000 NOL carryback. The \$2,750 of exemptions and \$3,000 net capital loss deduction also reduced the amount of the 2000 NOL carryback. Therefore, only \$2,250 was available to carry to 2001 and later years, as shown on his 2000 Form 1045, Schedule B, line 9. John enters the \$2,250 on line 3 of the worksheet, and \$5,250 on line 4. He then subtracts the \$5,250 from the \$8,000 on line 1 and enters the result, \$2,750, on line 5 of the worksheet. He enters a negative \$2,750 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$3,250 on Schedule J, line 7.

1999 Taxable Income Worksheet—Line 5

Keep for Your Records

Complete this worksheet if you figured your tax for both 2000 and 2001 without using Schedule J and your 1999 taxable income is zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 1999 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 1999, **do not** include any NOL carryovers or carrybacks to 1999. Enter the result as a positive amount **1.**
2. If there is a loss on your 1999 Schedule D, line 18, add that loss (as a positive amount) and your 1999 capital loss carryover to 2000. Subtract from that sum the amount of the loss on your 1999 Schedule D, line 17, and enter the result **2.**
3. If you had an NOL for 1999, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 1999 that were not used in 1999 and were carried to years after 1999 **3.**
4. Add lines 2 and 3 **4.**
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 5 **5.**

Line 8

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

- The 1999 Tax Rate Schedules below,

• The 1999 Capital Gain Tax Worksheet below, or

• The Schedule D you filed for 1999 (but use the 1999 Tax Rate Schedules below instead of the 1999 Tax Table when figuring the tax on Schedule D, lines 33 and 53).

1999 Tax Rate Schedules—Line 8

Schedule X—Use if your 1999 filing status was Single					Schedule Y-2—Use if your 1999 filing status was Married filing separately				
If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$25,750	15%	\$0		\$0	\$21,525	15%	\$0	
25,750	62,450	\$3,862.50 + 28%	25,750		21,525	52,025	\$3,228.75 + 28%	21,525	
62,450	130,250	14,138.50 + 31%	62,450		52,025	79,275	11,768.75 + 31%	52,025	
130,250	283,150	35,156.50 + 36%	130,250		79,275	141,575	20,216.25 + 36%	79,275	
283,150	-----	90,200.50 + 39.6%	283,150		141,575	-----	42,644.25 + 39.6%	141,575	

Schedule Y-1—Use if your 1999 filing status was Married filing jointly or Qualifying widow(er)					Schedule Z—Use if your 1999 filing status was Head of household				
If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$43,050	15%	\$0		\$0	\$34,550	15%	\$0	
43,050	104,050	\$6,457.50 + 28%	43,050		34,550	89,150	\$5,182.50 + 28%	34,550	
104,050	158,550	23,537.50 + 31%	104,050		89,150	144,400	20,470.50 + 31%	89,150	
158,550	283,150	40,432.50 + 36%	158,550		144,400	283,150	37,598.00 + 36%	144,400	
283,150	-----	85,288.50 + 39.6%	283,150		283,150	-----	87,548.00 + 39.6%	283,150	

1999 Capital Gain Tax Worksheet—Line 8

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 1999 Form 1040 and checked the box on that line **and** you do not have to use Schedule D to figure your tax.

1. Amount from Schedule J, line 7	1.	_____	
2. Amount from your 1999 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 1999 Tax Rate Schedules above	4.	_____	
5. Enter the smaller of:			
• The amount on line 1 above or	}	_____	
• \$25,750 if single for 1999; \$43,050 if married filing jointly or qualifying widow(er); \$21,525 if married filing separately; or \$34,550 if head of household.		_____	
6. Enter the amount from line 3	6.	_____	
7. Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	_____	
8. Multiply line 7 by 10% (.10)	8.	_____	
9. Enter the smaller of line 1 or line 2	9.	_____	
10. Enter the amount from line 7	10.	_____	
11. Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	_____	
12. Multiply line 11 by 20% (.20)	12.	_____	
13. Add lines 4, 8, and 12	13.	_____	
14. Figure the tax on the amount on line 1. Use the 1999 Tax Rate Schedules above	14.	_____	
15. Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 8	15.	_____	

Line 9

If you used Schedule J to figure your tax for 2001 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 40, or on Form 1040X), enter on line 9 the amount from line 15 of your 2001 Schedule J. If you used Schedule J to figure your tax for 2000 but not 2001, enter on line 9 the amount from line 3 of your 2000 Schedule J.

