

Note. This booklet does not contain any tax forms.

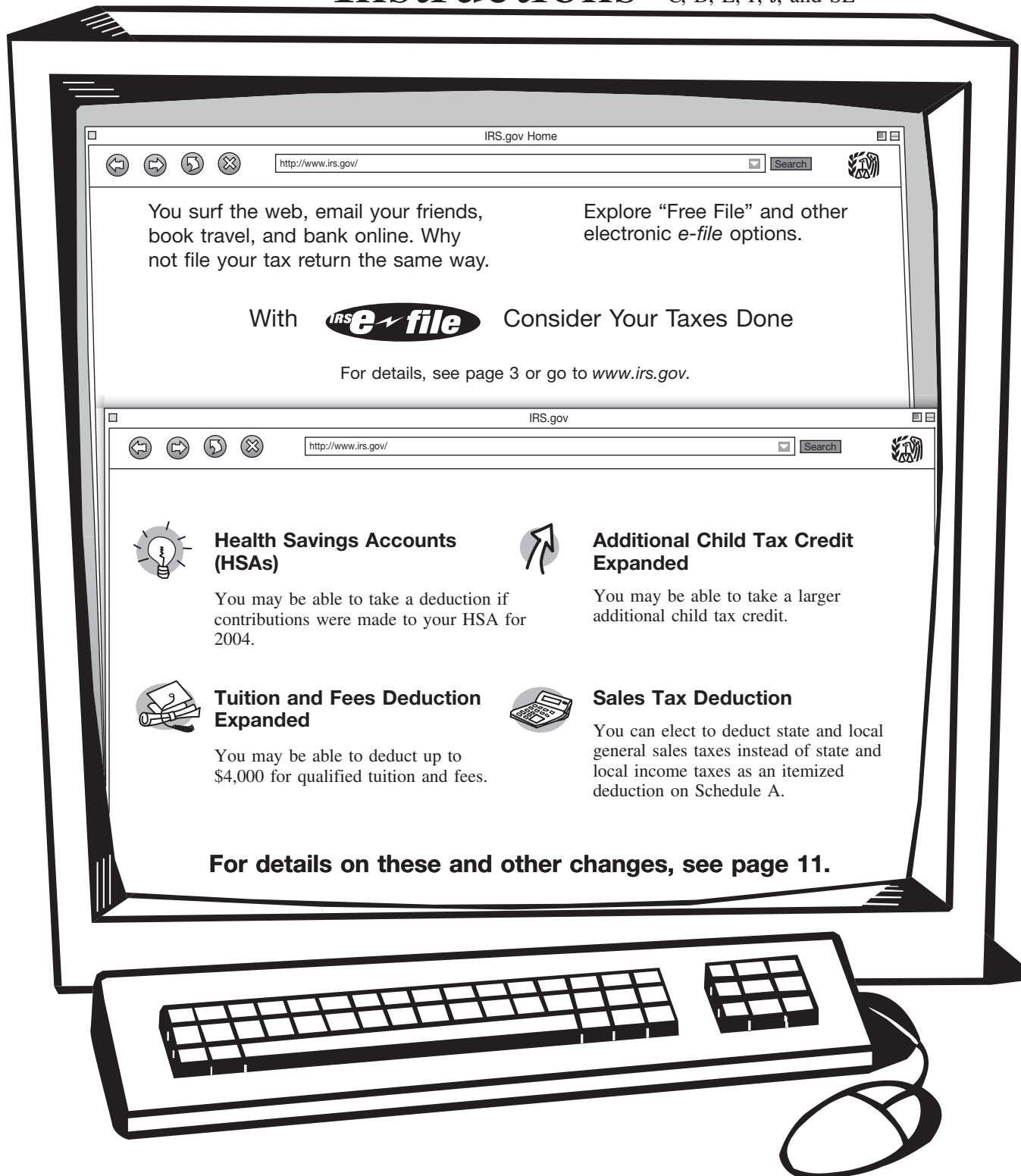


Department of the Treasury
Internal Revenue Service

www.irs.gov

2004 1040

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



A Message From the Commissioner

Dear Taxpayer,

As our nation moves forward in this still young century, the Internal Revenue Service will focus on three areas of tax administration:

- Improving taxpayer service;
- Enhancing enforcement of the tax law; and
- Modernizing the IRS through its people, processes, and technology.

Our working equation at the IRS is simple: service plus enforcement equals compliance. Not service or enforcement, but service and enforcement. We must do both in a balanced and consistent manner, with full respect for, and attention to, taxpayer rights.

By service, we mean helping people understand their federal tax obligations and facilitating their participation in the tax system. Enforcing the law is equally essential to our system of individual self-assessment. Americans need to be confident that when they pay their taxes, their neighbors and competitors are doing the same.

As you prepare your taxes, I encourage you to file electronically. Last year, more than 61 million Americans did. And we expect even more to file electronically this year. E-file benefits both the taxpayer and the government. E-file promotes greater reliability and faster processing. If you're getting a refund, you'll get it sooner.

To learn more, go online. Check out www.irs.gov and click on "1040 Central" for the tax forms, information, and updates you need. For example, you can find out whether you are eligible for the earned income credit. Also, like more than 23 million people last year, you can check the status of your refund online. Just click on "Where's My Refund?"

I hope this tax booklet is useful to you. For further information, you may contact us at www.irs.gov or call our toll-free numbers 1-800-829-1040 for individuals and 1-800-829-4933 for businesses.

Sincerely,



Mark W. Everson

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.



consider it done

What is IRS *e-file*?

It's the fastest, easiest, and most convenient way to file your income tax return electronically. So easy, over 61 million taxpayers preferred *e-file* over filing a paper income tax return last year. Visit the IRS website at www.irs.gov/efile for all the details and latest information.

What are the benefits?

Free File Options!

- At least 60 percent of taxpayers are eligible to use free commercial online tax preparation software to *e-file*.
- Visit www.irs.gov to see if you qualify and to access these free services offered by the tax software industry (not the IRS).

Fast! Easy! Convenient!

- Get your refund in half the time as paper filers do, even faster and safer with direct deposit. See page 54.
- Sign electronically and file a completely paperless return. See page 56.
- Receive an electronic proof of receipt within 48 hours that the IRS received your return.
- If you owe, you can *e-file* and authorize an electronic funds withdrawal or pay by credit card. If you *e-file* before April 15, 2005, you can schedule an electronic funds withdrawal from your checking or savings account as late as April 15, 2005. See page 55.
- Prepare and file your federal and state returns together and save time.

Accurate! Secure!

- IRS computers quickly and automatically check for errors or other missing information.
- The chance of being audited does not differ whether you *e-file* or file a paper income tax return.
- Your bank account information is safeguarded along with other tax return information. The IRS does not have access to credit card numbers.

Visit the IRS website at www.irs.gov/efile for details.

How to *e-file*?

Use an Authorized IRS e-file Provider



Many tax professionals electronically file tax returns for their clients. As a taxpayer, you have two options:

- You can prepare your return, take it to an Authorized IRS *e-file* Provider, and have the provider transmit it electronically to the IRS, or
- You can have a tax professional prepare your return and transmit it for you electronically.

Tax professionals can charge a fee for IRS *e-file*. Fees can vary depending on the professional and the specific services rendered.

Use a Personal Computer



You can file your income tax return in a fast, easy, convenient way using your personal computer. A computer with a modem or Internet access and tax preparation software are all you need. Best of all, you can *e-file* from the comfort of your home 24 hours a day, 7 days a week. Visit www.irs.gov for details.

IRS approved tax preparation software is available for online use on the Internet, for download from the Internet, and in retail stores. Visit www.irs.gov/efile for details.

If you do not qualify for the Free File options, visit our Partners Page for partners that offer other free or low-cost filing options at www.irs.gov/efile.

Tax Return Page Reference

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

Label 16 (See instructions on page 16.) **Use the IRS label.** Otherwise, please print or type.

LABEL HERE

For the year Jan. 1–Dec. 31, 2004, or other tax year beginning _____, 2004, 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 16. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, see page 16. _____

OMB No. 1545-0074

Your social security number _____ **16**

Spouse's social security number _____ **16**

▲ Important! ▲

You must enter your SSN(s) above.

Presidential Election Campaign (See page 16.) **16** 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

1 Single **16**

2 Married filing jointly (even if only one had income) **17**

3 Married filing separately. Enter spouse's SSN above and full name here. **17**

4 Head of household (with qualifying person). (See page 17.) If the qualifying person is a child but not your dependent, enter this child's name here. **17**

5 Qualifying widow(er) with dependent child (see page 17)

Check only one box.

Exemptions 18

6a Yourself. If someone can claim you as a dependent, do not check box 6a

b Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 18)
(1) First name	Last name			

If more than four dependents, see page 18. **18**

18 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 18)

18 Dependents on 6c not entered above

Add numbers on lines above **18**

d Total number of exemptions claimed **18**

Income 57

7 Wages, salaries, tips, etc. Attach Form(s) W-2 **19**

8a Taxable interest. Attach Schedule B if required **19**

b Tax-exempt interest. Do not include on line 8a **20**

8b **20**

9a Ordinary dividends. Attach Schedule B if required **20**

9b Qualified dividends (see page 20) **20**

10 Taxable refunds, credits, or offsets of state and local income taxes (see page 20) **20**

11 Alimony received **21**

12 Business income or (loss). Attach Schedule C or C-EZ **21**

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here **21**

14 Other gains or (losses). Attach Form 4797 **22**

14a IRA distributions **22**

15a **22**

16a **22**

b Taxable amount (see page 22) **22**

16b **22**

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 **24**

19 **24**

20a Social security benefits **24**

20a **24**

b Taxable amount (see page 24) **24**

20b **24**

21 Other income. List type and amount (see page 24) **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 26) **26**

23 **26**

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ **26**

24 **26**

25 IRA deduction (see page 26). **26**

25 **26**

26 Student loan interest deduction (see page 28) **28**

26 **28**

27 Tuition and fees deduction (see page 29) **29**

27 **29**

28 Health savings account deduction. Attach Form 8889 **29 NEW**

28 **29**

29 Moving expenses. Attach Form 3903 **29**

29 **29**

30 One-half of self-employment tax. Attach Schedule SE **30**

30 **30**

31 Self-employed health insurance deduction (see page 30) **30**

31 **30**

32 Self-employed SEP, SIMPLE, and qualified plans **30**

32 **30**

33 Penalty on early withdrawal of savings **30**

33 **30**

34a Alimony paid b Recipient's SSN **30**

34a **30**

35 Add lines 23 through 34a **31**

35 **31**

36 Subtract line 35 from line 22. This is your **adjusted gross income** **31**

36 **31**

Tax Return Page Reference

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

Tax and Credits	37 Amount from line 36 (adjusted gross income)	37		
	38a Check <input type="checkbox"/> You were born before January 2, 1940, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1940, <input type="checkbox"/> Blind. Total boxes checked ▶ 38a			31
	b If your spouse itemizes on a separate return or you were a dual-status alien, see (A-1) page 31 and check here ▶ 38b			31
	39 Itemized deductions (from Schedule A) or your standard deduction (see left margin)	39	31	
	40 Subtract line 39 from line 37	40		
	41 If line 37 is \$107,025 or less, multiply \$3,100 by the total number of exemptions claimed on line 6d. If line 37 is over \$107,025, see the worksheet on page 33	41	33	
	42 Taxable income. Subtract line 41 from line 40. If line 41 is more than line 40, enter -0-	42		
	43 Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	43		33
	44 Alternative minimum tax (see page 35). Attach Form 6251	44	35	
	45 Add lines 43 and 44	45		
	46 Foreign tax credit. Attach Form 1116 if required	46	36	
	47 Credit for child and dependent care expenses. Attach Form 2441	47	36	
	48 Credit for the elderly or the disabled. Attach Schedule R	48	36	
	49 Education credits. Attach Form 8863	49	36	
	50 Retirement savings contributions credit. Attach Form 8880	50	36	
51 Child tax credit (see page 37)	51	37		
52 Adoption credit. Attach Form 8839	52	39		
53 Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859	53	39		
54 Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify _____	54	39		
55 Add lines 46 through 54. These are your total credits	55			
56 Subtract line 55 from line 45. If line 55 is more than line 45, enter -0-	56			
Other Taxes	57 Self-employment tax. Attach Schedule SE	57		
	58 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137	58	39	
	59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	39	
	60 Advance earned income credit payments from Form(s) W-2	60	39	
	61 Household employment taxes. Attach Schedule H	61	39	
	62 Add lines 56 through 61. This is your total tax	62	40	
Payments	63 Federal income tax withheld from Forms W-2 and 1099	63	40	
	64 2004 estimated tax payments and amount applied from 2003 return	64	40	
	65a Earned income credit (EIC)	65a	41	
	b Nontaxable combat pay election ▶ 65b (NEW) (43)			43
	66 Excess social security and tier 1 RRTA tax withheld (see page 54)	66	54	
	67 Additional child tax credit. Attach Form 8812	67	54	
	68 Amount paid with request for extension to file (see page 54)	68	54	
	69 Other payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	69	54	
	70 Add lines 63, 64, 65a, and 66 through 69. These are your total payments	70		
	Refund	71 If line 70 is more than line 62, subtract line 62 from line 70. This is the amount you overpaid	71	54
72a Amount of line 71 you want refunded to you		72a		
b Routing number [] [] [] [] [] [] [] [] [] [] ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings				54
d Account number [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] [] ▶				
73 Amount of line 71 you want applied to your 2005 estimated tax ▶ 73	73	55		
Amount You Owe	74 Amount you owe. Subtract line 70 from line 62. For details on how to pay, see page 55 ▶	74	55	
	75 Estimated tax penalty (see page 55)	75	55	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see page 56)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No			
	Designee's name ▶ (56)	Phone no. ▶ ()	Personal identification number (PIN) ▶ [] [] [] []	
Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Your signature ▶ (56)	Date	Your occupation	
	Spouse's signature. If a joint return, both must sign.		Date	Daytime phone number () (56)
	Preparer's signature ▶ (56)		Date	Preparer's SSN or PTIN
Paid Preparer's Use Only	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.
- 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, and
- 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 and supporting documentation (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.
- Visit the website at www.irs.gov/advocate.

Quick and Easy Access to Tax Help and Forms




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



Internet

You can access the IRS website 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 2004 refund;
- Download forms, instructions, and publications;
- Order IRS products online;
- Research your tax questions online;
- Search publications online by topic or keyword;
- Figure your withholding allowances using our W-4 calculator; and
- Sign up to receive local and national tax news by email.



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. When you call, you will hear instructions on how to use

the service. 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 73. 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 by phone.

Forms and publications. Call 1-800-TAX-FORM (1-800-829-3676) during the hours shown on page 10 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 24 hours a day, 7 days a week, to listen to pre-recorded messages covering about 150 tax topics. See pages 8 and 9 for a list of the topics.

Refund information. You can check the status of your 2004 refund 24 hours a day, 7 days a week. See page 8 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 can be filled in electronically, printed out for submission, and saved for recordkeeping; and
- 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).

Other ways to get help. See page 58 for information.

Refund Information

You can check on the status of your 2004 refund if it has been at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). But if you filed Form 8379 with your return, allow 14 weeks (11 weeks if you filed electronically).

Be sure to have a copy of your 2004 tax return available because you will need to know the filing status and the exact whole-dollar amount of your refund. Then, do one of the following.

- Go to www.irs.gov and click on *Where's My Refund*.
- Call 1-800-829-4477 24 hours a day, 7 days a week, for automated refund information.

- Call 1-800-829-1954 during the hours shown on page 10.



Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.

Do not send in a copy of your return unless asked to do so.

To get a refund, you generally must file your return within 3 years from the date the return was due (including extensions).

What Is 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 Internet

TeleTax topics are also available through the IRS website at 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 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	2004 Form W-2 and Form 1099-R—What to do if not received
155	Forms and publications—How to order

Topic No.	Subject
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
256	Filing business returns electronically
General Information	
301	When, where, and how to file
302	Highlights of tax changes

Topic No.	Subject
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?
354	Dependents
355	Estimated tax
356	Decedents
357	Tax information for parents of kidnapped children
Types of Income	
401	Wages and salaries

TeleTax Topics

(Continued)

Topic No.	Subject
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 residential and vacation property
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
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
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty and theft losses
508	Miscellaneous expenses

Topic No.	Subject
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
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit

Topic No.	Subject
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 (ITIN)—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, 2005.

Calling the IRS

If you cannot find the answer to your question using one of the methods listed on page 7, please call us for assistance at 1-800-829-1040. You will not be charged for the call unless your phone company charges you for toll-free calls. Our normal hours of operation are Monday through Friday from 7:00 a.m. to 10:00 p.m. local time. Beginning January 29, 2005, through April 9, 2005, 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 2004 refund, see Refund Information on page 8.

Before You Call

IRS representatives care about the quality of the service provided 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 our telephone service. One method is to record telephone calls for quality purposes only. A random sample of recorded calls is selected for review through the quality assurance process. Other methods include listening to live calls in progress and random selection of customers for participation in a customer satisfaction survey.

Making the Call

Call 1-800-829-1040 (for TTY/TDD help, call 1-800-829-4059). Our menus 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 tax return or account.
- Find out where to send your tax return or payment.
- Request more time to pay or set up a monthly installment agreement.
- Find out if you qualify for innocent spouse relief.

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



For details on these and other changes for 2004 and 2005, see Pub. 553.

What's New for 2004

Health savings account (HSA) deduction.

You may be able to take a deduction if contributions (other than employer contributions) were made to your HSA for 2004. See Form 8889 for details.

Tuition and fees deduction expanded.

You may be able to deduct up to \$4,000 if your adjusted gross income (AGI) is not more than \$65,000 (\$130,000 if married filing jointly), or deduct up to \$2,000 if your AGI is higher than that limit but not more than \$80,000 (\$160,000 if married filing jointly). See the instructions for line 27 on page 29.

Sales tax deduction. You can elect to deduct state and local general sales taxes instead of state and local income taxes as an itemized deduction on Schedule A. Generally, you can use either your actual expenses or the Optional State Sales Tax Tables to figure your state and local general sales tax deduction. See the Instructions for Schedule A for details.

Income averaging for farmers and fishermen. Fishermen can elect to use income averaging on Schedule J to reduce their tax. Also, the benefit of income averaging is extended to farmers and fishermen who owe the alternative minimum tax. See the Instructions for Schedule J for details.

Unlawful discrimination claims. You may be able to take a deduction on line 35 for attorney fees and court costs paid after October 22, 2004, for actions settled or decided after that date involving a claim of unlawful discrimination, a claim against the United States Government, or a claim made under section 1862(b)(3)(A) of the Social Security Act, but only up to the amount included in gross income in 2004 from such claim. See Pub. 525 for details.

Tax Computation Worksheet. If your taxable income is \$100,000 or more, you will now use the Tax Computation Worksheet instead of the Tax Rate Schedules to figure

See *How To Avoid Common Mistakes* on page 57.

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

your tax. The Tax Computation Worksheet is on page 72. The Tax Rate Schedules are shown on page 76 so you can see the tax rate that applies to all levels of taxable income, but they should not be used to figure your tax.

IRA deduction allowed to more people covered by retirement plans. You may be able to take an IRA deduction if you were covered by a retirement plan and your modified AGI is less than \$55,000 (\$75,000 if married filing jointly or qualifying widow(er)). See the instructions for line 25 that begin on page 26.