If you figured your tax for both 2000 and 2001 without using Schedule J, enter on line 9 the taxable income from your 2000 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you filed your 2000 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2000, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2000 until at least 3 years after April 15, 2003 (or the date you file your 2002 tax return, if later), even if you did not file a tax return for 2000.

Instructions for 2000 Taxable Income Worksheet

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

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

Example. John Farmington did not use farm income averaging for 1999, 2000, nor 2001. The taxable income before subtracting exemptions on his 2000 Form 1040, line 37, is a negative \$30,200. A deduction for exemptions of \$2,800 is shown on line 38, and line 39, taxable income, is limited to zero. John subtracts from the \$30,200 loss the \$2,800 deduction for exemptions. The result is a negative \$33,000, John's 2000 taxable income, which he enters as a positive amount on line 1 of the 2000 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 17 (as adjusted). He also had a \$7,000 capital loss carryover to 2001. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John enters \$22,800 on line 3 of the worksheet, the 2000 NOL from his 2000 Form 1045, Schedule A, line 27. Of the \$33,000 negative taxable income, the \$2,800 deduction for exemptions, the \$3,000 capital loss deduction, and his \$4,400 standard deduction were not allowed in figuring the NOL. John had a \$22,800 loss on his 2000 Schedule F, the only other item on his 2000 tax return.

John enters \$25,800 on line 4 and \$7,200 on line 5. He enters \$7,200 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$1,200 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2003, he will enter the negative \$1,200 amount on his 2003 Schedule J as his 2000 taxable income for farm income averaging purposes.

2000 Taxable Income Worksheet—Line 9

Keep for Your Records

Complete this worksheet if you did not use Schedule J to figure your tax for 2001 **and** your 2000 taxable income is zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2000 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2000, **do not** include any NOL carryovers or carrybacks to 2000. Enter the result as a positive amount **1.**
2. If there is a loss on your 2000 Schedule D, line 18, add that loss (as a positive amount) and your 2000 capital loss carryover to 2001. Subtract from that sum the amount of the loss on your 2000 Schedule D, line 17, and enter the result **2.**
3. If you had an NOL for 2000, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to years after 2000 **3.**
4. Add lines 2 and 3 **4.**
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 9 **5.**

Line 12

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

- The 2000 Tax Rate Schedules below,

• The 2000 Capital Gain Tax Worksheet below, or

• The Schedule D you filed for 2000 (but use the 2000 Tax Rate Schedules below instead of the 2000 Tax Table when figuring the tax on Schedule D, lines 33 and 53).

2000 Tax Rate Schedules—Line 12

Schedule X—Use if your 2000 filing status was Single				Schedule Y-2—Use if your 2000 filing status was Married filing separately			
If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>	If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>
\$0	\$26,250	15%	\$0	\$0	\$21,925	15%	\$0
26,250	63,550	\$3,937.50 + 28%	26,250	21,925	52,975	\$3,288.75 + 28%	21,925
63,550	132,600	14,381.50 + 31%	63,550	52,975	80,725	11,982.75 + 31%	52,975
132,600	288,350	35,787.00 + 36%	132,600	80,725	144,175	20,585.25 + 36%	80,725
288,350	-----	91,857.00 + 39.6%	288,350	144,175	-----	43,427.25 + 39.6%	144,175

Schedule Y-1—Use if your 2000 filing status was Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your 2000 filing status was Head of household			
If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>	If Schedule J, line 11, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 12	<i>of the amount over—</i>
\$0	\$43,850	15%	\$0	\$0	\$35,150	15%	\$0
43,850	105,950	\$6,577.50 + 28%	43,850	35,150	90,800	\$5,272.50 + 28%	35,150
105,950	161,450	23,965.50 + 31%	105,950	90,800	147,050	20,854.50 + 31%	90,800
161,450	288,350	41,170.50 + 36%	161,450	147,050	288,350	38,292.00 + 36%	147,050
288,350	-----	86,854.50 + 39.6%	288,350	288,350	-----	89,160.00 + 39.6%	288,350

2000 Capital Gain Tax Worksheet—Line 12

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2000 Form 1040 (or line 10 of your 2000 Form 1040A) and checked the box on that line **and** you do not have to use Schedule D to figure your tax.

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

Line 13

If you used Schedule J to figure your tax for 2001 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 40, or on Form 1040X), enter on line 13 the amount from line 3 of that Schedule J.

If you did not use Schedule J to figure your tax for 2001, enter on line 13 the taxable income from your 2001 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you filed your 2001 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2001, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2001 until at least 3 years after April 15, 2003 (or the date you file your 2002 tax return, if later), even if you did not file a tax return for 2001.

Instructions for 2001 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2001 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2002. This could happen if the taxable income before subtracting exemptions shown on your 2001 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2001 capital loss carryover to 2002 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2001 Schedule D, line 17, over the loss on your 2001 Schedule D, line 18.

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

Example. John Farmington did not use farm income averaging for 1999, 2000, nor 2001. The taxable income before subtracting exemptions on his 2001 Form 1040, line 37, is a negative \$1,000. This amount includes an NOL deduction (NOLD) on his 2001 Form 1040, line 21, of \$2,250. The \$2,250 is the portion of the 2000 NOL that was remaining from 1999 to be carried to 2001. See the examples on pages J-2 and J-4. A deduction for exemptions of \$2,900 is shown on Form 1040, line 38, and line 39, taxable income, is limited to zero. John does not have an NOL for 2001. John subtracts from the \$1,000 negative amount on Form 1040, line 37, the \$2,900 deduction for exemptions. The result is a negative \$3,900, John's 2001 taxable income, which he enters as a positive amount on line 1 of the 2001 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$5,000 capital loss carryover to 2002 (his 2001 capital loss carryover to 2002 was \$5,000, not \$4,000, because the amount on his Form 1040, line 37, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 18, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 17, and enters \$1,000 on line 2 of the worksheet.

John enters zero on line 3 of the worksheet because he does not have an NOL for 2001 and did not have an NOL carryover from 2001 available to carry to 2002 and later years. The NOLD for 2001 of \$2,250 was reduced to zero because it did not exceed his modified taxable income of \$4,250. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$2,900 of exemptions to negative taxable income (figured without regard to the NOLD) of \$1,650. John enters \$1,000 on line 4 and \$2,900 on line 5. He enters \$2,900 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$3,100 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2003, he will enter \$3,100 on his 2003 Schedule J as his 2001 taxable income for farm income averaging purposes.

2001 Taxable Income Worksheet—Line 13

Keep for Your Records

Complete this worksheet if your 2001 taxable income is zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2001 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2001, **do not** include any NOL carryovers or carrybacks to 2001. Enter the result as a positive amount **1.**
2. If there is a loss on your 2001 Schedule D, line 18, add that loss (as a positive amount) and your 2001 capital loss carryover to 2002. Subtract from that sum the amount of the loss on your 2001 Schedule D, line 17, and enter the result **2.**
3. If you had an NOL for 2001, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2001 that were not used in 2001 and were carried to years after 2001 **3.**
4. Add lines 2 and 3 **4.**
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13 **5.**

Line 16

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

- The 2001 Tax Rate Schedules below,
- The 2001 Capital Gain Tax Worksheet below, or
- The Schedule D you filed for 2001 (but use the 2001 Tax Rate Schedules below instead of the 2001 Tax Table when figuring the tax on Schedule D, lines 25 and 39, or

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

Exception. Use the instructions for the tax return you filed for 2001 to figure the tax on the amount on line 15 if **either** of the following apply.