Certain business expenses of reservists, performing artists, and fee-basis government officials. These expenses are now reported on line 24. See the instructions for line 24 on page 26.

Earned income credit (EIC). You may be able to take the EIC if:

- A child lived with you and you earned less than \$34,458 (\$35,458 if married filing jointly), or
- A child did not live with you and you earned less than \$11,490 (\$12,490 if married filing jointly).

If you were a member of the U.S. Armed Forces who served in a combat zone, you may be able to include your nontaxable combat pay in earned income when figuring the EIC.

See the instructions for lines 65a and 65b that begin on page 41.

Additional child tax credit expanded. The credit limit based on earned income is increased to 15% of your earned income that exceeds \$10,750. If you were a member of the U.S. Armed Forces who served in a combat zone, your nontaxable combat pay counts as earned income when figuring this credit limit. See Form 8812 for details.

Standard mileage rates. The 2004 rate for business use of your vehicle is 37½ cents a mile. The 2004 rate for use of your vehicle to get medical care or to move is 14 cents a mile.

Qualified tuition program (QTP) distributions. You may be able to exclude from income distributions from a private QTP if the distributions are not more than

your qualified higher education expenses. See Pub. 970.

Elective salary deferrals. The maximum amount you can defer under all plans is generally limited to \$13,000 (\$16,000 for section 403(b) plans if you qualify for the 15-year rule). The catch-up contribution limit increased to \$3,000 (\$1,500 for SIMPLE plans). See the instructions for line 7 on page 19.

Excise tax on insider stock compensation from an expatriated corporation. You may owe a 15% excise tax on the value of nonstatutory stock options and certain other stock-based compensation held by you or a member of your family from an expatriated corporation or its expanded affiliated group in which you were an officer, director, or more-than-10% owner. See the instructions for line 62 on page 40.

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.

What's New for 2005

IRA deduction expanded. You, and your spouse if filing jointly, may be able to deduct up to \$4,000 (\$4,500 if age 50 or older at the end of 2005). If you were covered by a retirement plan, you may be able to take an IRA deduction if your 2005 modified AGI is less than \$60,000 (\$80,000 if married filing jointly or qualifying widow(er)).

EIC phaseout amount increased for joint filers. The maximum amount of earned income that joint filers can have and still take the EIC will be \$2,000 more than that for other filers.

Elective salary deferrals. The maximum amount you can defer under all plans is generally limited to \$14,000 (\$17,000 for section 403(b) plans if you qualify for the 15-year rule). The catch-up contribution limit is increased to \$4,000 (\$2,000 for SIMPLE plans).

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 8) 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, the additional child tax credit, or the health coverage tax credit.



Have you tried IRS e-file?

It's the fastest way to get your refund and it's free if you are eligible. Visit www.irs.gov for details.

Exception for children under age 14. If you are planning to file a tax return for your child who was under age 14 at the end of 2004 and certain other conditions apply, you can elect to include 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 8) or see Form 8814.

A child born on January 1, 1991, is considered to be age 14 at the end of 2004. Do not use Form 8814 for such a child.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 2004 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65	\$7,950
	65 or older	9,150
Married filing jointly***	under 65 (both spouses)	\$15,900
	65 or older (one spouse)	16,850
	65 or older (both spouses)	17,800
Married filing separately (see page 17)	any age	\$3,100
Head of household (see page 17)	under 65	\$10,250
	65 or older	11,450
Qualifying widow(er) with dependent child (see page 17)	under 65	\$12,800
	65 or older	13,750

* If you were born on January 1, 1940, you are considered to be age 65 at the end of 2004.

** **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 2004.

*** If you did not live with your spouse at the end of 2004 (or on the date your spouse died) and your gross income was at least \$3,100, 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 2004 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.



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. 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 15.

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 18 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 \$3,100 or more, you usually cannot be claimed as a dependent unless you were (a) under age 19 at the end of 2004 or (b) under age 24 at the end of 2004 and a student. 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 \$800.
 - Your **earned income** was over \$4,850.
 - Your **gross income** was more than the **larger** of—
 - \$800, or
 - Your earned income (up to \$4,600) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over \$2,000 (\$3,200 if 65 or older **and** blind).
 - Your earned income was over \$6,050 (\$7,250 if 65 or older **and** blind).
 - Your gross income was more than—

The larger of:	Plus	This amount:
<ul style="list-style-type: none"> • \$800, or • Your earned income (up to \$4,600) plus \$250 	}	\$1,200 (\$2,400 if 65 or older and blind)

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

- No.** You must file a return if **any** of the following apply.
- Your unearned income was over \$800.
 - Your earned income was over \$4,850.
 - 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—
 - \$800, or
 - Your earned income (up to \$4,600) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over \$1,750 (\$2,700 if 65 or older **and** blind).
 - Your earned income was over \$5,800 (\$6,750 if 65 or older **and** blind).
 - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your gross income was more than—

The larger of:	Plus	This amount:
<ul style="list-style-type: none"> • \$800, or • Your earned income (up to \$4,600) plus \$250 	}	\$950 (\$1,900 if 65 or older and blind)

Chart C—Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2004.

1. You owe any special taxes, such as:
 - Social security and Medicare tax on tips you did not report to your employer,
 - Uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance,
 - Alternative minimum tax,
 - Recapture taxes (see the instructions for line 43, on page 33, and line 62, on page 40), or
 - Additional 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 Form W-2, box 9.
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 2004 Forms W-2, 1098, and 1099



IRS e-file takes the guesswork out of preparing your return. You may also be eligible to use free online commercial tax preparation software to file your federal income tax return. Visit www.irs.gov/efile for details.

If any federal income tax withheld is shown on these forms, include the tax withheld on Form 1040, line 63. If you itemize your deductions and any state or local income tax withheld is shown on these forms, include the tax withheld on Schedule A, line 5, if you do not elect to deduct state and local general sales taxes.

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
W-2	Wages, tips, other compensation (box 1) Allocated tips (box 8) Advance EIC payment (box 9) Dependent care benefits (box 10) Adoption benefits (box 12, code T) Employer contributions to an Archer MSA (box 12, code R) Employer contributions to a health savings account (box 12, code W)	Form 1040, line 7 See Tip income on page 19 Form 1040, line 60 Form 2441, line 12 Form 8839, line 22 Form 8853, line 3 Form 8889, line 9
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1) Points (box 2) Refund of overpaid interest (box 3)	Schedule A, line 10* 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 26, on page 28*
1098-T	Qualified tuition and related expenses (box 1)	See the instructions for Form 1040, line 27, on page 29, or line 49, on page 36, but first see the instructions on Form 1098-T*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2) Bartering (box 3) Aggregate profit or (loss) (box 11)	See the instructions on Form 1099-B See Pub. 525 Form 6781, line 1
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Total ordinary dividends (box 1a) Qualified dividends (box 1b) Total capital gain distributions (box 2a) Unrecaptured section 1250 gain (box 2b) Section 1202 gain (box 2c) Collectibles (28%) gain (box 2d) Nontaxable (nondividend) distributions (box 3) Investment expenses (box 5) Foreign tax paid (box 6)	Form 1040, line 9a See the instructions for Form 1040, line 9b, on page 20 Form 1040, line 13, or, if required, Schedule D, line 13 See the instructions for Schedule D, line 19, that begin on page D-7 See <i>Exclusion of Gain on Qualified Small Business (QSB) Stock</i> in the instructions for Schedule D on page D-4 See the instructions for Schedule D, line 18, on page D-7 See the instructions for Form 1040, line 9a, on page 20 Schedule A, line 22 Form 1040, line 46, or Schedule A, line 8
1099-G	Unemployment compensation (box 1) State or local income tax refunds, credits, or offsets (box 2) Taxable grants (box 6) Agriculture payments (box 7)	Form 1040, line 19. But if you repaid any unemployment compensation in 2004, see the instructions for line 19 on page 24. See the instructions for Form 1040, line 10, that begin on page 20* Form 1040, line 21* See the Instructions for Schedule F or Pub. 225*
1099-H	HCTC advance payments (box 1)	Form 8885, lines 2 and 6

* 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) Early withdrawal penalty (box 2) Interest on U.S. savings bonds and Treasury obligations (box 3) Investment expenses (box 5) Foreign tax paid (box 6)	See the instructions for Form 1040, line 8a, on page 19 Form 1040, line 33 See the instructions for Form 1040, line 8a, on page 19 Schedule A, line 22 Form 1040, line 46, 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) Royalties (box 2) Other income (box 3) Nonemployee compensation (box 7) Other (boxes 5, 6, 8, 9, 10, 13, and 14)	See the Instructions for Schedule E* Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544)* Form 1040, line 21* Schedule C, C-EZ, or F. But if you were not self-employed, see the instructions on Form 1099-MISC. See the instructions on Form 1099-MISC
1099-OID	Original issue discount (box 1) Other periodic interest (box 2) } Early withdrawal penalty (box 3) Original issue discount on U.S. Treasury obligations (box 6) Investment expenses (box 7)	See the instructions on Form 1099-OID Form 1040, line 33 See the instructions on Form 1099-OID Schedule A, line 22
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5) Credits (boxes 6, 7, and 8) Patron's AMT adjustment (box 9)	Schedule C, C-EZ, or F or Form 4835, but first see the instructions on Form 1099-PATR Form 3468, 5884, 8844, 8845, 8861, or 8884 Form 6251, line 26
1099-Q	Qualified education program payments	See the instructions for Form 1040, line 21, on page 24
1099-R	Distributions from IRAs** Distributions from pensions, annuities, etc. Capital gain (box 3)	See the instructions for Form 1040, lines 15a and 15b, on page 22 See the instructions for Form 1040, lines 16a and 16b, that begin on page 22 See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2) Buyer's part of real estate tax (box 5)	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. See the instructions for Schedule A, line 6, on page A-3*
1099-SA	Distributions from health savings accounts (HSAs) Distributions from MSAs***	Form 8889, line 12a Form 8853
<p>* 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.</p> <p>** This includes distributions from Roth, SEP, and SIMPLE IRAs.</p> <p>*** This includes distributions from Archer and Medicare Advantage MSAs.</p>		

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. These private delivery services include only the following.

- DHL Express (DHL): DHL Same Day Service, DHL Next Day 10:30 am, DHL Next Day 12:00 pm, DHL Next Day 3:00 pm, and DHL 2nd Day Service.

- 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



IRS *e-file* takes the guesswork out of preparing your return. You may also be eligible to use free online commercial tax preparation software to file your federal income tax return. Visit www.irs.gov/efile for details.

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, use Form 8822 to notify the IRS of your new address.

Name Change

If you changed your name because of marriage, divorce, etc., 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 58 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 2003 and you are filing a joint return for 2004 with the same spouse, be sure to enter your names and SSNs in the same order as on your 2003 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 58.

Social Security Number (SSN)

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

Check that your SSN on your Forms W-2 and 1099 agrees with your social security card. If not, see page 58 for more details.

IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

If you are a nonresident or resident alien and you do not have and are not eligible to get an SSN, you must apply for an ITIN. For details on how to do so, see Form W-7 and its instructions. It usually takes about 4-6 weeks to get an ITIN.

If you already have an ITIN, enter it 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.
- Married filing jointly or qualifying widow(er) with dependent child.



More than one filing status can apply to you. Choose the one that will give you the lowest tax.

Line 1

Single

You can check the box on line 1 if any of the following was true on December 31, 2004.

- You were never married.
- You were legally separated, according to your state law, under a decree of divorce or separate maintenance.
- You were widowed before January 1, 2004, and did not remarry in 2004. But if you have a dependent child, you may be able to use the qualifying widow(er) filing status. See the instructions for line 5 on page 17.

Line 2

Married Filing Jointly

You can check the box on line 2 if any of the following apply.

- You were married as of December 31, 2004, even if you did not live with your spouse at the end of 2004.
- Your spouse died in 2004 and you did not remarry in 2004.
- You were married as of December 31, 2004, and your spouse died in 2005 before filing a 2004 return.

A husband and wife can file a joint return even if only one had income or if they did not live together all year. However, both persons must sign the return. If you file a joint return for 2004, you cannot, after the due date for filing that return, amend it to file as married filing separately.

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 57.

Nonresident aliens and dual-status aliens. You may be able to file a joint return. See Pub. 519 for details.

Line 3

Married Filing Separately

If you are married and file a separate return, you will usually pay more tax than if you use another filing status that you qualify for. Also, if you file a separate return, you cannot take the student loan interest deduction, the tuition and fees deduction, the education credits, or the earned income credit. You also cannot take the standard deduction if your spouse itemizes deductions.

Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people in community property states. See page 19.



You may be able to file as head of household if you had a child living with you and you lived apart from your spouse during the last 6 months of 2004. See Married persons who live apart on this page.

Line 4

Head of Household

This filing status is for unmarried individuals who provide a home for certain other persons. (Some married persons who live apart may also qualify. See this page.) You can check the box on line 4 only if as of

December 31, 2004, you were unmarried or legally separated (according to your state law) under a decree of divorce or separate maintenance and either 1 or 2 below applies to you.

1. You paid over half the cost of keeping up a home that was the main home for all of 2004 of your parent whom you can claim as a dependent. Your parent did not have to live with you in your home.

2. You paid over half the cost of keeping up a home in which you lived and in which one of the following also lived for more than half of the year (if half or less, see the *Exception* on this page).

a. Your unmarried child, adopted child, grandchild, great-grandchild, etc., or stepchild. It does not matter what age the child was. This child does not have to be your dependent. If the child is not your dependent, enter the child's name in the space provided on line 4. If you do not enter the name, it will take us longer to process your return.

b. Your married child, adopted child, grandchild, great-grandchild, etc., or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the rules for *Children Who Did Not Live With You Due to Divorce or Separation* on page 18, this child does not have to be your dependent. In this case, enter the child's name on line 4. If you do not enter the name, it will take us longer to process your return.

c. Your foster child, who must be your dependent.

d. Any other relative you can claim as a dependent. For the definition of a relative, see Pub. 501.



You cannot file as head of household if your child, parent, or relative described above is your dependent under the rules on Multiple Support Agreement in Pub. 501.

Married persons who live apart. Even if you were not divorced or legally separated in 2004, you may be able to file as head of household. You can check the box on line 4 if all of the following apply.

- You must have lived apart from your spouse for the last 6 months of 2004. Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.
- You file a separate return from your spouse.
- You paid over half the cost of keeping up your home for 2004.
- Your home was the main home of your child, adopted child, stepchild, or fos-

ter child for more than half of 2004 (if half or less, see the *Exception* below).

- You claim this child as your dependent or the child's other parent claims him or her under the rules for *Children Who Did Not Live With You Due to Divorce or Separation* on page 18. If this child is not your dependent, be sure to enter the child's name on line 4. If you do not enter the name, it will take us longer to process your return.

Keeping up a home. To find out what is included in the cost of keeping up a home, see Pub. 501.

If you used payments you received under Temporary Assistance for Needy Families (TANF) or other public assistance programs to pay part of the cost of keeping up your home, you cannot count them as money you paid. However, you must include them in the total cost of keeping up your home to figure if you paid over half of the cost.

Dependent. To find out if someone is your dependent, see the instructions for line 6c on page 18.

Exception. You can count temporary absences for special circumstances, such as for school, vacation, medical care, or military service, as time lived in the home. If the person for whom you kept up a home was born or died in 2004, you may still file as head of household as long as the home was that person's main home for the part of the year he or she was alive.

Line 5

Qualifying Widow(er) With Dependent Child

You can check the box on line 5 and use joint return tax rates for 2004 if all of the following apply.

- Your spouse died in 2002 or 2003 and you did not remarry in 2004.
- You have a child, adopted child, stepchild, or foster child whom you claim as a dependent.
- This child lived in your home for all of 2004. Temporary absences for special circumstances, such as for school, vacation, medical care, or military service, count as time lived in the home.
- You paid over half the cost of keeping up your home.
- You could have filed a joint return with your spouse the year he or she died, even if you did not actually do so.

If your spouse died in 2004, you cannot file as qualifying widow(er) with dependent child. Instead, see the instructions for line 2 on this page.

Exemptions

You usually can deduct \$3,100 on line 41 for each exemption you can take.

Line 6b

Spouse

Check the box on line 6b if either of the following apply.

1. Your filing status is married filing jointly.
2. You were married as of December 31, 2004, your filing status is married filing separately or head of household, and both of the following apply.
 - a. Your spouse had no income and is not filing a return.
 - b. Your spouse cannot be claimed as a dependent on another person's return.

If your filing status is head of household and you check the box on line 6b, enter the name of your spouse on the dotted line next to line 6b. Also, enter your spouse's social security number in the space provided at the top of your 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 four 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 all year as a member of your household. 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 8) or see Pub. 519.

Income test. The person's gross income must be less than \$3,100. But your child's gross income can be \$3,100 or more if he or she was either (a) under age 19 at the end of 2004, or (b) under age 24 at the end of 2004 and a student.

Support test. You must have provided over half of the person's total support in 2004. 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) 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 16. If your dependent will not have a number by April 15, 2005, see What If You Cannot File on Time? on page 12.

If your dependent child was born and died in 2004 and you do not have an SSN for the child, you can 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 51 and the additional child tax credit on line 67.

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

1. Is claimed as your dependent on line 6c,
2. Was under age 17 at the end of 2004,
3. Is your (a) son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild); (b) brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew), whom you cared for as you would your own child; or (c) foster child (any child placed with you by an au-

thorized placement agency whom you cared for as you would your own child), and

4. Is a U.S. citizen or resident alien.



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

An adopted child is always treated as your own child. An adopted child includes a child placed with you by an authorized placement agency for legal adoption even if the adoption is not final. An authorized placement agency includes any person or court authorized by state law to place children for legal adoption.

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 the *Exception* below.

If your divorce decree or separation agreement went into effect after 1984, you can attach certain pages from the decree or agreement instead of Form 8332. To be able to do this, the decree or agreement must state all three of the following.

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

Attach all of the following pages from the decree or agreement.

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



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 2004.

Income

Foreign-Source Income

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

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

Foreign retirement plans. If you were a beneficiary of a foreign retirement plan, you may have to report the undistributed income earned in your plan. However, if you were the beneficiary of a Canadian registered retirement plan, see Form 8891 to find out if you can elect to defer tax on the undistributed income.

Report distributions from foreign pension plans on lines 16a and 16b.

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

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

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only 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 Form(s) W-2, box 1. 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 Form W-2 because your employer paid you

less than \$1,400 in 2004. Also, enter "HSH" and the amount not reported on Form W-2 on the dotted line next to line 7.

- Tip income you did not report to your employer. Also include allocated tips shown on your Form(s) W-2 unless you can prove that you received less. Allocated tips should be shown in Form(s) W-2, box 8. 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 58 on

page 39.

- Dependent care benefits, which should be shown in Form(s) W-2, box 10. 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 Form(s) W-2, box 12, with code T. But see the Instructions for Form 8839 to find out if you can exclude part or all of the benefits. You may also be able to exclude amounts if you adopted a child with special needs and the adoption became final in 2004.

- Scholarship and fellowship grants not reported on Form W-2. Also, enter "SCH" and the amount on the dotted line next to line 7. However, 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 Form W-2, box 12, and the "Retirement plan" box in box 13 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 2004 under all plans was more than \$13,000 (excluding catch-up contributions as explained below), include the excess on line 7. This limit is increased to \$16,000 for section 403(b) plans if you qualify for the 15-year rule in Pub. 571.

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.

If you were age 50 or older at the end of 2004, your employer may have allowed an additional deferral (catch-up contributions) of up to \$3,000 (\$1,500 for SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals.



You cannot deduct the amount deferred. It is not included as income in Form W-2, box 1.

- 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*) are reported on lines 16a and 16b. Payments from an IRA are reported on lines 15a and 15b.

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

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

Were You a Statutory Employee?

If you were, the "Statutory employee" box in Form W-2, box 13, 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 Form W-2, box 1, 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, 2005. If you do not receive it by early February, use TeleTax topic 154 (see page 8) 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 2004 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 2004 income. For details, see Pub. 550.



If you get a 2004 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2004, 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 9a

Ordinary Dividends

Each payer should send you a Form 1099-DIV. Enter your total ordinary dividends on line 9a. This amount should be shown in Form(s) 1099-DIV, box 1a. 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.

Nondividend Distributions

Some distributions 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 9b

Qualified Dividends

Enter your total qualified dividends on line 9b. Qualified dividends are eligible for a lower tax rate than other ordinary income. Generally, these dividends are shown in Form(s) 1099-DIV, box 1b. See Pub. 550 for the definition of qualified dividends if you received dividends not reported on Form 1099-DIV.

Exception. Some dividends may be reported as qualified dividends in box 1b of Form 1099-DIV but are not qualified dividends. These include:

- Dividends you received as a nominee. See the Instructions for Schedule B.
- Dividends you received on any share of stock that you held for less than 61 days during the 121-day period that began 60 days before the ex-dividend date. The ex-dividend date is the first date following the declaration of a dividend on which the

purchaser of a stock is not entitled to receive the next dividend payment. When counting the number of days you held the stock, include the day you disposed of the stock but not the day you acquired it. See the examples below. Also, when counting the number of days you held the stock, you cannot count certain days during which your risk of loss was diminished. See Pub. 550 for more details.

- Dividends attributable to periods totaling more than 366 days that you received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. When counting the number of days you held the stock, you cannot count certain days during which your risk of loss was diminished. See Pub. 550 for more details. Preferred dividends attributable to periods totaling less than 367 days are subject to the 61-day holding period rule above.

- Dividends on any share of stock to the extent that you are under an obligation (including a short sale) to make related payments with respect to positions in substantially similar or related property.

- Payments in lieu of dividends, but only if you know or have reason to know that the payments are not qualified dividends.

Example 1. You bought 5,000 shares of XYZ Corp. common stock on July 1, 2004. XYZ Corp. paid a cash dividend of 10 cents per share. The ex-dividend date was July 9, 2004. Your Form 1099-DIV from XYZ Corp. shows \$500 in box 1a (ordinary dividends) and in box 1b (qualified dividends). However, you sold the 5,000 shares on August 4, 2004. You held your shares of XYZ Corp. for only 34 days of the 121-day period (from July 2, 2004, through August 4, 2004). The 121-day period began on May 10, 2004 (60 days before the ex-dividend date), and ended on September 7, 2004. You have no qualified dividends from XYZ Corp. because you held the XYZ stock for less than 61 days.

Example 2. Assume the same facts as in Example 1 except that you bought the stock on July 8, 2004 (the day before the ex-dividend date), and you sold the stock on September 9, 2004. You held the stock for 63 days (from July 9, 2004, through September 9, 2004). The \$500 of qualified dividends shown in Form 1099-DIV, box 1b, are all qualified dividends because you held the stock for 61 days of the 121-day period (from July 9, 2004, through September 7, 2004).

Example 3. You bought 10,000 shares of ABC Mutual Fund common stock on July 1, 2004. ABC Mutual Fund paid a cash dividend of 10 cents a share. The ex-dividend date was July 9, 2004. The ABC Mutual Fund advises you that the portion of the dividend eligible to be treated as qualified dividends equals 2 cents per share.

Your Form 1099-DIV from ABC Mutual Fund shows total ordinary dividends of \$1,000 and qualified dividends of \$200. However, you sold the 10,000 shares on August 4, 2004. You have no qualified dividends from ABC Mutual Fund because you held the ABC Mutual Fund stock for less than 61 days.



Be sure you use the Qualified Dividends and Capital Gain Tax Worksheet or the Schedule D Tax Worksheet, whichever applies, to figure your tax. Your tax may be less if you use the worksheet that applies. See the instructions for line 43 that begin on page 33 for details.

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 2004, you may receive a Form 1099-G. If you chose to apply part or all of the refund to your 2004 estimated state or local income tax, the amount applied is treated as received in 2004. If the refund was for a tax you paid in 2003 and you itemized deductions for 2003, use the worksheet on page 21 to see if any of your refund is taxable.

Exception. See *Recoveries* in Pub. 525 instead of using the worksheet on page 21 if any of the following apply.

- You received a refund in 2004 that is for a tax year other than 2003.
- You received a refund other than an income tax refund, such as a real property tax refund, in 2004 of an amount deducted or credit claimed in an earlier year.
- Your 2003 taxable income was less than zero.
- You made your last payment of 2003 estimated state or local income tax in 2004.
- You owed alternative minimum tax in 2003.
- You could not deduct the full amount of credits you were entitled to in 2003 because the total credits exceeded the amount shown on your 2003 Form 1040, line 43.
- You could be claimed as a dependent by someone else in 2003.

Also, see *Tax benefit rule* in Pub. 525 instead of using the worksheet on page 21 if all of the following apply.

- You had to use the Itemized Deductions Worksheet in the 2003 Schedule A instructions because your 2003 adjusted

gross income was over \$139,500 (\$69,750 if married filing separately).

- You could not deduct all of the amount on the 2003 Itemized Deductions Worksheet, line 1.

- The amount on line 8 of that 2003 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 2004.

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 8) 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 or a capital loss carryover from 2003, you must complete and attach Schedule D.

Exception. You do not have to file Schedule D if both of the following apply.

- The only amounts you have to report on Schedule D are capital gain distributions from Form(s) 1099-DIV, box 2a, or substitute statements.
- None of the Form(s) 1099-DIV or substitute statements have an amount in box 2b (unrecaptured section 1250 gain),

box 2c (section 1202 gain), or box 2d (collectibles (28%) gain).

If both of the above apply, enter your total capital gain distributions (from box 2a of Form(s) 1099-DIV) on line 13 and check the box on that line. 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.



If you do not have to file Schedule D, be sure you use the Qualified Dividends and Capital Gain Tax Worksheet on

page 34 to figure your tax. Your tax may be less if you use this worksheet.

State and Local Income Tax Refund Worksheet—Line 10

Keep for Your Records



- Enter the income tax refund from **Form(s) 1099-G** (or similar statement). But **do not** enter more than the amount on your 2003 Schedule A (Form 1040), line 5 **1.**
- Enter your total allowable itemized deductions from your 2003 Schedule A (Form 1040), line 28 **2.**

Note. If the filing status on your 2003 Form 1040 was married filing separately and your spouse itemized deductions in 2003, skip lines 3, 4, and 5, and enter the amount from line 2 on line 6.

- Enter the amount shown below for the filing status claimed on your **2003** Form 1040.
 - Single or married filing separately— \$4,750
 - Married filing jointly or qualifying widow(er)— \$9,500
 - Head of household— \$7,000
 } . . **3.**

- Did you fill in line 36a on your 2003 Form 1040?
 - No.** Enter -0-.
 - Yes.** Multiply the number in the box on line 36a of your 2003 Form 1040 by: \$950 if your 2003 filing status was married filing jointly or separately or qualifying widow(er); \$1,150 if your 2003 filing status was single or head of household.
 } **4.**

- Add lines 3 and 4 **5.**

- Is the amount on line 5 less than the amount on line 2?
 - No.** None of your refund is taxable.
 - Yes.** Subtract line 5 from line 2 **6.**

- Taxable part of your refund.** Enter the **smaller** of line 1 or line 6 here and on Form 1040, line 10 **7.**

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 in a qualified rollover, enter -0- on line 15b. If the total distribution was not rolled over in a qualified rollover, enter the part not rolled over on line 15b unless *Exception 2* applies to the part not rolled over. Generally, a qualified rollover must be made within 60 days after the day you received the distribution. For more details on rollovers, see Pub. 590.

If you rolled over the distribution (a) in 2005, 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.

1. 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 2004 or an earlier year. If you made nondeductible contributions to these IRAs for 2004, also see Pub. 590.

2. You received a distribution from a Roth IRA. But if either (a) or (b) below applies, enter -0- on line 15b; you do not have to see Form 8606 or its instructions.

a. Distribution code T is shown in Form 1099-R, box 7, and you made a contribution (including a conversion) to a Roth IRA for 1998 or 1999.

b. Distribution code Q is shown in Form 1099-R, box 7.

3. You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2004.

4. You had a 2003 or 2004 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.

5. You made excess contributions to your IRA for an earlier year and had them returned to you in 2004.

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

Note. If you (or your spouse if filing jointly) 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 1, 1933, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 59 on page 39 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 pages 23 and 24 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.



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 (a) you did not contribute to the cost (see page 23) of your pension or annuity, or (b) you got your entire cost back tax free before 2004.

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 2004 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 below) was after July 1, 1986, see *Simplified Method* below to find out if you must use that method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$95 fee. For details, see Pub. 939.

If your Form 1099-R shows a taxable amount, you may report that amount on line 16b. But you may be able to report a lower taxable amount by using the General Rule or the Simplified Method.

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 either of the following applies.

1. Your annuity starting date (defined above) was after July 1, 1986, and you used this method last year to figure the taxable part.

2. Your annuity starting date was after November 18, 1996, and both of the following apply.

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

b. 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 23 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 benefits.



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 23.

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 Form 1099-R, box 9b, for the first year you received payments from the plan.

Rollovers

Generally, a qualified rollover is a tax-free distribution of cash or other assets from one retirement plan that is contributed to another plan within 60 days of receiving the distribution. Use lines 16a and 16b to report a qualified 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

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, include any death benefit exclusion that you are entitled to (up to \$5,000) 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 2004 on Form 1040, line 16a.

1. Enter the total pension or annuity payments received in 2004. Also, enter this amount on Form 1040, line 16a	1.	
2. Enter your cost in the plan at the annuity starting date	2.	
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below	3.	
4. Divide line 2 by the number on line 3	4.	
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6	5.	
6. Enter the amount, if any, recovered tax free in years after 1986	6.	
7. Subtract line 6 from line 2	7.	
8. Enter the smaller of line 5 or line 7	8.	
9. Taxable amount. Subtract line 8 from line 1. Enter the result, but not less than zero. Also, enter this amount on Form 1040, line 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R	9.	

Table 1 for Line 3 Above

AND your annuity starting date was—

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

withheld. This amount should be shown in Form 1099-R, box 1. 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 of the qualified rollover. Enter the remaining amount, even if zero, on line 16b. Also, enter "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 in a qualified rollover. For details, see the instructions for line 59 on page 39.

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, or 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 2004.

If you received an overpayment of unemployment compensation in 2004 and you repaid any of it in 2004, 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 2004, 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 2004. If you received railroad retirement benefits treated as social security, you should receive a Form RRB-1099.

Use the worksheet on page 25 to see if any of your benefits are taxable.

Exception. Do not use the worksheet on page 25 if any of the following apply.

- You made contributions to a traditional IRA for 2004 and you or your spouse 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 2004 and your total repayments (box 4) were more than your total benefits for 2004 (box 3). None of your benefits are taxable for 2004. Also, you may be able to take an itemized deduction or a credit for part of the excess repayments if they were for benefits you included in gross income in an earlier year. For more details, see Pub. 915.

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

Line 21

Other Income



Do not report on this line any income from self-employment or fees received as a notary public. Instead, you must use Schedule C, C-EZ, or F, even if you do not have any business expenses. Also, do not report on line 21 any nonemployee compensation shown on Form 1099-MISC. Instead, see the chart on page 15 to find out where to report that income.

Use line 21 to report any income not reported elsewhere on your return or other schedules. See the 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 amounts 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) or a qualified tuition program (QTP). Distributions from these accounts may be taxable if (a) they are more than the qualified higher education expenses of the designated beneficiary in 2004, and (b) they were not included in a qualified rollover. See Pub. 970.



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

- Taxable distributions from a health savings account (HSA) or an Archer MSA. Distributions from these accounts may be taxable if (a) they are more than the unreimbursed qualified medical expenses of the account beneficiary or account holder in 2004, and (b) they were not included in a qualified rollover. See Pub. 969.



You may have to pay an additional tax if you received a taxable distribution from an HSA or an Archer MSA. See the Instructions for Form 8889 for HSAs or the Instructions for Form 8853 for Archer MSAs.

- 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.



Attach Form(s) W-2G to Form 1040 if any federal income tax was withheld.

- Jury duty fees. Also, see the instructions for line 35 on page 31.

- Alaska Permanent Fund dividends.
- 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 35 on page 31.

- 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.

Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records



- Before you begin:**
- ✓ Complete Form 1040, lines 21, 23 through 25, and 28 through 34a, if they apply to you.
 - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 35 (see the instructions for line 35 on page 31).
 - ✓ If you are married filing separately and you lived apart from your spouse for all of 2004, enter “D” to the right of the word “benefits” on line 20a.
 - ✓ Be sure you have read the **Exception** on page 24 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 Forms RRB-1099 1.</p>				
<p>2. Enter one-half of line 1 2.</p>				
<p>3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21 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. Enter the total of the amounts from Form 1040, lines 23 through 25, and 28 through 34a, plus any write-in adjustments you entered on the dotted line next to line 35 6.</p>				
<p>7. Is the amount on line 6 less than the amount on line 5?</p> <p><input type="checkbox"/> No. None of your social security benefits are taxable.</p> <p><input type="checkbox"/> Yes. Subtract line 6 from line 5 7.</p>				
<p>8. If you are:</p> <ul style="list-style-type: none"> • Married filing jointly, enter \$32,000 • Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2004, enter \$25,000 • Married filing separately and you lived with your spouse at any time in 2004, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17 	}			8.
<p>9. Is the amount on line 8 less than the amount on line 7?</p> <p><input type="checkbox"/> No. None of your social security benefits are taxable. You do not have to enter any amounts on line 20a or 20b of Form 1040. But if you are married filing separately and you lived apart from your spouse for all of 2004, enter -0- on line 20b. Be sure you entered “D” to the right of the word “benefits” on line 20a.</p> <p><input type="checkbox"/> Yes. Subtract line 8 from line 7 9.</p>				
<p>10. Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2004 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. 				



If any of your benefits are taxable for 2004 **and** they include a lump-sum benefit payment that was for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

Adjusted Gross Income

Line 23

Educator Expenses

If you were an eligible educator in 2004, you can deduct up to \$250 of qualified expenses you paid in 2004. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$500. However, neither spouse can 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 tuition program earnings.
- Nontaxable earnings from Coverdell education savings accounts.
- Any reimbursements you received for these expenses that were not reported to you in Form W-2, box 1.

For more details, use TeleTax topic 458 (see page 8).

Line 24

Certain Business Expenses of Reservists, Performing Artists, and Fee-Basis Government Officials

Include the following deductions on line 24.

- Certain business expenses of National Guard and reserve members who traveled more than 100 miles from home to perform services as a National Guard or reserve member.

- Performing-arts-related expenses as a qualified performing artist.
- Business expenses of fee-basis state or local government officials.

For more details, see Form 2106 or 2106-EZ.

Line 25

IRA Deduction



If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2004, you must report them on Form 8606.

If you made contributions to a traditional IRA for 2004, 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 alimony and separate maintenance payments reported on line 11. A statement should be sent to you by May 31, 2005, that shows all contributions to your traditional IRA for 2004.

Use the worksheet on page 27 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 2004, you cannot deduct any contributions made to your traditional IRA for 2004 or treat them as nondeductible contributions.
- You cannot deduct contributions to a Roth IRA. But you may be able to take the retirement savings contributions credit. See the instructions for line 50 on page 36.



If you made contributions to both a traditional IRA and a Roth IRA for 2004, do not use the worksheet on page 27. Instead, see 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 Form W-2, box 1. But you may be able to take the retirement savings contributions credit. See the instructions for line 50 on page 36.

- If you made contributions to your IRA in 2004 that you deducted for 2003, 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 Form W-2, box 1, do not include that distribution on line 8 of the worksheet. The distribution should be

shown in Form W-2, box 11. 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 25.

- Do not include qualified rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 22.

- 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 25 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2004, see Pub. 590 for special rules.



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

Were You Covered by a Retirement Plan?

If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, SEP, SIMPLE, etc.) at work or through self-employment, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you cannot deduct them. In any case, the income earned on your IRA contributions is not taxed until it is paid to you.

The "Retirement plan" box in Form W-2, box 13, 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 2004.



IRA Deduction Worksheet—Line 25

Keep for Your Records

- Before you begin:**
- ✓ Complete Form 1040, lines 28 through 34a, if they apply to you.
 - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 35 (see the instructions for line 35 on page 31).
 - ✓ Be sure you have read the list on page 26.

	Your IRA	Spouse's IRA
1a. Were you covered by a retirement plan (see page 26)?	1a. <input type="checkbox"/> Yes <input type="checkbox"/> No	
b. If married filing jointly, was your spouse covered by a retirement plan?		1b. <input type="checkbox"/> Yes <input type="checkbox"/> No
<p>Next. If you checked "No" on line 1a (and "No" on line 1b if married filing jointly), skip lines 2 through 6, enter \$3,000 (\$3,500 if age 50 or older at the end of 2004) on line 7a (and 7b if applicable), and go to line 8. Otherwise, go to line 2.</p>		
2. Enter the amount shown below that applies to you.		
<ul style="list-style-type: none"> • Single, head of household, or married filing separately and you lived apart from your spouse for all of 2004, enter \$55,000 • Qualifying widow(er), enter \$75,000 • Married filing jointly, enter \$75,000 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 2004, enter \$10,000 	2a. <input style="width: 100px;" type="text"/>	2b. <input style="width: 100px;" type="text"/>
3. Enter the amount from Form 1040, line 22	3. <input style="width: 100px;" type="text"/>	
4. Enter the total of the amounts from Form 1040, lines 23, 24, 28 through 34a, plus any write-in adjustments you entered on the dotted line next to line 35	4. <input style="width: 100px;" type="text"/>	
5. Subtract line 4 from line 3. Enter the result in both columns	5a. <input style="width: 100px;" type="text"/>	5b. <input style="width: 100px;" type="text"/>
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 2004) on line 7 for that column and go to line 8. Otherwise, go to line 7	6a. <input style="width: 100px;" type="text"/>	6b. <input style="width: 100px;" type="text"/>
7. Multiply lines 6a and 6b by 30% (.30) (or by 35% (.35) in the column for the IRA of a person who is age 50 or older at the end of 2004). 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. <input style="width: 100px;" type="text"/>	7b. <input style="width: 100px;" type="text"/>
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 30 and 32. Do not reduce wages by any loss from self-employment	8. <input style="width: 100px;" type="text"/>	
<p> CAUTION If married filing jointly and line 8 is less than \$6,000 (\$6,500 if one spouse is age 50 or older at the end of 2004; \$7,000 if both spouses are age 50 or older at the end of 2004), stop here and see Pub. 590 to figure your IRA deduction.</p>		
9. Enter traditional IRA contributions made, or that will be made by April 15, 2005, for 2004 to your IRA on line 9a and to your spouse's IRA on line 9b	9a. <input style="width: 100px;" type="text"/>	9b. <input style="width: 100px;" type="text"/>
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 25. Or, if you want, you can deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)	10a. <input style="width: 100px;" type="text"/>	10b. <input style="width: 100px;" type="text"/>



You may be able to take the retirement savings contributions credit. See the instructions for line 50 on page 36.