- You, or your spouse if filing jointly, (a) could be claimed as a dependent on someone's 2001 return and (b) did not receive (before offset) an advance payment of 2001 taxes.

- You filed Form 1040NR for 2001 and you did not receive (before offset) an advance payment of your 2001 taxes.

But, use the 2001 Tax Rate Schedules instead of the 2001 Tax Tables whenever figuring tax.

Lines 18, 19, and 20

If you filed your 1999, 2000, or 2001 tax return using TeleFile, enter your tax from your TeleFile Tax Record. If you amended your return or the IRS made changes to it, enter the corrected amount.

2001 Tax Rate Schedules—Line 16

Schedule X—Use if your 2001 filing status was Single				Schedule Y-2—Use if your 2001 filing status was Married filing separately			
If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>
\$0	\$27,050	15%	\$0	\$0	\$22,600	15%	\$0
27,050	65,550	\$4,057.50 + 27.5%	27,050	22,600	54,625	\$3,390.00 + 27.5%	22,600
65,550	136,750	14,645.00 + 30.5%	65,550	54,625	83,250	12,196.88 + 30.5%	54,625
136,750	297,350	36,361.00 + 35.5%	136,750	83,250	148,675	20,927.50 + 35.5%	83,250
297,350	-----	93,374.00 + 39.1%	297,350	148,675	-----	44,153.38 + 39.1%	148,675
Schedule Y-1—Use if your 2001 filing status was Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your 2001 filing status was Head of household			
If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	If Schedule J, line 15, is: <i>Over—</i>	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>
\$0	\$45,200	15%	\$0	\$0	\$36,250	15%	\$0
45,200	109,250	\$6,780.00 + 27.5%	45,200	36,250	93,650	\$5,437.50 + 27.5%	36,250
109,250	166,500	24,393.75 + 30.5%	109,250	93,650	151,650	21,222.50 + 30.5%	93,650
166,500	297,350	41,855.00 + 35.5%	166,500	151,650	297,350	38,912.50 + 35.5%	151,650
297,350	-----	88,306.75 + 39.1%	297,350	297,350	-----	90,636.00 + 39.1%	297,350

2001 Capital Gain Tax Worksheet—Line 16

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2001 Form 1040 (or line 10 of your 2001 Form 1040A) and checked the box on that line **and** you do not have to use Schedule D to figure your tax.

1. Amount from Schedule J, line 15	1.	_____	
2. Amount from your 2001 Form 1040, line 13 (or Form 1040A, line 10)	2.	_____	
3. Subtract line 2 from line 1. If zero or less, enter -0-	3.	_____	
4. Figure the tax on the amount on line 3. Use the 2001 Tax Rate Schedules above	4.	_____	
5. Enter the smaller of:			
• The amount on line 1 or			
• \$27,050 if single; \$45,200 if married filing jointly or qualifying widow(er); \$22,600 if married filing separately; or \$36,250 if head of household.	5.	_____	
6. Enter the amount from line 3	6.	_____	
7. Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	_____	
8. Multiply line 7 by 10% (.10)	8.	_____	
9. Enter the smaller of line 1 or line 2	9.	_____	
10. Enter the amount from line 7	10.	_____	
11. Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	_____	
12. Multiply line 11 by 20% (.20)	12.	_____	
13. Add lines 4, 8, and 12	13.	_____	
14. Figure the tax on the amount on line 1. Use the 2001 Tax Rate Schedules above	14.	_____	
15. Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 16	15.	_____	

2002 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 2002, the maximum amount of self-employment income subject to social security tax is \$84,900.

Who Must File Schedule SE

You must file Schedule SE if:

1. Your net earnings from self-employment (see page SE-2) 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 56 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.