Line 26 Student Loan Interest Deduction

You can take this deduction only if all of the following apply.

- You paid interest in 2004 on a qualified student loan (see below).
- Your filing status is any status except married filing separately.
- 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.
- You are not claimed as a dependent on someone's (such as your parent's) 2004 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.

A qualified student loan is any loan you took out to pay the qualified higher educa-

tion expenses for yourself, your spouse, or anyone who was your dependent when the loan was taken out. The person for whom the expenses were paid must have been an eligible student (see this page). 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 Form(s) W-2, box 1.

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

Student Loan Interest Deduction Worksheet—Line 26

Keep for Your Records



Before you begin:	<ul style="list-style-type: none"> ✓ Complete Form 1040, lines 28 through 34a, if they apply to you. ✓ Figure any write-in adjustments to be entered on the dotted line next to line 35 (see the instructions for line 35 on page 31). ✓ 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 total interest you paid in 2004 on qualified student loans (see above). Do not enter more than \$2,500	1. <input style="width: 100px;" type="text"/>
2. Enter the amount from Form 1040, line 22	2. <input style="width: 100px;" type="text"/>
3. Enter the total of the amounts from Form 1040, lines 23 through 25, 28 through 34a, plus any write-in adjustments you entered on the dotted line next to line 35	3. <input style="width: 100px;" type="text"/>
4. Subtract line 3 from line 2	4. <input style="width: 100px;" type="text"/>
5. Enter the amount shown below for your filing status.	
<ul style="list-style-type: none"> • Single, head of household, or qualifying widow(er)—\$50,000 • Married filing jointly—\$100,000 	} 5. <input style="width: 100px;" type="text"/>
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	6. <input style="width: 100px;" type="text"/>
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	7. <input style="width: 100px;" type="text"/>
8. Multiply line 1 by line 7	8. <input style="width: 100px;" type="text"/>
9. Student loan interest deduction. Subtract line 8 from line 1. Enter the result here and 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.)	9. <input style="width: 100px;" type="text"/>

Line 27

Tuition and Fees Deduction

You can take this deduction only if all of the following apply.

- You paid qualified tuition and fees (see this page) in 2004 for yourself, your spouse, or your dependent(s).
- Your filing status is any status except married filing separately.
- Your modified adjusted gross income (AGI) is not more than: \$80,000 if single, head of household, or qualifying widow(er); \$160,000 if married filing jointly. Use lines 1 through 3 of the worksheet below to figure your modified AGI.
- You cannot be claimed as a dependent on someone's (such as your parent's) 2004 tax return.
- You are not claiming an education credit for the same student. See the instructions for line 49 on page 36.
- You were a U.S. citizen or resident alien for all of 2004 or you were a nonresident alien for any part of 2004 and you are filing a joint return.

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 are amounts paid in 2004 for tuition and fees required

for the student's enrollment or attendance at an eligible educational institution during 2004. Tuition and fees paid in 2004 for an academic period that begins in the first 3 months of 2005 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 amounts paid for the following amounts.

- Room and board, insurance, medical expenses (including student health fees), transportation, or other similar personal, living, or family expenses.
- 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.
- 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 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 8) or see Pub. 970.



You may be able to take a credit for your educational expenses instead of a deduction. See the instructions for line 49 on page 36 for details.

Line 28

Health Savings Account Deduction

If contributions (other than employer contributions) were made to your health savings account for 2004, you may be able to take this deduction. See Form 8889.

Line 29

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 8) or see Form 3903.

Tuition and Fees Deduction Worksheet—Line 27

Keep for Your Records



- Before you begin:**
- ✓ Complete Form 1040, lines 28 through 34a, if they apply to you.
 - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 35 (see the instructions for line 35 on page 31).
 - ✓ See the instructions for line 27 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 26, 28 through 34a, plus any write-in adjustments you entered on the dotted line next to line 35	2.	
3. Subtract line 2 from line 1. If the result is more than \$80,000 (\$160,000 if married filing jointly), You cannot take the deduction for tuition and fees	3.	
4. Tuition and fees deduction. Is the amount on line 3 more than \$65,000 (\$130,000 if married filing jointly)?		} 4.
<input type="checkbox"/> Yes. Enter the total qualified tuition and fees (defined above) you paid in 2004. Do not enter more than \$2,000. Also, enter this amount on Form 1040, line 27.		
<input type="checkbox"/> No. Enter the total qualified tuition and fees (defined above) you paid in 2004. Do not enter more than \$4,000. Also, enter this amount on Form 1040, line 27.		

Note. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.).

Line 30

One-Half of Self-Employment Tax

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

Line 31

Self-Employed Health Insurance Deduction

You may be able to deduct the amount you paid for health insurance for yourself, your spouse, and your dependents if any of the following apply.

- You were self-employed and had a net profit for the year.
- You used one of the optional methods to figure your net earnings from self-employment on Schedule SE.
- You received wages in 2004 from an S corporation in which you were a more-than-2% shareholder. Health insurance benefits paid for you may be shown in Form W-2, box 14.

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 2004, 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.

Note. If, during 2004, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing the worksheet below. When figuring the amount to enter on line 1 of the worksheet below, do not include any health coverage tax credit advance payments shown in Form 1099-H, box 1. Also, subtract the amount shown on Form 8885, line 4, (reduced by any advance payments shown on line 6 of that form) from the total insurance premiums you paid.

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 32

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 33

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 34a and 34b

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 8) or see Pub. 504.

Self-Employed Health Insurance Deduction Worksheet—Line 31

Keep for Your Records



- Before you begin:**
- ✓ Complete Form 1040, line 32, if it applies to you.
 - ✓ If, during 2004, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, see the **Note** above.
 - ✓ 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 2004 for health insurance coverage established under your business for 2004 for you, your spouse, and your dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan | 1. | |
| 2. Enter your net profit* and any other earned income** from the business under which the insurance plan is established, minus any deductions on Form 1040, lines 30 and 32 | 2. | |
| 3. Self-employed health insurance deduction. Enter the smaller of line 1 or line 2 here and on Form 1040, line 31. Do not include this amount in figuring any medical expense deduction on Schedule A | 3. | |

* If you used either optional method to figure your net earnings from self-employment, do not enter your net profit. Instead, enter the amount from Schedule SE, line 4b.

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

Line 35

Include in the total on line 35 any of the following write-in adjustments. To find out if you can take the deduction, see the form or publication indicated. On the dotted line next to line 35, enter the amount of your deduction and identify it as indicated.

- Archer MSA deduction (see Form 8853). Identify as “MSA.”
- Jury duty pay if you gave the pay to your employer because your employer paid your salary while you served on the jury. 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 and expenses (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)(D) pension plans (see Pub. 525). Identify as “501(c)(18)(D).”
- Contributions by certain chaplains to section 403(b) plans (see Pub. 517). Identify as “403(b).”
- Attorney fees and court costs paid after October 22, 2004, for actions settled or decided after that date involving certain unlawful discrimination claims, but only to the extent of gross income from such actions (see Pub. 525). Identify as “UDC.”

• Deduction for clean-fuel vehicles. If you placed a qualified clean-fuel vehicle in service in 2004, you can deduct \$2,000 on line 35 if you did not use the vehicle in your business (other than as an employee). Identify this deduction on line 35 as “Clean-Fuel.”

If you used a qualified clean-fuel vehicle or other clean-fuel vehicle property in your business (other than as an employee), claim the business portion of the deduction on the applicable line of Schedule C, E, or F.



There are higher deduction amounts for heavy trucks, vans, and buses.

A qualified clean-fuel vehicle:

1. Must be acquired new and for your own use.
2. Must satisfy any federal and state emissions standards.

3. Is designed to be propelled by a clean-burning fuel, such as natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, or electricity.

A qualified clean-fuel vehicle includes certain gasoline-electric hybrid vehicles such as the Honda Insight, Honda Civic Hybrid, and Toyota Prius. It does not include electric vehicles.



You may be able to take a credit if you placed a new electric vehicle in service in 2004. See Form 8834 for details.

You may also be able to take this deduction for certain new property installed on a motor vehicle to enable it to be propelled by a clean-burning fuel.

For more details, see Pub. 535.

Line 36

If line 36 is less than zero, you may have a net operating loss that you can carry to another tax year. See the Instructions for Form 1045 for details.

Tax and Credits

Line 38a

If you were born before January 2, 1940, or were blind at the end of 2004, check the appropriate box(es) on line 38a. If you were married and checked the box on Form 1040, line 6b, and your spouse was born before January 2, 1940, or was blind at the end of 2004, also check the appropriate box(es) for your spouse. Be sure to enter the total number of boxes checked.

Blindness

If you were partially blind as of December 31, 2004, 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 38b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 38b. 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 2004 and you and your spouse agree to be taxed on your combined worldwide income, do not check the box.

Line 39

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 standard deduction.



If you checked the box on line 38b, 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 Form 1040, line 39. But if you, or your spouse if filing jointly, can be claimed as a dependent on someone’s 2004 return or you checked any box on line 38a, use the worksheet or the chart on page 32, whichever applies, to figure your standard deduction. Also, if you checked the box on line 38b, your standard deduction is zero, even if you were born before January 2, 1940, or were 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 39.

Standard Deduction Worksheet for Dependents—Line 39

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.	800.00
3. Enter the larger of line 1 or line 2	3.	
4. Enter the amount shown below for your filing status. <ul style="list-style-type: none"> • Single or married filing separately—\$4,850 • Married filing jointly or qualifying widow(er)—\$9,700 • Head of household—\$7,150 	} 4.	
5. Standard deduction.		
a. Enter the smaller of line 3 or line 4. If born after January 1, 1940, and not blind, stop here and enter this amount on Form 1040, line 39. Otherwise, go to line 5b.	5a.	
b. If born before January 2, 1940, or blind, multiply the number on Form 1040, line 38a, by \$950 (\$1,200 if single or head of household)	5b.	
c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 39	5c.	

** Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 30.*

Standard Deduction Chart for People Who Were Born Before January 2, 1940, or Were Blind—Line 39

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

Enter the number from the box on Form 1040, line 38a 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	\$6,050
	2	7,250
Married filing jointly or Qualifying widow(er)	1	\$10,650
	2	11,600
	3	12,550
	4	13,500
Married filing separately	1	\$5,800
	2	6,750
	3	7,700
	4	8,650
Head of household	1	\$8,350
	2	9,550

Line 43

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 43 any of the following taxes.

1. Tax from Forms 8814 and 4972. Be sure to check the appropriate box(es).

2. 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 2004 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 43.

Tax Table or Tax Computation Worksheet. If your taxable income is less than \$100,000, you must use the Tax Table that begins on page 60 to figure your tax. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Computation Worksheet on page 72.

However, do not use the Tax Table or Tax Computation Worksheet to figure your tax if any of the following apply.

Form 8615. Form 8615 must generally be used to figure the tax for any child who was under age 14 at the end of 2004, and who had more than \$1,600 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 at the end of 2004, do not use Form 8615 to figure the child’s tax. Also, a child born on January 1, 1991, is considered to be age 14 at the end of 2004. Do not use Form 8615 for such a child.

Schedule D Tax Worksheet. If you have to file Schedule D and Schedule D, line 18 or 19, is more than zero, use the Schedule D Tax Worksheet on page D-9 of the Instructions for Schedule D to figure your tax.

Qualified Dividends and Capital Gain Tax Worksheet. If you do not have to use the Schedule D Tax Worksheet (see above), use the worksheet on page 34 to figure your tax if any of the following apply.

- You reported qualified dividends on Form 1040, line 9b.

- You do not have to file Schedule D and you reported capital gain distributions on Form 1040, line 13.

- You are filing Schedule D and Schedule D, lines 15 and 16, are both more than zero.

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

Deduction for Exemptions Worksheet—Line 41

Keep for Your Records



1.	Is the amount on Form 1040, line 37, more than the amount shown on line 4 below for your filing status?		
	<input type="checkbox"/> No. Multiply \$3,100 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on line 41.		
	<input type="checkbox"/> Yes. <i>Continue</i>		
2.	Multiply \$3,100 by the total number of exemptions claimed on Form 1040, line 6d	2.	<input type="text"/>
3.	Enter the amount from Form 1040, line 37	3.	<input type="text"/>
4.	Enter the amount shown below for your filing status.		
	<ul style="list-style-type: none"> • Single—\$142,700 • Married filing jointly or qualifying widow(er)—\$214,050 • Married filing separately—\$107,025 • Head of household—\$178,350 	4.	<input type="text"/>
5.	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.	<input type="text"/>
6.	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.	<input type="text"/>
7.	Multiply line 6 by 2% (.02) and enter the result as a decimal	7.	<input type="text"/>
8.	Multiply line 2 by line 7	8.	<input type="text"/>
9.	Deduction for exemptions. Subtract line 8 from line 2. Enter the result here and on Form 1040, line 41	9.	<input type="text"/>

Qualified Dividends and Capital Gain Tax Worksheet—Line 43

Keep for Your Records



Before you begin: ✓ See the instructions for line 43 on page 33 to see if you can use this worksheet to figure your tax.
 ✓ If you do not have to file Schedule D and you received capital gain distributions, be sure you checked the box on line 13 of Form 1040.

1. Enter the amount from Form 1040, line 42	1.	
2. Enter the amount from Form 1040, line 9b	2.	
3. Are you filing Schedule D? <input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of Schedule D, but do not enter less than -0- <input type="checkbox"/> No. Enter the amount from Form 1040, line 13	3.	
4. Add lines 2 and 3	4.	
5. If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise, enter -0-	5.	
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.	
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.	
8. Enter the smaller of: <ul style="list-style-type: none"> • The amount on line 1, or • \$29,050 if single or married filing separately, \$58,100 if married filing jointly or qualifying widow(er), \$38,900 if head of household. 	8.	
9. Is the amount on line 7 equal to or more than the amount on line 8? <input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the "No" box. <input type="checkbox"/> No. Enter the amount from line 7	9.	
10. Subtract line 9 from line 8	10.	
11. Multiply line 10 by 5% (.05)	11.	
12. Are the amounts on lines 6 and 10 the same? <input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16. <input type="checkbox"/> No. Enter the smaller of line 1 or line 6	12.	
13. Enter the amount from line 10 (if line 10 is blank, enter -0-)	13.	
14. Subtract line 13 from line 12	14.	
15. Multiply line 14 by 15% (.15)	15.	
16. Figure the tax on the amount on line 7. Use the Tax Table or Tax Computation Worksheet, whichever applies	16.	
17. Add lines 11, 15, and 16	17.	
18. Figure the tax on the amount on line 1. Use the Tax Table or Tax Computation Worksheet, whichever applies	18.	
19. Tax on all taxable income. Enter the smaller of line 17 or line 18. Also include this amount on Form 1040, line 43	19.	

Line 44

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.
- Income from long-term contracts not figured using the percentage-of-completion method.

- 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.
- A general business credit.

(Continued on page 36)

Worksheet To See if You Should Fill in Form 6251—Line 44

Keep for Your Records



<p>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.</p> <p>✓ If you are claiming the foreign tax credit (see the instructions for Form 1040, line 46, on page 36), enter that credit on line 46.</p>				
1.	Are you filing Schedule A ?			
	<input type="checkbox"/> No. Skip lines 1 through 3; enter the amount from Form 1040, line 37, on line 4, and go to line 5.			
	<input type="checkbox"/> Yes. Enter the amount from Form 1040, line 40	1.		
2.	Enter the smaller of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 37	2.		
3.	Enter the total of the amounts from Schedule A, lines 9 and 26	3.		
4.	Add lines 1 through 3 above	4.		
5.	Enter the amount shown below for your filing status.			
	<ul style="list-style-type: none"> • Single or head of household—\$40,250 • Married filing jointly or qualifying widow(er)—\$58,000 • Married filing separately—\$29,000 	}	5.	
6.	Is the amount on line 4 more than the amount on line 5?			
	<input type="checkbox"/> No. You do not need to fill in Form 6251.			
	<input type="checkbox"/> Yes. Subtract line 5 from line 4	6.		
7.	Enter the amount shown below for your filing status.			
	<ul style="list-style-type: none"> • 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?			
	<input type="checkbox"/> No. Skip lines 8 and 9; enter the amount from line 6 on line 10, and go to line 11.			
	<input type="checkbox"/> 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)?			
	<input type="checkbox"/> Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.			
	<input type="checkbox"/> No. Multiply line 10 by 26% (.26)	11.		
12.	Enter the amount from Form 1040, line 43, minus the total of any tax from Form 4972 and any amount on Form 1040, line 46. If you used Schedule J to figure your tax, the amounts for lines 43 and 46 of Form 1040 must be refigured without using Schedule J	12.		
Next. Is the amount on line 11 more than the amount on line 12?				
	<input type="checkbox"/> Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.			
	<input type="checkbox"/> No. You do not need to fill in Form 6251.			



Form 6251 should be filled in for a child who was under age 14 at the end of 2004 if the child's adjusted gross income from Form 1040, line 37, exceeds the child's earned income by more than \$5,750.

Line 46

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 was from interest and dividends and all of that income and the foreign tax paid on it were reported to you on Form 1099-INT, Form 1099-DIV, or Schedule K-1 (or substitute statement).

2. If you had 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 was not more than \$300 (not more than \$600 if married filing jointly).

5. All of your foreign taxes were:

a. Legally owed and not eligible for a refund, and

b. 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 46 the smaller of (a) your total foreign taxes, or (b) the amount on Form 1040, line 43.

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 47

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 8) or see Form 2441.

Line 48

Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 2004 (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 37, 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 49

Education Credits

If you (or your dependent) paid qualified expenses in 2004 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) 2004 tax return.

- Your filing status is married filing separately.

- The amount on Form 1040, line 37, is \$52,000 or more (\$105,000 or more if married filing jointly).

- You are taking a deduction for tuition and fees on Form 1040, line 27, for the same student.

- You (or your spouse) were a nonresident alien for any part of 2004 unless your filing status is married filing jointly.

Line 50

Retirement Savings Contributions Credit

You may be able to take this credit if you, or your spouse if filing jointly, made (a) contributions to a traditional or Roth IRA; (b) elective deferrals to a 401(k), 403(b), governmental 457, SEP, or SIMPLE plan; (c) voluntary employee contributions to a qualified retirement plan (including the federal Thrift Savings Plan); or (d) contributions to a 501(c)(18)(D) plan.

However, you cannot take the credit if either of the following applies.

1. The amount on Form 1040, line 37, is more than \$25,000 (\$37,500 if head of household; \$50,000 if married filing jointly).

2. The person(s) who made the qualified contribution or elective deferral (a) was born after January 1, 1987, (b) is claimed as a dependent on someone else's 2004 tax return, or (c) was a student (defined below).

You were a student if during any 5 months of 2004 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 a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or night school.

For more details, use TeleTax topic 610 (see page 8) or see Form 8880.

Line 51—Child Tax Credit

What Is the Child Tax Credit?

This credit is for people who have a qualifying child (defined below). It is in addition to the credit for child and dependent care expenses on Form 1040, line 47, and the earned income credit on Form 1040, line 65a.

Three Steps To Take the Child Tax Credit!

- Step 1.** Make sure you have a qualifying child for the child tax credit (defined below).
- Step 2.** Make sure you checked the box on Form 1040, line 6c, column (4), for each qualifying child.
- Step 3.** Answer the questions on this page to see if you may use the worksheet on page 38 to figure your credit or if you must use Pub. 972, Child Tax Credit. If you need Pub. 972, see page 7.

Qualifying Child for Child Tax Credit

A qualifying child for purposes of the child tax credit is a child who:

1. Is claimed as your dependent on line 6c,
2. Was under age 17 at the end of 2004,
3. Is your (a) son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild); (b) brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew), whom you cared for as you would your own child; or (c) foster child (any child placed with you by an authorized placement agency whom you cared for as you would your own child), and
4. Is a U.S. citizen or resident alien.



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



An adopted child is always treated as your own child. An adopted child includes a child placed with you by an authorized placement agency for legal adoption even if the adoption is not final. An authorized placement agency includes any person or court authorized by state law to place children for legal adoption.



Questions

Who Must Use Pub. 972



1. 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.
2. Is the amount on Form 1040, line 37, 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.
3. Are you claiming any of the following credits?
 - Adoption credit, Form 8839 (see the instructions for Form 1040, line 52, on page 39).
 - Mortgage interest credit, Form 8396 (see the instructions for Form 1040, line 53, on page 39).
 - District of Columbia first-time homebuyer credit, Form 8859.

No. Use the worksheet on page 38 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 51

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 2004 and meet the other requirements listed on page 37.
- Do not** use this worksheet if you answered “Yes” to question 1, 2, or 3 on page 37. Instead, use Pub. 972.

1. Number of qualifying children: _____ × \$1,000. 1
Enter the result.

2. Enter the amount from Form 1040, line 45. 2

3. Add the amounts from Form 1040:

Line 46 _____

Line 47 + _____

Line 48 + _____

Line 49 + _____

Line 50 + _____ 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. 4

No. Subtract line 3 from line 2.

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. 5

No. Enter the amount from line 1. 5

This is your child tax credit.

Enter this amount on Form 1040, line 51.



You may be able to take the **additional child tax credit** on Form 1040, line 67, if you answered “Yes” on line 4 or line 5 above.

- First, complete your Form 1040 through line 66.
- Then, use Form 8812 to figure any additional child tax credit.



Line 52**Adoption Credit**

You may be able to take this credit if either of the following applies.

- You paid expenses to adopt a child.
- You adopted a child with special needs and the adoption became final in 2004.

See the Instructions for Form 8839 for details.

Line 53

Include the following credits on line 53 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 homebuyer credit. See Form 8859.

Line 54**Other Credits**

Include the following credits on line 54 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 2004, 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, or you were an owner of royalty interests and you received income from the sale of fuel produced from a nonconventional source, you may be able to take this credit. See Internal Revenue Code section 29 and, if an owner of royalty interests, Rev. Proc. 2004-27, 2004-17 I.R.B. 831. You can find Rev. Proc. 2004-27 on page 831 of Internal Revenue Bulletin 2004-17 at www.irs.gov/pub/irs-irbs/irb04-17.pdf. Attach a schedule showing how you fig-

ured 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 58**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 Form(s) W-2 shows allocated tips that you are including in your income on Form 1040, line 7.

To figure the social security and Medicare tax, use Form 4137. If you owe RRTA tax, contact your employer. Your employer will figure and collect the RRTA 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 59**Additional Tax on IRAs, Other Qualified Retirement Plans, etc.**

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 an early distribution from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988, and the total distribution was not rolled over in a qualified rollover contribution.
2. Excess contributions were made to your IRAs, Coverdell education savings accounts (ESAs), Archer MSAs, or health savings accounts.
3. You received taxable distributions from Coverdell ESAs or qualified tuition programs.
4. You were born before July 1, 1933, 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 Form 1099-R, box 7, 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 59. The taxable amount of the distribution is the part of the distribution you reported on Form 1040, line 15b or line 16b, or on Form 4972. Also, put "No" under the heading "Other Taxes" to the left of line 59 to indicate that you do not have to file Form 5329. But if distribution code 1 is incorrectly shown in Form 1099-R, box 7, or you qualify for an exception for qualified medical expenses, qualified higher education expenses, or qualified first-time homebuyer distributions, you must file Form 5329.

Line 60**Advance Earned Income Credit Payments**

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

Line 61**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 \$1,400 or more in 2004. Cash wages include wages paid by check, money order, etc.
2. You withheld federal income tax during 2004 at the request of any household employee.
3. You paid total cash wages of \$1,000 or more in any calendar quarter of 2003 or 2004 to household employees.



For item (1), do not count amounts paid to an employee who was under age 18 at any time in 2004 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 62**Total Tax**

Include in the total on line 62 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 62, enter the amount of the tax and identify it as indicated.

1. Additional tax on health savings account distributions (see Form 8889). Identify as "HSA."

2. Additional tax on Archer MSA distributions (see Form 8853). Identify as "MSA."

3. Additional tax on Medicare Advantage MSA distributions (see Form 8853). Identify as "Med MSA."

4. Recapture of the following credits.

a. Investment credit (see Form 4255). Identify as "ICR."

b. Low-income housing credit (see Form 8611). Identify as "LIHCR."

c. Qualified electric vehicle credit (see Pub. 535). Identify as "QEVCR."

d. Indian employment credit (see Form 8845). Identify as "IECR."

e. New markets credit (see Form 8874). Identify as "NMCR."

f. Credit for employer-provided child care facilities (see Form 8882). Identify as "ECCFR."

5. Recapture of federal mortgage subsidy. If you sold your home in 2004 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."

6. Section 72(m)(5) excess benefits tax (see Pub. 560). Identify as "Sec. 72(m)(5)."

7. Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. This tax should be shown in Form W-2, box 12, with codes A and B or M and N. Identify as "UT."

8. 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 Form W-2, box 12, with code K. If you received a Form 1099-MISC, the tax is 20% of the EPP shown in box 13. Identify as "EPP."

9. Tax on accumulation distribution of trusts (see Form 4970). Identify as "ADT."

10. Excise tax on insider stock compensation from an expatriated corporation. You may owe a 15% excise tax on the value of nonstatutory stock options and certain other stock-based compensation held by you or a member of your family from an expatriated corporation or its expanded affiliated group in which you were an officer, director, or more-than-10% owner. See Internal Revenue Code section 4985. Identify as "ISC."

Payments

Line 63**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 63. The amount withheld should be shown in Form W-2 or W-2G, box 2, and in Form 1099-R, box 4. Attach Forms W-2G and 1099-R to the front of your return if federal income tax was withheld.

If you received a 2004 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 63. This should be shown in Form 1099, box 4, or Form SSA-1099, box 6.

Line 64**2004 Estimated Tax Payments**

Enter any estimated federal income tax payments you made using Form 1040-ES for 2004. Include any overpayment from your 2003 return that you applied to your 2004 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 2004. 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 2004 or in 2005 before filing a 2004 return.

Divorced Taxpayers

If you got divorced in 2004 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 2004, 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 64, 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 2004 and the name(s) and SSN(s) under which you made them.

Lines 65a and 65b— 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. See Form 8862, Who must file, on page 44. You may also have to pay penalties.

Step 1 All Filers

- If, in 2004:
 - 2 children lived with you, is the amount on Form 1040, line 37, less than \$34,458 (\$35,458 if married filing jointly)?
 - 1 child lived with you, is the amount on Form 1040, line 37, less than \$30,338 (\$31,338 if married filing jointly)?
 - No children lived with you, is the amount on Form 1040, line 37, less than \$11,490 (\$12,490 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 44)?

Yes. Continue **No.** You cannot take the credit. Put "No" on the dotted line next to line 65a.
- 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 2004?

Yes. See *Nonresident aliens* on page 44. **No.** Go to Step 2.

Step 2 Investment Income

- Add the amounts from Form 1040:

Line 8a				
Line 8b	+			
Line 9a	+			
Line 13*	+			

Investment Income =

*Do not include if line 13 is a loss.

- Is your investment income more than \$2,650?

Yes. Continue **No.** Skip question 3; go to question 4.
- Are you filing Form 4797 (relating to sales of business property)?

Yes. See *Form 4797 filers* on page 44. **No.** You cannot take the credit.
- Do any of the following apply for 2004?
 - You are filing Schedule E.
 - You are reporting income or a loss from the rental of personal property not used in a trade or business.
 - You are reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child's interest and dividends).

Yes. You must use Worksheet 1 in Pub. 596 to see if you can take the credit. To get Pub. 596, see page 7. **No.** Continue
- Did a child live with you in 2004?

Yes. Go to Step 3 on page 42. **No.** Go to Step 4 on page 42.

Continued from page 41

Step 3 Qualifying Child

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

Son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild)

or

Brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew), whom you cared for as you would your own child

or

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

AND

was at the end of 2004...

Under age 19

or

Under age 24 and a student (see page 44)

or

Any age and permanently and totally disabled (see page 44)

AND

who...

Lived with you in the United States for more than half of 2004.

If the child did not live with you for the required time, see *Exception to "time lived with you" condition* on page 44.



If the child was married, see page 44.

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 2004?

Yes.  **No.** Go to question 2.

You cannot take the credit. Put "No" on the dotted line next to line 65a.

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



Yes. Continue  **No.** Skip the next two questions; go to Step 4, 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 2004?



Yes. See *Qualifying child of more than one person* on page 44. **No.** This child is your qualifying child. The child must have a valid social security number as defined on page 44 unless the child was born and died in 2004. Skip Step 4; go to Step 5 on page 43.

Step 4 Filers Without a Qualifying Child



1. Look at the qualifying child conditions in Step 3. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2004?

Yes.  **No.** Continue 
You cannot take the credit. Put "No" on the dotted line next to line 65a.


2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2004 tax return?

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

3. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2004?

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


4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2004? Members of the military stationed outside the United States, see page 44 before you answer.

Yes. Go to Step 5 on page 43. **No.** 
You cannot take the credit. Put "No" on the dotted line next to line 65a.

Continued from page 42

Step 5 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 Form W-2.
- Amount paid to an inmate in a penal institution for work (put "PRI" and the amount subtracted on the dotted line next to Form 1040, line 7).
- 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 Form 1040, line 7). This amount may be shown in Form W-2, box 11. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.

Add all of your nontaxable combat pay if you elect to include it in earned income.* Also enter this amount on Form 1040, line 65b. See *Combat pay, Nontaxable* on this page. + _____




Electing to include nontaxable combat pay may increase or decrease your EIC. Figure the credit with and without your nontaxable combat pay before making the election.

Earned Income =


* The election cannot be made on the return of a taxpayer whose tax year ended before October 5, 2004, due to his or her death.

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 6; go to Worksheet B on page 46. **No.** Continue 

4. If you have:

- 2 or more qualifying children, is your earned income less than \$34,458 (\$35,458 if married filing jointly)?
- 1 qualifying child, is your earned income less than \$30,338 (\$31,338 if married filing jointly)?
- No qualifying children, is your earned income less than \$11,490 (\$12,490 if married filing jointly)?

- Yes.** Go to Step 6. **No.**  You cannot take the credit.

Step 6 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 page 44. **No.** Go to Worksheet A on page 45.

Definitions and Special Rules

(listed in alphabetical order)

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child placed with you by an authorized placement agency for legal adoption even if the adoption is not final. An authorized placement agency includes any person or court authorized by state law to place children for legal adoption.

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 5, line 2. Be sure to answer "Yes" to question 3 in Step 5.

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 Form 1040, line 65a.
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 5, line 2.
4. Be sure to answer "Yes" to question 3 in Step 5.

Combat pay, Nontaxable. If you were a member of the U.S. Armed Forces who served in a combat zone, certain pay is excluded from your income. See *Combat Zone Exclusion* in Pub. 3. You can elect to include this pay in your earned income when figuring the EIC. The amount of your nontaxable combat pay should be shown in Form(s) W-2, box 14, with code Q.

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

1. Put “EIC” on the dotted line next to Form 1040, line 65a.
2. Be sure you enter the nontaxable combat pay you elect to include in earned income on Form 1040, line 65b. See *Combat pay, Nontaxable* on page 43.
3. 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* below.

Exception to “time lived with you” condition. A child is considered to have lived with you for all of 2004 if the child was born or died in 2004 and your home was this child’s home for the entire time he or she was alive in 2004. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, 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 7. If you were in the military stationed outside the United States, see *Members of the military* below.

Form 4797 filers. If the amount on Form 1040, line 13, includes an amount from Form 4797, you must use Worksheet 1 in Pub. 596 to see if you can take the EIC. To get Pub. 596, see page 7. Otherwise, stop; you cannot take the EIC.

Form 8862, Who must file. You must file Form 8862 if your 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 either of the following applies.

1. After your EIC was reduced or disallowed in an earlier year (a) you filed Form 8862 (or other documents) and your EIC was then allowed, and (b) your EIC has not been reduced or disallowed again for any reason other than a math or clerical error.
2. You are taking the EIC without a qualifying child and the only reason your EIC was reduced or disallowed in the earlier year was because it was determined that a child listed on Schedule EIC was not your qualifying child.

Also, do not file Form 8862 or take the credit for the:

- 2 years after the most recent tax year for which there was a final determination that your EIC was reduced or disallowed due to reckless or intentional disregard of the EIC rules, or
- 10 years after the most recent tax year for which there was a final determination that your EIC was reduced or disallowed due to fraud.

Married child. A child who was married at the end of 2004 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 for children of divorced or separated parents in Pub. 501.

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 41. 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 (a) has lasted or can be expected to last continuously for at least a year, or (b) 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 be able to take the EIC based on a different qualifying child. If you and the other person(s) cannot agree who will take the EIC based on the same child, the IRS will apply the following rules.

- 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 2004. 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 2004.
- 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 2004.

The child must have a valid social security number as defined below unless the child was born and died in 2004. If you do not have a qualifying child, stop; you cannot take the EIC. Put “No” on the dotted line next to line 65a. If you have a qualifying child, skip Step 4; go to Step 5 on page 43.

Example. You and your 5-year-old daughter moved in with your mother in April 2004. 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 take the 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 16. If you will not have an SSN by April 15, 2005, see *What If You Cannot File on Time?* on page 12.

Student. A child who during any 5 months of 2004:

- 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 a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or night school.

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)—Lines 65a and 65b

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 46.

Part 1

All Filers Using Worksheet A

1. Enter your earned income from Step 5 on page 43. 1

2. Look up the amount on line 1 above in the EIC Table on pages 48–53 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

If line 2 is zero, You cannot take the credit. Put “No” on the dotted line next to line 65a.

3. Enter the amount from Form 1040, line 37. 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 \$6,400 (\$7,400 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 3 less than \$14,050 (\$15,050 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 48–53 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. 5

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

Part 3

Your Earned Income Credit

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

Enter this amount on Form 1040, line 65a.

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 44 to find out if you must file Form 8862 to take the credit for 2004.

Worksheet B—Earned Income Credit (EIC)—Lines 65a and 65b

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), box 14, code A*.		2a	
	b. Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9*.	+	2b	
c. Combine lines 2a and 2b.	=	2c		
<small>*Reduce any Schedule K-1 amounts by any partnership section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. 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	
---------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------	---	--

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 5 on page 43.	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 65a.			
5. If you have: <ul style="list-style-type: none"> • 2 or more qualifying children, is line 4b less than \$34,458 (\$35,458 if married filing jointly)? • 1 qualifying child, is line 4b less than \$30,338 (\$31,338 if married filing jointly)? • No qualifying children, is line 4b less than \$11,490 (\$12,490 if married filing jointly)? 			
<input type="checkbox"/> Yes. If you want the IRS to figure your credit, see page 44. If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 47).			
<input type="checkbox"/> No. You cannot take the credit. Put "No" on the dotted line next to line 65a.			

Worksheet B—Continued from page 46

Keep for Your Records



Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4b, on page 46. 6

7. Look up the amount on line 6 above in the EIC Table on pages 48–53 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 65a.

8. Enter the amount from Form 1040, line 37. 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 \$6,400 (\$7,400 if married filing jointly)?
 - 1 or more qualifying children, is the amount on line 8 less than \$14,050 (\$15,050 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 48–53 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

Part 7

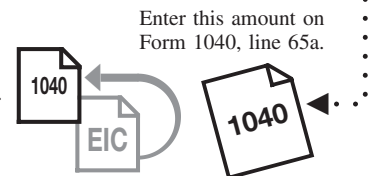
Your Earned Income Credit

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

11

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 44 to find out if you must file Form 8862 to take the credit for 2004.