Note. If you have ever filed 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 56. 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 line 2 of either Short or Long Schedule SE. 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 security 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:

Australia, Austria, Belgium, Canada, Chile, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. If you have questions about international social security agreements, you can:

- Visit the Social Security Administration (SSA) Web Site at www.ssa.gov/international,

- Call the SSA Office of International Programs at (410) 965-3544 or (410) 965-3554 (long-distance charges may apply), or

- Write to Social Security Administration, Office of International Programs, P.O. Box 17741, Baltimore, MD 21235-7741.

If your self-employment income is exempt from SE tax, you should get a statement from the appropriate agency of the foreign country verifying that your self-employment income is subject to social security coverage in that country. If the foreign country will not issue the statement, contact the SSA at the address shown above. **Do not** complete Schedule SE. Instead, attach a copy of the statement to Form 1040 and enter "Exempt, see attached statement" on Form 1040, line 56.

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 56.

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** on this page.

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 to the return of each spouse.

If you are the spouse who carried on the business, you must include on line 3, Schedule SE, the net profit or (loss) reported on the other spouse's Schedule C, C-EZ, or F (except income not included in net earnings from self-employment as explained on page SE-3). Enter on the dotted line to the left of line 3, Schedule SE, "Community Income Taxed to Spouse" and the amount of any net profit or (loss) allocated to your spouse as community income. Combine that amount with the total of lines 1 and 2 and enter the result on line 3.

If you are not the spouse who carried on the business and you had no other income subject to SE tax, enter "Exempt Community Income" on Form 1040, line 56; **do not** file Schedule SE. However, if you had other earnings subject to SE tax of \$400 or more, enter on the dotted line to the left of line 3, Schedule SE, "Exempt Community Income" and the amount of the net profit or (loss) from Schedule C, C-EZ, or F allocated to you as community income. If that amount is a net profit, subtract it from the total of lines 1 and 2, and enter the result on line 3. If that amount is a loss, treat it as a positive amount, add it to the total of lines 1 and 2, and enter the result on line 3.



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 Earnings From Self-Employment?

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 under **Income and Losses Not Included in Net Earnings From Self-Employment** on this page).

- 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 had no other income subject to SE tax, enter "Exempt-Notary" on Form 1040, line 56. However, if you had other earnings of \$400 or more subject to SE tax, enter "Exempt-Notary" and 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 receive 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 (EIC). Using the optional methods may qualify you to claim the EIC or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the EIC with and without using the optional methods to see if the optional methods will benefit you.

Additional Child Tax Credit. Using the optional methods may qualify you to claim the additional child tax credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the additional child tax 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 earnings from self-employment (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 on this page) 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 earnings from farm self-employment 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. To do this, file **Form 1040X**.

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 net nonfarm profits (defined on this page) 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 this page 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 earnings from self-employment.



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 1/4" 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, Mississippi, North Carolina, South Carolina, West Virginia	Internal Revenue Service Center Atlanta, GA 39901-0002	Internal Revenue Service Center Atlanta, GA 39901-0102
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>), Maine, Massachusetts, Michigan, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center Andover, MA 05501-0002	Internal Revenue Service Center Andover, MA 05501-0102
Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Utah, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999-0002	Internal Revenue Service Center Kansas City, MO 64999-0102
Connecticut, Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania	Internal Revenue Service Center Philadelphia, PA 19255-0002	Internal Revenue Service Center Philadelphia, PA 19255-0102
Colorado, Kentucky, Louisiana, Montana, New Mexico, Oklahoma, Texas, Wyoming	Internal Revenue Service Center Austin, TX 73301-0002	Internal Revenue Service Center Austin, TX 73301-0102
Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington	Internal Revenue Service Center Fresno, CA 93888-0002	Internal Revenue Service Center Fresno, CA 93888-0102
Alabama, Arkansas, Ohio, Tennessee, Virginia	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>), dual-status aliens, 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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