2004 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—		
		Single, head of household, or qualifying widow(er) and you have—	Two children	
At least	But less than	No children	One child	Two children
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	2,750	2,800	212	944	1,110	212	944	1,110
50	100	6	26	30	6	26	30	2,800	2,850	216	961	1,130	216	961	1,130
100	150	10	43	50	10	43	50	2,850	2,900	220	978	1,150	220	978	1,150
150	200	13	60	70	13	60	70	2,900	2,950	224	995	1,170	224	995	1,170
200	250	17	77	90	17	77	90	2,950	3,000	228	1,012	1,190	228	1,012	1,190
250	300	21	94	110	21	94	110	3,000	3,050	231	1,029	1,210	231	1,029	1,210
300	350	25	111	130	25	111	130	3,050	3,100	235	1,046	1,230	235	1,046	1,230
350	400	29	128	150	29	128	150	3,100	3,150	239	1,063	1,250	239	1,063	1,250
400	450	33	145	170	33	145	170	3,150	3,200	243	1,080	1,270	243	1,080	1,270
450	500	36	162	190	36	162	190	3,200	3,250	247	1,097	1,290	247	1,097	1,290
500	550	40	179	210	40	179	210	3,250	3,300	251	1,114	1,310	251	1,114	1,310
550	600	44	196	230	44	196	230	3,300	3,350	254	1,131	1,330	254	1,131	1,330
600	650	48	213	250	48	213	250	3,350	3,400	258	1,148	1,350	258	1,148	1,350
650	700	52	230	270	52	230	270	3,400	3,450	262	1,165	1,370	262	1,165	1,370
700	750	55	247	290	55	247	290	3,450	3,500	266	1,182	1,390	266	1,182	1,390
750	800	59	264	310	59	264	310	3,500	3,550	270	1,199	1,410	270	1,199	1,410
800	850	63	281	330	63	281	330	3,550	3,600	273	1,216	1,430	273	1,216	1,430
850	900	67	298	350	67	298	350	3,600	3,650	277	1,233	1,450	277	1,233	1,450
900	950	71	315	370	71	315	370	3,650	3,700	281	1,250	1,470	281	1,250	1,470
950	1,000	75	332	390	75	332	390	3,700	3,750	285	1,267	1,490	285	1,267	1,490
1,000	1,050	78	349	410	78	349	410	3,750	3,800	289	1,284	1,510	289	1,284	1,510
1,050	1,100	82	366	430	82	366	430	3,800	3,850	293	1,301	1,530	293	1,301	1,530
1,100	1,150	86	383	450	86	383	450	3,850	3,900	296	1,318	1,550	296	1,318	1,550
1,150	1,200	90	400	470	90	400	470	3,900	3,950	300	1,335	1,570	300	1,335	1,570
1,200	1,250	94	417	490	94	417	490	3,950	4,000	304	1,352	1,590	304	1,352	1,590
1,250	1,300	98	434	510	98	434	510	4,000	4,050	308	1,369	1,610	308	1,369	1,610
1,300	1,350	101	451	530	101	451	530	4,050	4,100	312	1,386	1,630	312	1,386	1,630
1,350	1,400	105	468	550	105	468	550	4,100	4,150	316	1,403	1,650	316	1,403	1,650
1,400	1,450	109	485	570	109	485	570	4,150	4,200	319	1,420	1,670	319	1,420	1,670
1,450	1,500	113	502	590	113	502	590	4,200	4,250	323	1,437	1,690	323	1,437	1,690
1,500	1,550	117	519	610	117	519	610	4,250	4,300	327	1,454	1,710	327	1,454	1,710
1,550	1,600	120	536	630	120	536	630	4,300	4,350	331	1,471	1,730	331	1,471	1,730
1,600	1,650	124	553	650	124	553	650	4,350	4,400	335	1,488	1,750	335	1,488	1,750
1,650	1,700	128	570	670	128	570	670	4,400	4,450	339	1,505	1,770	339	1,505	1,770
1,700	1,750	132	587	690	132	587	690	4,450	4,500	342	1,522	1,790	342	1,522	1,790
1,750	1,800	136	604	710	136	604	710	4,500	4,550	346	1,539	1,810	346	1,539	1,810
1,800	1,850	140	621	730	140	621	730	4,550	4,600	350	1,556	1,830	350	1,556	1,830
1,850	1,900	143	638	750	143	638	750	4,600	4,650	354	1,573	1,850	354	1,573	1,850
1,900	1,950	147	655	770	147	655	770	4,650	4,700	358	1,590	1,870	358	1,590	1,870
1,950	2,000	151	672	790	151	672	790	4,700	4,750	361	1,607	1,890	361	1,607	1,890
2,000	2,050	155	689	810	155	689	810	4,750	4,800	365	1,624	1,910	365	1,624	1,910
2,050	2,100	159	706	830	159	706	830	4,800	4,850	369	1,641	1,930	369	1,641	1,930
2,100	2,150	163	723	850	163	723	850	4,850	4,900	373	1,658	1,950	373	1,658	1,950
2,150	2,200	166	740	870	166	740	870	4,900	4,950	377	1,675	1,970	377	1,675	1,970
2,200	2,250	170	757	890	170	757	890	4,950	5,000	381	1,692	1,990	381	1,692	1,990
2,250	2,300	174	774	910	174	774	910	5,000	5,050	384	1,709	2,010	384	1,709	2,010
2,300	2,350	178	791	930	178	791	930	5,050	5,100	388	1,726	2,030	388	1,726	2,030
2,350	2,400	182	808	950	182	808	950	5,100	5,150	390	1,743	2,050	390	1,743	2,050
2,400	2,450	186	825	970	186	825	970	5,150	5,200	390	1,760	2,070	390	1,760	2,070
2,450	2,500	189	842	990	189	842	990	5,200	5,250	390	1,777	2,090	390	1,777	2,090
2,500	2,550	193	859	1,010	193	859	1,010	5,250	5,300	390	1,794	2,110	390	1,794	2,110
2,550	2,600	197	876	1,030	197	876	1,030	5,300	5,350	390	1,811	2,130	390	1,811	2,130
2,600	2,650	201	893	1,050	201	893	1,050	5,350	5,400	390	1,828	2,150	390	1,828	2,150
2,650	2,700	205	910	1,070	205	910	1,070	5,400	5,450	390	1,845	2,170	390	1,845	2,170
2,700	2,750	208	927	1,090	208	927	1,090	5,450	5,500	390	1,862	2,190	390	1,862	2,190

(Continued on page 49)

2004 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

Table with columns: If the amount you are looking up from the worksheet is—, And your filing status is— (Single, Married), If the amount you are looking up from the worksheet is—, And your filing status is— (Single, Married). Rows range from 5,500-5,700 to 8,450-8,500.

*If the amount you are looking up from the worksheet is at least \$11,450 (\$12,450 if married filing jointly) but less than \$11,490 (\$12,490 if married filing jointly), your credit is \$2. Otherwise, you cannot take the credit.

(Continued on page 50)

2004 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—		
31,000	31,050	0	0	723	0	50	934	33,500	33,550	0	0	196	0	0	407
31,050	31,100	0	0	712	0	42	923	33,550	33,600	0	0	186	0	0	397
31,100	31,150	0	0	702	0	34	912	33,600	33,650	0	0	175	0	0	386
31,150	31,200	0	0	691	0	26	902	33,650	33,700	0	0	165	0	0	375
31,200	31,250	0	0	681	0	18	891	33,700	33,750	0	0	154	0	0	365
31,250	31,300	0	0	670	0	10	881	33,750	33,800	0	0	144	0	0	354
31,300	31,350	0	0	660	0	**	870	33,800	33,850	0	0	133	0	0	344
31,350	31,400	0	0	649	0	0	860	33,850	33,900	0	0	123	0	0	333
31,400	31,450	0	0	639	0	0	849	33,900	33,950	0	0	112	0	0	323
31,450	31,500	0	0	628	0	0	839	33,950	34,000	0	0	102	0	0	312
31,500	31,550	0	0	618	0	0	828	34,000	34,050	0	0	91	0	0	302
31,550	31,600	0	0	607	0	0	818	34,050	34,100	0	0	81	0	0	291
31,600	31,650	0	0	597	0	0	807	34,100	34,150	0	0	70	0	0	281
31,650	31,700	0	0	586	0	0	797	34,150	34,200	0	0	60	0	0	270
31,700	31,750	0	0	576	0	0	786	34,200	34,250	0	0	49	0	0	260
31,750	31,800	0	0	565	0	0	776	34,250	34,300	0	0	39	0	0	249
31,800	31,850	0	0	554	0	0	765	34,300	34,350	0	0	28	0	0	239
31,850	31,900	0	0	544	0	0	755	34,350	34,400	0	0	17	0	0	228
31,900	31,950	0	0	533	0	0	744	34,400	34,450	0	0	7	0	0	218
31,950	32,000	0	0	523	0	0	733	34,450	34,500	0	0	***	0	0	207
32,000	32,050	0	0	512	0	0	723	34,500	34,550	0	0	0	0	0	196
32,050	32,100	0	0	502	0	0	712	34,550	34,600	0	0	0	0	0	186
32,100	32,150	0	0	491	0	0	702	34,600	34,650	0	0	0	0	0	175
32,150	32,200	0	0	481	0	0	691	34,650	34,700	0	0	0	0	0	165
32,200	32,250	0	0	470	0	0	681	34,700	34,750	0	0	0	0	0	154
32,250	32,300	0	0	460	0	0	670	34,750	34,800	0	0	0	0	0	144
32,300	32,350	0	0	449	0	0	660	34,800	34,850	0	0	0	0	0	133
32,350	32,400	0	0	439	0	0	649	34,850	34,900	0	0	0	0	0	123
32,400	32,450	0	0	428	0	0	639	34,900	34,950	0	0	0	0	0	112
32,450	32,500	0	0	418	0	0	628	34,950	35,000	0	0	0	0	0	102
32,500	32,550	0	0	407	0	0	618	35,000	35,050	0	0	0	0	0	91
32,550	32,600	0	0	397	0	0	607	35,050	35,100	0	0	0	0	0	81
32,600	32,650	0	0	386	0	0	597	35,100	35,150	0	0	0	0	0	70
32,650	32,700	0	0	375	0	0	586	35,150	35,200	0	0	0	0	0	60
32,700	32,750	0	0	365	0	0	576	35,200	35,250	0	0	0	0	0	49
32,750	32,800	0	0	354	0	0	565	35,250	35,300	0	0	0	0	0	39
32,800	32,850	0	0	344	0	0	554	35,300	35,350	0	0	0	0	0	28
32,850	32,900	0	0	333	0	0	544	35,350	35,400	0	0	0	0	0	17
32,900	32,950	0	0	323	0	0	533	35,400	35,450	0	0	0	0	0	7
32,950	33,000	0	0	312	0	0	523	35,450	35,458	0	0	0	0	0	1
33,000	33,050	0	0	302	0	0	512	35,458 or more		0	0	0	0	0	0
33,050	33,100	0	0	291	0	0	502								
33,100	33,150	0	0	281	0	0	491								
33,150	33,200	0	0	270	0	0	481								
33,200	33,250	0	0	260	0	0	470								
33,250	33,300	0	0	249	0	0	460								
33,300	33,350	0	0	239	0	0	449								
33,350	33,400	0	0	228	0	0	439								
33,400	33,450	0	0	218	0	0	428								
33,450	33,500	0	0	207	0	0	418								

**If the amount you are looking up from the worksheet is at least \$30,300 (\$31,300 if married filing jointly) but less than \$30,338 (\$31,338 if married filing jointly), your credit is \$3. Otherwise, you cannot take the credit.

***If the amount you are looking up from the worksheet is at least \$34,450 but less than \$34,458, your credit is \$1. Otherwise, you cannot take the credit.

Line 66**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 2004 and total wages of more than \$87,900, 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 \$5,449.80. But if any one employer withheld more than \$5,449.80, 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 67**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 51 on page 37. 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 51 that begin on page 37.

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 68**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 68 the convenience fee you were charged. Also, include any amounts paid with Form 2688 or 2350.

Line 69**Other Payments**

Check the box(es) on line 69 to report any credit from Form 2439, 4136, or 8885.

Refund**Line 71****Amount Overpaid**

If line 71 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 6 weeks (3 weeks if you filed electronically) from the date you filed your return to do so. But if you filed Form 8379 with your return, allow 14 weeks (11 weeks if you filed electronically). See page 8 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 2005 on page 57.

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 71 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). For federal tax offsets, you will receive a notice from the IRS. For all other offsets, you will receive a notice from FMS. To find out if you may have an offset or if you have any questions about it, contact the agency to which you owe the debt.

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 71 may be used (offset) to pay the past-due amount. But your part of the overpayment may be refunded to you if certain conditions apply and you complete Form 8379. For details, use TeleTax topic 203 (see page 8) or see Form 8379.

Lines 72b Through 72d**DIRECT DEPOSIT**

Simple. Safe. Secure.

Fast Refunds! Choose direct deposit—a fast, simple, safe, secure way to have your refund deposited automatically into your checking or savings account.

Complete lines 72b through 72d if you want us to directly deposit the amount shown on line 72a into your checking or savings account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States instead of sending you a check.

Note. If you do not want your refund directly deposited into your account, draw a line through the boxes on lines 72b and 72d.

Why Use Direct Deposit?

- You get your refund fast—in half the time as paper filers 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 direct 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 72b through 72d, you are appointing your spouse as an agent to receive the refund. This appointment cannot be changed later.

Line 72b

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 55, 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 72b.

Line 72d

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 55, the account

number is 20202086. Do not include the check number.



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 73

Applied to Your 2005 Estimated Tax

Enter on line 73 the amount, if any, of the overpayment on line 71 you want applied to your 2005 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 2005 estimated tax cannot be changed later.

Amount You Owe



IRS e-file offers an additional payment option: Electronic funds withdrawal. This option allows you to file your return early and schedule your payment for withdrawal from your checking or savings account on a future date up to and including April 15, 2005. IRS e-file also provides proof of receipt of your return and payment by email or through your software package. Visit www.irs.gov/efile for details.

Line 74

Amount You Owe



Pay your taxes in full by April 15, 2005, to save interest and penalties. You do not have to pay if line 74 is under \$1.

Include any estimated tax penalty from line 75 in the amount you enter on line 74.

You can pay by check, money order, or credit card. Do not include any estimated tax payment for 2005 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 "2004 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^{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 website 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 website 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 2005. See Income Tax Withholding and Estimated Tax Payments for 2005 on page 57.

What If You Cannot Pay?

What If You Cannot Pay?

If you cannot pay the full amount shown on line 74 when you file, you can ask to make monthly installment payments for the full or a partial amount. 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, 2005, 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 or credit card payment.

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 75

Estimated Tax Penalty

You may owe this penalty if:

- Line 74 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

Sample Check—Lines 72b Through 72d

JEFFREY MAPLE
SUZANNE MAPLE
123 Pear Lane
Anyplace, VA 20000

PAY TO THE ORDER OF _____ \$ _____

ANYPLACE BANK
Anyplace, VA 20000

For _____

1: (250250025) | (202020) | 86 | 1234

1234
15-00007000

Routing number (line 72b)
Account number (line 72d)

Do not include the check number.



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

you are due a refund.

For most people, the “tax shown on your return” is the amount on line 62 minus the total of any amounts shown on lines 65a and 67 and Forms 8828, 4137, 4136, 5329 (Parts III through VIII only), and 8885. When figuring the amount on line 62, include the amount on line 61 only if line 63 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 61.

Exception. You will not owe the penalty if your 2003 tax return was for a tax year of 12 full months and either of the following applies.

1. You had no tax liability for 2003 and you were a U.S. citizen or resident for all of 2003, or

2. The total of lines 63, 64, and 66 on your 2004 return is at least as much as the tax liability shown on your 2003 return. Your estimated tax payments for 2004 must have been made on time and for the required amount.



If your 2003 adjusted gross income was over \$150,000 (over \$75,000 if your 2004 filing status is married filing separately), item 2 above applies only if the total of lines 63, 64, and 66 on your 2004 return is at least 110% of the tax liability shown on your 2003 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 75. Add the penalty to any tax due and enter the total on line 74. If you are due a refund, subtract the penalty from the overpayment you show on line 71. 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 75 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. If your income varied during the year, the annualized income installment method may reduce the amount of your penalty. But you must file Form 2210 because the IRS cannot figure your penalty under this method. See the Instructions for Form 2210 for other situations in

which you may be able to lower your penalty by filing Form 2210.

Third Party Designee

If you want to allow a friend, family member, or any other person you choose to discuss your 2004 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 digits 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),
- Receive copies of notices or transcripts related to your return, upon request, and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

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 will automatically end no later than the due date (without regard to extensions) for filing your 2005 tax return. This is April 17, 2006, for most people. If you wish to revoke the authorization before it ends, see Pub. 947.

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. Be sure to date your return and enter your occupation(s). If you have someone prepare your return, you are still responsible for the correctness of the return. If your return is signed by a representative for you, you must have a power of attorney attached that specifically authorizes the representative to sign your return. To do this, you can use Form 2848. If you are filing a joint

return as a surviving spouse, see *Death of a Taxpayer* on page 58.

Child’s Return

If your child cannot sign the return, either parent can 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 in the space provided. 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.



Electronic Return Signatures!

Create your own personal identification number (PIN) and file a paperless return electronically or use a tax professional. 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.

A PIN is any combination of five digits you choose except five zeros. If you use a PIN, there is nothing to sign and nothing to mail—not even your Forms W-2.

To verify your identity, you will be prompted to enter your adjusted gross income (AGI) from your originally filed 2003 federal income tax return, if applicable. Do not use your AGI from an amended return (Form 1040X), a math error notice, or an IRS examination report. AGI is the amount shown on your 2003 Form 1040, line 35; Form 1040A, line 22; Form 1040EZ, line 4; or on the TeleFile Tax Record, line I. If you do not have your 2003 income tax return, call the IRS at 1-800-829-1040 to get a free transcript of your return. 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 by checking your annual social security statement.



You cannot sign your return electronically if you are a first-time filer under age 16 at the end of 2004 or if you are filing certain forms, such as Form 3115, 3468 (if attachments are required), 5713, 8283 (if Section B is completed), 8332, 8858, or 8885.

For more details, visit www.irs.gov/efile and click on “e-file for Individual Taxpayers.”

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

If you use a paid preparer, ask to sign your return electronically!

Assemble Your Return

Assemble any schedules and forms behind Form 1040 in order of the “Attachment Se-

quence 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 and 2439 to the front of Form 1040. Also attach Forms W-2G and 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.

- Make sure you entered the correct name and social security number (SSN) for each dependent you claim on line 6c. Check that each dependent’s name and SSN agrees with his or her social security card. Also, make sure you check the box in line 6c, column (4), for each dependent under age 17 who is also a qualifying child for the child tax credit.

- 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.

- Be sure you use the correct method to figure your tax. See the instructions for line 43 that begin on page 33.

- 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. Check that your name and SSN agree with your social security card.

- 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. Check that your name agrees with your social security card.

- If you are taking the standard deduction and you checked any box on line 38a

or 38b or you (or your spouse if filing jointly) can be claimed as a dependent on someone else’s 2004 return, see page 31 to be sure you entered the correct amount on line 39.

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

- 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.

- Remember to sign and date Form 1040 and enter your occupation(s).

- Attach your Form(s) W-2 and other required forms and schedules. Put all forms and schedules in the proper order. See *Assemble Your Return* above.

- 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 74 on page 55 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 for the tax. See Form 8857 or Pub. 971 for more details.

Income Tax Withholding and Estimated Tax Payments for 2005

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 2005 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 2005 Form 1040 will show a tax refund or a tax balance due of less than \$1,000. If your total estimated tax (including any household employment taxes or alternative minimum tax) for 2005 is \$1,000 or more, see Form 1040-ES. It has a worksheet you can use to see if you have to make estimated tax payments. For more details, see Pub. 505.

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

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

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

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 55 for details on how to pay any tax you owe.



You may be able to deduct this gift on your 2005 tax return.

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 men-

tally 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. There is a \$39 fee for each return requested. If you want a free transcript of your tax return or account, use Form 4506-T or call us. See page 10 for the number.

Death of a Taxpayer

If a taxpayer died before filing a return for 2004, 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 2004 and you did not remarry in 2004, or if your spouse died in 2005 before filing a return for 2004, you can file a joint return. A joint return should show your spouse's 2004 income before death and your income for all of 2004. 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 8) 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 8) or see Pub. 501 (Pub. 596 for the EIC).

Other Ways To Get Help

Send Your Written Tax Questions to the IRS

You should get an answer in about 30 days. If you do not have the mailing address, call us. See page 10 for the number. Do not send questions with your return.

Research Your Tax Questions Online

You can find answers to many of your tax questions online in several ways by accessing the IRS website at www.irs.gov/help and then clicking on "Help With Tax Questions." Here are some of the methods you may want to try.

- Frequently asked questions. This section contains an extensive list of questions and answers. You may select your question by category or keyword.
- Tax trails. This is an interactive section which asks questions you can answer by selecting "Yes" or "No."
- Tax topics. This section provides a broad picture of tax topics beginning with 17 main categories. Each topic link leads to further categories and then to a discussion of the topic.

Free Help With Your Return

Free help in preparing your return is available nationwide from IRS-sponsored 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. Many VITA sites offer free electronic filing and all volunteers will let you know about the credits and deductions you may be entitled to claim. If you are a member of the military, you can also get assistance on military tax benefits, such as combat zone tax benefits, at an office within your installation. For more information on these programs, go to www.irs.gov and enter keyword "VITA" in the upper right corner. Or, call us. See page 10 for the number. To find the nearest AARP Tax-Aide site, visit AARP's web-

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

When you go for help, take your photo ID and social security numbers (or individual taxpayer identification numbers) for your spouse, your dependents, and yourself. Also take a copy of your 2003 tax return (if available), all your Forms W-2 and 1099 for 2004, and any other information about your 2004 income and expenses.

Everyday Tax Solutions

You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under "United States Government, Internal Revenue Service."

Online Services

If you subscribe to an online service, ask about online filing or tax information.

Large-Print Forms and Instructions

Pub. 1614 has large-print copies of Form 1040, Schedules A, B, D, E, and R, and Form 1040-V, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file them. You can get Pub. 1614 by phone or mail. See pages 7 and 73.

Help for People With Disabilities

Telephone help is available using TTY/TDD equipment by calling

1-800-829-4059. 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 74.

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.

If line 42 (taxable income) is—		And you are—				If line 42 (taxable income) is—		And you are—				If line 42 (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	6,994	5,439	6,994	5,856	44,000	44,050	7,744	5,889	7,744	6,606	47,000	47,050	8,494	6,339	8,494	7,356
41,050	41,100	7,006	5,446	7,006	5,869	44,050	44,100	7,756	5,896	7,756	6,619	47,050	47,100	8,506	6,346	8,506	7,369
41,100	41,150	7,019	5,454	7,019	5,881	44,100	44,150	7,769	5,904	7,769	6,631	47,100	47,150	8,519	6,354	8,519	7,381
41,150	41,200	7,031	5,461	7,031	5,894	44,150	44,200	7,781	5,911	7,781	6,644	47,150	47,200	8,531	6,361	8,531	7,394
41,200	41,250	7,044	5,469	7,044	5,906	44,200	44,250	7,794	5,919	7,794	6,656	47,200	47,250	8,544	6,369	8,544	7,406
41,250	41,300	7,056	5,476	7,056	5,919	44,250	44,300	7,806	5,926	7,806	6,669	47,250	47,300	8,556	6,376	8,556	7,419
41,300	41,350	7,069	5,484	7,069	5,931	44,300	44,350	7,819	5,934	7,819	6,681	47,300	47,350	8,569	6,384	8,569	7,431
41,350	41,400	7,081	5,491	7,081	5,944	44,350	44,400	7,831	5,941	7,831	6,694	47,350	47,400	8,581	6,391	8,581	7,444
41,400	41,450	7,094	5,499	7,094	5,956	44,400	44,450	7,844	5,949	7,844	6,706	47,400	47,450	8,594	6,399	8,594	7,456
41,450	41,500	7,106	5,506	7,106	5,969	44,450	44,500	7,856	5,956	7,856	6,719	47,450	47,500	8,606	6,406	8,606	7,469
41,500	41,550	7,119	5,514	7,119	5,981	44,500	44,550	7,869	5,964	7,869	6,731	47,500	47,550	8,619	6,414	8,619	7,481
41,550	41,600	7,131	5,521	7,131	5,994	44,550	44,600	7,881	5,971	7,881	6,744	47,550	47,600	8,631	6,421	8,631	7,494
41,600	41,650	7,144	5,529	7,144	6,006	44,600	44,650	7,894	5,979	7,894	6,756	47,600	47,650	8,644	6,429	8,644	7,506
41,650	41,700	7,156	5,536	7,156	6,019	44,650	44,700	7,906	5,986	7,906	6,769	47,650	47,700	8,656	6,436	8,656	7,519
41,700	41,750	7,169	5,544	7,169	6,031	44,700	44,750	7,919	5,994	7,919	6,781	47,700	47,750	8,669	6,444	8,669	7,531
41,750	41,800	7,181	5,551	7,181	6,044	44,750	44,800	7,931	6,001	7,931	6,794	47,750	47,800	8,681	6,451	8,681	7,544
41,800	41,850	7,194	5,559	7,194	6,056	44,800	44,850	7,944	6,009	7,944	6,806	47,800	47,850	8,694	6,459	8,694	7,556
41,850	41,900	7,206	5,566	7,206	6,069	44,850	44,900	7,956	6,016	7,956	6,819	47,850	47,900	8,706	6,466	8,706	7,569
41,900	41,950	7,219	5,574	7,219	6,081	44,900	44,950	7,969	6,024	7,969	6,831	47,900	47,950	8,719	6,474	8,719	7,581
41,950	42,000	7,231	5,581	7,231	6,094	44,950	45,000	7,981	6,031	7,981	6,844	47,950	48,000	8,731	6,481	8,731	7,594
42,000						45,000						48,000					
42,000	42,050	7,244	5,589	7,244	6,106	45,000	45,050	7,994	6,039	7,994	6,856	48,000	48,050	8,744	6,489	8,744	7,606
42,050	42,100	7,256	5,596	7,256	6,119	45,050	45,100	8,006	6,046	8,006	6,869	48,050	48,100	8,756	6,496	8,756	7,619
42,100	42,150	7,269	5,604	7,269	6,131	45,100	45,150	8,019	6,054	8,019	6,881	48,100	48,150	8,769	6,504	8,769	7,631
42,150	42,200	7,281	5,611	7,281	6,144	45,150	45,200	8,031	6,061	8,031	6,894	48,150	48,200	8,781	6,511	8,781	7,644
42,200	42,250	7,294	5,619	7,294	6,156	45,200	45,250	8,044	6,069	8,044	6,906	48,200	48,250	8,794	6,519	8,794	7,656
42,250	42,300	7,306	5,626	7,306	6,169	45,250	45,300	8,056	6,076	8,056	6,919	48,250	48,300	8,806	6,526	8,806	7,669
42,300	42,350	7,319	5,634	7,319	6,181	45,300	45,350	8,069	6,084	8,069	6,931	48,300	48,350	8,819	6,534	8,819	7,681
42,350	42,400	7,331	5,641	7,331	6,194	45,350	45,400	8,081	6,091	8,081	6,944	48,350	48,400	8,831	6,541	8,831	7,694
42,400	42,450	7,344	5,649	7,344	6,206	45,400	45,450	8,094	6,099	8,094	6,956	48,400	48,450	8,844	6,549	8,844	7,706
42,450	42,500	7,356	5,656	7,356	6,219	45,450	45,500	8,106	6,106	8,106	6,969	48,450	48,500	8,856	6,556	8,856	7,719
42,500	42,550	7,369	5,664	7,369	6,231	45,500	45,550	8,119	6,114	8,119	6,981	48,500	48,550	8,869	6,564	8,869	7,731
42,550	42,600	7,381	5,671	7,381	6,244	45,550	45,600	8,131	6,121	8,131	6,994	48,550	48,600	8,881	6,571	8,881	7,744
42,600	42,650	7,394	5,679	7,394	6,256	45,600	45,650	8,144	6,129	8,144	7,006	48,600	48,650	8,894	6,579	8,894	7,756
42,650	42,700	7,406	5,686	7,406	6,269	45,650	45,700	8,156	6,136	8,156	7,019	48,650	48,700	8,906	6,586	8,906	7,769
42,700	42,750	7,419	5,694	7,419	6,281	45,700	45,750	8,169	6,144	8,169	7,031	48,700	48,750	8,919	6,594	8,919	7,781
42,750	42,800	7,431	5,701	7,431	6,294	45,750	45,800	8,181	6,151	8,181	7,044	48,750	48,800	8,931	6,601	8,931	7,794
42,800	42,850	7,444	5,709	7,444	6,306	45,800	45,850	8,194	6,159	8,194	7,056	48,800	48,850	8,944	6,609	8,944	7,806
42,850	42,900	7,456	5,716	7,456	6,319	45,850	45,900	8,206	6,166	8,206	7,069	48,850	48,900	8,956	6,616	8,956	7,819
42,900	42,950	7,469	5,724	7,469	6,331	45,900	45,950	8,219	6,174	8,219	7,081	48,900	48,950	8,969	6,624	8,969	7,831
42,950	43,000	7,481	5,731	7,481	6,344	45,950	46,000	8,231	6,181	8,231	7,094	48,950	49,000	8,981	6,631	8,981	7,844
43,000						46,000						49,000					
43,000	43,050	7,494	5,739	7,494	6,356	46,000	46,050	8,244	6,189	8,244	7,106	49,000	49,050	8,994	6,639	8,994	7,856
43,050	43,100	7,506	5,746	7,506	6,369	46,050	46,100	8,256	6,196	8,256	7,119	49,050	49,100	9,006	6,646	9,006	7,869
43,100	43,150	7,519	5,754	7,519	6,381	46,100	46,150	8,269	6,204	8,269	7,131	49,100	49,150	9,019	6,654	9,019	7,881
43,150	43,200	7,531	5,761	7,531	6,394	46,150	46,200	8,281	6,211	8,281	7,144	49,150	49,200	9,031	6,661	9,031	7,894
43,200	43,250	7,544	5,769	7,544	6,406	46,200	46,250	8,294	6,219	8,294	7,156	49,200	49,250	9,044	6,669	9,044	7,906
43,250	43,300	7,556	5,776	7,556	6,419	46,250	46,300	8,306	6,226	8,306	7,169	49,250	49,300	9,056	6,676	9,056	7,919
43,300	43,350	7,569	5,784	7,569	6,431	46,300	46,350	8,319	6,234	8,319	7,181	49,300	49,350	9,069	6,684	9,069	7,931
43,350	43,400	7,581	5,791	7,581	6,444	46,350	46,400	8,331	6,241	8,331	7,194	49,350	49,400	9,081	6,691	9,081	7,944
43,400	43,450	7,594	5,799	7,594	6,456	46,400	46,450	8,344	6,249	8,344	7,206	49,400	49,450	9,094	6,699	9,094	7,956
43,450	43,500	7,606	5,806	7,606	6,469	46,450	46,500	8,356	6,256	8,356	7,219	49,450	49,500	9,106	6,706	9,106	7,969
43,500	43,550	7,619	5,814	7,619	6,481	46,500	46,550	8,369	6,264	8,369	7,231	49,500	49,550	9,119	6,714	9,119	7,981
43,550	43,600	7,631	5,821	7,631	6,494	46,550	46,600	8,381	6,271	8,381	7,244	49,550	49,600	9,131	6,721	9,131	7,994
43,600	43,650	7,644	5,829	7,644	6,506	46,600	46,650	8,394	6,279	8,394	7,256	49,600	49,650	9,144	6,729	9,144	8,006
43,650	43,700	7,656	5,836	7,656	6,519	46,650	46,700	8,406	6,286	8,406	7,269	49,650	49,700	9,156	6,736	9,156	8,019
43,700	43,750	7,669	5,844	7,669	6,531	46,700	46,750	8,419	6,294	8,419	7,281	49,700	49,750	9,169	6,744	9,169	8,031
43,750	43,800	7,681	5,851	7,681	6,544	46,750	46,800	8,431	6,301	8,431	7,294	49,750	49,800	9,181	6,751	9,181	8,044
43,800	43,850	7,694	5,859	7,694	6,556	46,800	46,850	8,444	6,309	8,444	7,306	49,800	49,850	9,194	6,759	9,194	8,056
43,850	43,900	7,706	5,866	7,706	6,569	46,850	46,900	8,456	6,316	8,456	7,319	49,850	49,900	9,206	6,766	9,206	8,069
43,900	43,950	7,719	5,874	7,719	6,581	46,900	46,950	8,469	6,324	8,469	7,331	49,900	49,950	9,219	6,774	9,219	8,081
43,950	44,000	7,731	5,881	7,731	6,594	46,950	47,000	8,481	6,331	8,481							

2004 Tax Table—Continued

If line 42 (taxable income) is—		And you are—				If line 42 (taxable income) is—		And you are—				If line 42 (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	9,244	6,789	9,244	8,106	53,000	53,050	9,994	7,239	9,994	8,856	56,000	56,050	10,744	7,689	10,744	9,606
50,050	50,100	9,256	6,796	9,256	8,119	53,050	53,100	10,006	7,246	10,006	8,869	56,050	56,100	10,756	7,696	10,756	9,619
50,100	50,150	9,269	6,804	9,269	8,131	53,100	53,150	10,019	7,254	10,019	8,881	56,100	56,150	10,769	7,704	10,769	9,631
50,150	50,200	9,281	6,811	9,281	8,144	53,150	53,200	10,031	7,261	10,031	8,894	56,150	56,200	10,781	7,711	10,781	9,644
50,200	50,250	9,294	6,819	9,294	8,156	53,200	53,250	10,044	7,269	10,044	8,906	56,200	56,250	10,794	7,719	10,794	9,656
50,250	50,300	9,306	6,826	9,306	8,169	53,250	53,300	10,056	7,276	10,056	8,919	56,250	56,300	10,806	7,726	10,806	9,669
50,300	50,350	9,319	6,834	9,319	8,181	53,300	53,350	10,069	7,284	10,069	8,931	56,300	56,350	10,819	7,734	10,819	9,681
50,350	50,400	9,331	6,841	9,331	8,194	53,350	53,400	10,081	7,291	10,081	8,944	56,350	56,400	10,831	7,741	10,831	9,694
50,400	50,450	9,344	6,849	9,344	8,206	53,400	53,450	10,094	7,299	10,094	8,956	56,400	56,450	10,844	7,749	10,844	9,706
50,450	50,500	9,356	6,856	9,356	8,219	53,450	53,500	10,106	7,306	10,106	8,969	56,450	56,500	10,856	7,756	10,856	9,719
50,500	50,550	9,369	6,864	9,369	8,231	53,500	53,550	10,119	7,314	10,119	8,981	56,500	56,550	10,869	7,764	10,869	9,731
50,550	50,600	9,381	6,871	9,381	8,244	53,550	53,600	10,131	7,321	10,131	8,994	56,550	56,600	10,881	7,771	10,881	9,744
50,600	50,650	9,394	6,879	9,394	8,256	53,600	53,650	10,144	7,329	10,144	9,006	56,600	56,650	10,894	7,779	10,894	9,756
50,650	50,700	9,406	6,886	9,406	8,269	53,650	53,700	10,156	7,336	10,156	9,019	56,650	56,700	10,906	7,786	10,906	9,769
50,700	50,750	9,419	6,894	9,419	8,281	53,700	53,750	10,169	7,344	10,169	9,031	56,700	56,750	10,919	7,794	10,919	9,781
50,750	50,800	9,431	6,901	9,431	8,294	53,750	53,800	10,181	7,351	10,181	9,044	56,750	56,800	10,931	7,801	10,931	9,794
50,800	50,850	9,444	6,909	9,444	8,306	53,800	53,850	10,194	7,359	10,194	9,056	56,800	56,850	10,944	7,809	10,944	9,806
50,850	50,900	9,456	6,916	9,456	8,319	53,850	53,900	10,206	7,366	10,206	9,069	56,850	56,900	10,956	7,816	10,956	9,819
50,900	50,950	9,469	6,924	9,469	8,331	53,900	53,950	10,219	7,374	10,219	9,081	56,900	56,950	10,969	7,824	10,969	9,831
50,950	51,000	9,481	6,931	9,481	8,344	53,950	54,000	10,231	7,381	10,231	9,094	56,950	57,000	10,981	7,831	10,981	9,844
51,000						54,000						57,000					
51,000	51,050	9,494	6,939	9,494	8,356	54,000	54,050	10,244	7,389	10,244	9,106	57,000	57,050	10,994	7,839	10,994	9,856
51,050	51,100	9,506	6,946	9,506	8,369	54,050	54,100	10,256	7,396	10,256	9,119	57,050	57,100	11,006	7,846	11,006	9,869
51,100	51,150	9,519	6,954	9,519	8,381	54,100	54,150	10,269	7,404	10,269	9,131	57,100	57,150	11,019	7,854	11,019	9,881
51,150	51,200	9,531	6,961	9,531	8,394	54,150	54,200	10,281	7,411	10,281	9,144	57,150	57,200	11,031	7,861	11,031	9,894
51,200	51,250	9,544	6,969	9,544	8,406	54,200	54,250	10,294	7,419	10,294	9,156	57,200	57,250	11,044	7,869	11,044	9,906
51,250	51,300	9,556	6,976	9,556	8,419	54,250	54,300	10,306	7,426	10,306	9,169	57,250	57,300	11,056	7,876	11,056	9,919
51,300	51,350	9,569	6,984	9,569	8,431	54,300	54,350	10,319	7,434	10,319	9,181	57,300	57,350	11,069	7,884	11,069	9,931
51,350	51,400	9,581	6,991	9,581	8,444	54,350	54,400	10,331	7,441	10,331	9,194	57,350	57,400	11,081	7,891	11,081	9,944
51,400	51,450	9,594	6,999	9,594	8,456	54,400	54,450	10,344	7,449	10,344	9,206	57,400	57,450	11,094	7,899	11,094	9,956
51,450	51,500	9,606	7,006	9,606	8,469	54,450	54,500	10,356	7,456	10,356	9,219	57,450	57,500	11,106	7,906	11,106	9,969
51,500	51,550	9,619	7,014	9,619	8,481	54,500	54,550	10,369	7,464	10,369	9,231	57,500	57,550	11,119	7,914	11,119	9,981
51,550	51,600	9,631	7,021	9,631	8,494	54,550	54,600	10,381	7,471	10,381	9,244	57,550	57,600	11,131	7,921	11,131	9,994
51,600	51,650	9,644	7,029	9,644	8,506	54,600	54,650	10,394	7,479	10,394	9,256	57,600	57,650	11,144	7,929	11,144	10,006
51,650	51,700	9,656	7,036	9,656	8,519	54,650	54,700	10,406	7,486	10,406	9,269	57,650	57,700	11,156	7,936	11,156	10,019
51,700	51,750	9,669	7,044	9,669	8,531	54,700	54,750	10,419	7,494	10,419	9,281	57,700	57,750	11,169	7,944	11,169	10,031
51,750	51,800	9,681	7,051	9,681	8,544	54,750	54,800	10,431	7,501	10,431	9,294	57,750	57,800	11,181	7,951	11,181	10,044
51,800	51,850	9,694	7,059	9,694	8,556	54,800	54,850	10,444	7,509	10,444	9,306	57,800	57,850	11,194	7,959	11,194	10,056
51,850	51,900	9,706	7,066	9,706	8,569	54,850	54,900	10,456	7,516	10,456	9,319	57,850	57,900	11,206	7,966	11,206	10,069
51,900	51,950	9,719	7,074	9,719	8,581	54,900	54,950	10,469	7,524	10,469	9,331	57,900	57,950	11,219	7,974	11,219	10,081
51,950	52,000	9,731	7,081	9,731	8,594	54,950	55,000	10,481	7,531	10,481	9,344	57,950	58,000	11,231	7,981	11,231	10,094
52,000						55,000						58,000					
52,000	52,050	9,744	7,089	9,744	8,606	55,000	55,050	10,494	7,539	10,494	9,356	58,000	58,050	11,244	7,989	11,244	10,106
52,050	52,100	9,756	7,096	9,756	8,619	55,050	55,100	10,506	7,546	10,506	9,369	58,050	58,100	11,256	7,996	11,256	10,119
52,100	52,150	9,769	7,104	9,769	8,631	55,100	55,150	10,519	7,554	10,519	9,381	58,100	58,150	11,269	8,006	11,269	10,131
52,150	52,200	9,781	7,111	9,781	8,644	55,150	55,200	10,531	7,561	10,531	9,394	58,150	58,200	11,281	8,019	11,281	10,144
52,200	52,250	9,794	7,119	9,794	8,656	55,200	55,250	10,544	7,569	10,544	9,406	58,200	58,250	11,294	8,031	11,294	10,156
52,250	52,300	9,806	7,126	9,806	8,669	55,250	55,300	10,556	7,576	10,556	9,419	58,250	58,300	11,306	8,044	11,306	10,169
52,300	52,350	9,819	7,134	9,819	8,681	55,300	55,350	10,569	7,584	10,569	9,431	58,300	58,350	11,319	8,056	11,319	10,181
52,350	52,400	9,831	7,141	9,831	8,694	55,350	55,400	10,581	7,591	10,581	9,444	58,350	58,400	11,331	8,069	11,331	10,194
52,400	52,450	9,844	7,149	9,844	8,706	55,400	55,450	10,594	7,599	10,594	9,456	58,400	58,450	11,344	8,081	11,344	10,206
52,450	52,500	9,856	7,156	9,856	8,719	55,450	55,500	10,606	7,606	10,606	9,469	58,450	58,500	11,356	8,094	11,356	10,219
52,500	52,550	9,869	7,164	9,869	8,731	55,500	55,550	10,619	7,614	10,619	9,481	58,500	58,550	11,369	8,106	11,369	10,231
52,550	52,600	9,881	7,171	9,881	8,744	55,550	55,600	10,631	7,621	10,631	9,494	58,550	58,600	11,381	8,119	11,381	10,244
52,600	52,650	9,894	7,179	9,894	8,756	55,600	55,650	10,644	7,629	10,644	9,506	58,600	58,650	11,394	8,131	11,394	10,256
52,650	52,700	9,906	7,186	9,906	8,769	55,650	55,700	10,656	7,636	10,656	9,519	58,650	58,700	11,406	8,144	11,408	10,269
52,700	52,750	9,919	7,194	9,919	8,781	55,700	55,750	10,669	7,644	10,669	9,531	58,700	58,750	11,419	8,156	11,422	10,281
52,750	52,800	9,931	7,201	9,931	8,794	55,750	55,800	10,681	7,651	10,681	9,544	58,750	58,800	11,431	8,169	11,436	10,294
52,800	52,850	9,944	7,209	9,944	8,806	55,800	55,850	10,694	7,659	10,694	9,556	58,800	58,850	11,444	8,181	11,450	10,306
52,850	52,900	9,956	7,216	9,956	8,819	55,850	55,900	10,706	7,666	10,706	9,569	58,850	58,900	11,456	8,194	11,464	10,319
52,900	52,950	9,969	7,224	9,969	8												

If line 42 (taxable income) is—		And you are—				If line 42 (taxable income) is—		And you are—				If line 42 (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	11,494	8,231	11,506	10,356	62,000	62,050	12,244	8,981	12,346	11,106	65,000	65,050	12,994	9,731	13,186	11,856
59,050	59,100	11,506	8,244	11,520	10,369	62,050	62,100	12,256	8,994	12,360	11,119	65,050	65,100	13,006	9,744	13,200	11,869
59,100	59,150	11,519	8,256	11,534	10,381	62,100	62,150	12,269	9,006	12,374	11,131	65,100	65,150	13,019	9,756	13,214	11,881
59,150	59,200	11,531	8,269	11,548	10,394	62,150	62,200	12,281	9,019	12,388	11,144	65,150	65,200	13,031	9,769	13,228	11,894
59,200	59,250	11,544	8,281	11,562	10,406	62,200	62,250	12,294	9,031	12,402	11,156	65,200	65,250	13,044	9,781	13,242	11,906
59,250	59,300	11,556	8,294	11,576	10,419	62,250	62,300	12,306	9,044	12,416	11,169	65,250	65,300	13,056	9,794	13,256	11,919
59,300	59,350	11,569	8,306	11,590	10,431	62,300	62,350	12,319	9,056	12,430	11,181	65,300	65,350	13,069	9,806	13,270	11,931
59,350	59,400	11,581	8,319	11,604	10,444	62,350	62,400	12,331	9,069	12,444	11,194	65,350	65,400	13,081	9,819	13,284	11,944
59,400	59,450	11,594	8,331	11,618	10,456	62,400	62,450	12,344	9,081	12,458	11,206	65,400	65,450	13,094	9,831	13,298	11,956
59,450	59,500	11,606	8,344	11,632	10,469	62,450	62,500	12,356	9,094	12,472	11,219	65,450	65,500	13,106	9,844	13,312	11,969
59,500	59,550	11,619	8,356	11,646	10,481	62,500	62,550	12,369	9,106	12,486	11,231	65,500	65,550	13,119	9,856	13,326	11,981
59,550	59,600	11,631	8,369	11,660	10,494	62,550	62,600	12,381	9,119	12,500	11,244	65,550	65,600	13,131	9,869	13,340	11,994
59,600	59,650	11,644	8,381	11,674	10,506	62,600	62,650	12,394	9,131	12,514	11,256	65,600	65,650	13,144	9,881	13,354	12,006
59,650	59,700	11,656	8,394	11,688	10,519	62,650	62,700	12,406	9,144	12,528	11,269	65,650	65,700	13,156	9,894	13,368	12,019
59,700	59,750	11,669	8,406	11,702	10,531	62,700	62,750	12,419	9,156	12,542	11,281	65,700	65,750	13,169	9,906	13,382	12,031
59,750	59,800	11,681	8,419	11,716	10,544	62,750	62,800	12,431	9,169	12,556	11,294	65,750	65,800	13,181	9,919	13,396	12,044
59,800	59,850	11,694	8,431	11,730	10,556	62,800	62,850	12,444	9,181	12,570	11,306	65,800	65,850	13,194	9,931	13,410	12,056
59,850	59,900	11,706	8,444	11,744	10,569	62,850	62,900	12,456	9,194	12,584	11,319	65,850	65,900	13,206	9,944	13,424	12,069
59,900	59,950	11,719	8,456	11,758	10,581	62,900	62,950	12,469	9,206	12,598	11,331	65,900	65,950	13,219	9,956	13,438	12,081
59,950	60,000	11,731	8,469	11,772	10,594	62,950	63,000	12,481	9,219	12,612	11,344	65,950	66,000	13,231	9,969	13,452	12,094
60,000						63,000						66,000					
60,000	60,050	11,744	8,481	11,786	10,606	63,000	63,050	12,494	9,231	12,626	11,356	66,000	66,050	13,244	9,981	13,466	12,106
60,050	60,100	11,756	8,494	11,800	10,619	63,050	63,100	12,506	9,244	12,640	11,369	66,050	66,100	13,256	9,994	13,480	12,119
60,100	60,150	11,769	8,506	11,814	10,631	63,100	63,150	12,519	9,256	12,654	11,381	66,100	66,150	13,269	10,006	13,494	12,131
60,150	60,200	11,781	8,519	11,828	10,644	63,150	63,200	12,531	9,269	12,668	11,394	66,150	66,200	13,281	10,019	13,508	12,144
60,200	60,250	11,794	8,531	11,842	10,656	63,200	63,250	12,544	9,281	12,682	11,406	66,200	66,250	13,294	10,031	13,522	12,156
60,250	60,300	11,806	8,544	11,856	10,669	63,250	63,300	12,556	9,294	12,696	11,419	66,250	66,300	13,306	10,044	13,536	12,169
60,300	60,350	11,819	8,556	11,870	10,681	63,300	63,350	12,569	9,306	12,710	11,431	66,300	66,350	13,319	10,056	13,550	12,181
60,350	60,400	11,831	8,569	11,884	10,694	63,350	63,400	12,581	9,319	12,724	11,444	66,350	66,400	13,331	10,069	13,564	12,194
60,400	60,450	11,844	8,581	11,898	10,706	63,400	63,450	12,594	9,331	12,738	11,456	66,400	66,450	13,344	10,081	13,578	12,206
60,450	60,500	11,856	8,594	11,912	10,719	63,450	63,500	12,606	9,344	12,752	11,469	66,450	66,500	13,356	10,094	13,592	12,219
60,500	60,550	11,869	8,606	11,926	10,731	63,500	63,550	12,619	9,356	12,766	11,481	66,500	66,550	13,369	10,106	13,606	12,231
60,550	60,600	11,881	8,619	11,940	10,744	63,550	63,600	12,631	9,369	12,780	11,494	66,550	66,600	13,381	10,119	13,620	12,244
60,600	60,650	11,894	8,631	11,954	10,756	63,600	63,650	12,644	9,381	12,794	11,506	66,600	66,650	13,394	10,131	13,634	12,256
60,650	60,700	11,906	8,644	11,968	10,769	63,650	63,700	12,656	9,394	12,808	11,519	66,650	66,700	13,406	10,144	13,648	12,269
60,700	60,750	11,919	8,656	11,982	10,781	63,700	63,750	12,669	9,406	12,822	11,531	66,700	66,750	13,419	10,156	13,662	12,281
60,750	60,800	11,931	8,669	11,996	10,794	63,750	63,800	12,681	9,419	12,836	11,544	66,750	66,800	13,431	10,169	13,676	12,294
60,800	60,850	11,944	8,681	12,010	10,806	63,800	63,850	12,694	9,431	12,850	11,556	66,800	66,850	13,444	10,181	13,690	12,306
60,850	60,900	11,956	8,694	12,024	10,819	63,850	63,900	12,706	9,444	12,864	11,569	66,850	66,900	13,456	10,194	13,704	12,319
60,900	60,950	11,969	8,706	12,038	10,831	63,900	63,950	12,719	9,456	12,878	11,581	66,900	66,950	13,469	10,206	13,718	12,331
60,950	61,000	11,981	8,719	12,052	10,844	63,950	64,000	12,731	9,469	12,892	11,594	66,950	67,000	13,481	10,219	13,732	12,344
61,000						64,000						67,000					
61,000	61,050	11,994	8,731	12,066	10,856	64,000	64,050	12,744	9,481	12,906	11,606	67,000	67,050	13,494	10,231	13,746	12,356
61,050	61,100	12,006	8,744	12,080	10,869	64,050	64,100	12,756	9,494	12,920	11,619	67,050	67,100	13,506	10,244	13,760	12,369
61,100	61,150	12,019	8,756	12,094	10,881	64,100	64,150	12,769	9,506	12,934	11,631	67,100	67,150	13,519	10,256	13,774	12,381
61,150	61,200	12,031	8,769	12,108	10,894	64,150	64,200	12,781	9,519	12,948	11,644	67,150	67,200	13,531	10,269	13,788	12,394
61,200	61,250	12,044	8,781	12,122	10,906	64,200	64,250	12,794	9,531	12,962	11,656	67,200	67,250	13,544	10,281	13,802	12,406
61,250	61,300	12,056	8,794	12,136	10,919	64,250	64,300	12,806	9,544	12,976	11,669	67,250	67,300	13,556	10,294	13,816	12,419
61,300	61,350	12,069	8,806	12,150	10,931	64,300	64,350	12,819	9,556	12,990	11,681	67,300	67,350	13,569	10,306	13,830	12,431
61,350	61,400	12,081	8,819	12,164	10,944	64,350	64,400	12,831	9,569	13,004	11,694	67,350	67,400	13,581	10,319	13,844	12,444
61,400	61,450	12,094	8,831	12,178	10,956	64,400	64,450	12,844	9,581	13,018	11,706	67,400	67,450	13,594	10,331	13,858	12,456
61,450	61,500	12,106	8,844	12,192	10,969	64,450	64,500	12,856	9,594	13,032	11,719	67,450	67,500	13,606	10,344	13,872	12,469
61,500	61,550	12,119	8,856	12,206	10,981	64,500	64,550	12,869	9,606	13,046	11,731	67,500	67,550	13,619	10,356	13,886	12,481
61,550	61,600	12,131	8,869	12,220	10,994	64,550	64,600	12,881	9,619	13,060	11,744	67,550	67,600	13,631	10,369	13,900	12,494
61,600	61,650	12,144	8,881	12,234	11,006	64,600	64,650	12,894	9,631	13,074	11,756	67,600	67,650	13,644	10,381	13,914	12,5

2004 Tax Table—Continued

If line 42 (taxable income) is—		And you are—				If line 42 (taxable income) is—		And you are—				If line 42 (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	13,744	10,481	14,026	12,606	71,000	71,050	14,514	11,231	14,866	13,356	74,000	74,050	15,354	11,981	15,706	14,106
68,050	68,100	13,756	10,494	14,040	12,619	71,050	71,100	14,528	11,244	14,880	13,369	74,050	74,100	15,368	11,994	15,720	14,119
68,100	68,150	13,769	10,506	14,054	12,631	71,100	71,150	14,542	11,256	14,894	13,381	74,100	74,150	15,382	12,006	15,734	14,131
68,150	68,200	13,781	10,519	14,068	12,644	71,150	71,200	14,556	11,269	14,908	13,394	74,150	74,200	15,396	12,019	15,748	14,144
68,200	68,250	13,794	10,531	14,082	12,656	71,200	71,250	14,570	11,281	14,922	13,406	74,200	74,250	15,410	12,031	15,762	14,156
68,250	68,300	13,806	10,544	14,096	12,669	71,250	71,300	14,584	11,294	14,936	13,419	74,250	74,300	15,424	12,044	15,776	14,169
68,300	68,350	13,819	10,556	14,110	12,681	71,300	71,350	14,598	11,306	14,950	13,431	74,300	74,350	15,438	12,056	15,790	14,181
68,350	68,400	13,831	10,569	14,124	12,694	71,350	71,400	14,612	11,319	14,964	13,444	74,350	74,400	15,452	12,069	15,804	14,194
68,400	68,450	13,844	10,581	14,138	12,706	71,400	71,450	14,626	11,331	14,978	13,456	74,400	74,450	15,466	12,081	15,818	14,206
68,450	68,500	13,856	10,594	14,152	12,719	71,450	71,500	14,640	11,344	14,992	13,469	74,450	74,500	15,480	12,094	15,832	14,219
68,500	68,550	13,869	10,606	14,166	12,731	71,500	71,550	14,654	11,356	15,006	13,481	74,500	74,550	15,494	12,106	15,846	14,231
68,550	68,600	13,881	10,619	14,180	12,744	71,550	71,600	14,668	11,369	15,020	13,494	74,550	74,600	15,508	12,119	15,860	14,244
68,600	68,650	13,894	10,631	14,194	12,756	71,600	71,650	14,682	11,381	15,034	13,506	74,600	74,650	15,522	12,131	15,874	14,256
68,650	68,700	13,906	10,644	14,208	12,769	71,650	71,700	14,696	11,394	15,048	13,519	74,650	74,700	15,536	12,144	15,888	14,269
68,700	68,750	13,919	10,656	14,222	12,781	71,700	71,750	14,710	11,406	15,062	13,531	74,700	74,750	15,550	12,156	15,902	14,281
68,750	68,800	13,931	10,669	14,236	12,794	71,750	71,800	14,724	11,419	15,076	13,544	74,750	74,800	15,564	12,169	15,916	14,294
68,800	68,850	13,944	10,681	14,250	12,806	71,800	71,850	14,738	11,431	15,090	13,556	74,800	74,850	15,578	12,181	15,930	14,306
68,850	68,900	13,956	10,694	14,264	12,819	71,850	71,900	14,752	11,444	15,104	13,569	74,850	74,900	15,592	12,194	15,944	14,319
68,900	68,950	13,969	10,706	14,278	12,831	71,900	71,950	14,766	11,456	15,118	13,581	74,900	74,950	15,606	12,206	15,958	14,331
68,950	69,000	13,981	10,719	14,292	12,844	71,950	72,000	14,780	11,469	15,132	13,594	74,950	75,000	15,620	12,219	15,972	14,344
69,000						72,000						75,000					
69,000	69,050	13,994	10,731	14,306	12,856	72,000	72,050	14,794	11,481	15,146	13,606	75,000	75,050	15,634	12,231	15,986	14,356
69,050	69,100	14,006	10,744	14,320	12,869	72,050	72,100	14,808	11,494	15,160	13,619	75,050	75,100	15,648	12,244	16,000	14,369
69,100	69,150	14,019	10,756	14,334	12,881	72,100	72,150	14,822	11,506	15,174	13,631	75,100	75,150	15,662	12,256	16,014	14,381
69,150	69,200	14,031	10,769	14,348	12,894	72,150	72,200	14,836	11,519	15,188	13,644	75,150	75,200	15,676	12,269	16,028	14,394
69,200	69,250	14,044	10,781	14,362	12,906	72,200	72,250	14,850	11,531	15,202	13,656	75,200	75,250	15,690	12,281	16,042	14,406
69,250	69,300	14,056	10,794	14,376	12,919	72,250	72,300	14,864	11,544	15,216	13,669	75,250	75,300	15,704	12,294	16,056	14,419
69,300	69,350	14,069	10,806	14,390	12,931	72,300	72,350	14,878	11,556	15,230	13,681	75,300	75,350	15,718	12,306	16,070	14,431
69,350	69,400	14,081	10,819	14,404	12,944	72,350	72,400	14,892	11,569	15,244	13,694	75,350	75,400	15,732	12,319	16,084	14,444
69,400	69,450	14,094	10,831	14,418	12,956	72,400	72,450	14,906	11,581	15,258	13,706	75,400	75,450	15,746	12,331	16,098	14,456
69,450	69,500	14,106	10,844	14,432	12,969	72,450	72,500	14,920	11,594	15,272	13,719	75,450	75,500	15,760	12,344	16,112	14,469
69,500	69,550	14,119	10,856	14,446	12,981	72,500	72,550	14,934	11,606	15,286	13,731	75,500	75,550	15,774	12,356	16,126	14,481
69,550	69,600	14,131	10,869	14,460	12,994	72,550	72,600	14,948	11,619	15,300	13,744	75,550	75,600	15,788	12,369	16,140	14,494
69,600	69,650	14,144	10,881	14,474	13,006	72,600	72,650	14,962	11,631	15,314	13,756	75,600	75,650	15,802	12,381	16,154	14,506
69,650	69,700	14,156	10,894	14,488	13,019	72,650	72,700	14,976	11,644	15,328	13,769	75,650	75,700	15,816	12,394	16,168	14,519
69,700	69,750	14,169	10,906	14,502	13,031	72,700	72,750	14,990	11,656	15,342	13,781	75,700	75,750	15,830	12,406	16,182	14,531
69,750	69,800	14,181	10,919	14,516	13,044	72,750	72,800	15,004	11,669	15,356	13,794	75,750	75,800	15,844	12,419	16,196	14,544
69,800	69,850	14,194	10,931	14,530	13,056	72,800	72,850	15,018	11,681	15,370	13,806	75,800	75,850	15,858	12,431	16,210	14,556
69,850	69,900	14,206	10,944	14,544	13,069	72,850	72,900	15,032	11,694	15,384	13,819	75,850	75,900	15,872	12,444	16,224	14,569
69,900	69,950	14,219	10,956	14,558	13,081	72,900	72,950	15,046	11,706	15,398	13,831	75,900	75,950	15,886	12,456	16,238	14,581
69,950	70,000	14,231	10,969	14,572	13,094	72,950	73,000	15,060	11,719	15,412	13,844	75,950	76,000	15,900	12,469	16,252	14,594
70,000						73,000						76,000					
70,000	70,050	14,244	10,981	14,586	13,106	73,000	73,050	15,074	11,731	15,426	13,856	76,000	76,050	15,914	12,481	16,266	14,606
70,050	70,100	14,256	10,994	14,600	13,119	73,050	73,100	15,088	11,744	15,440	13,869	76,050	76,100	15,928	12,494	16,280	14,619
70,100	70,150	14,269	11,006	14,614	13,131	73,100	73,150	15,102	11,756	15,454	13,881	76,100	76,150	15,942	12,506	16,294	14,631
70,150	70,200	14,281	11,019	14,628	13,144	73,150	73,200	15,116	11,769	15,468	13,894	76,150	76,200	15,956	12,519	16,308	14,644
70,200	70,250	14,294	11,031	14,642	13,156	73,200	73,250	15,130	11,781	15,482	13,906	76,200	76,250	15,970	12,531	16,322	14,656
70,250	70,300	14,306	11,044	14,656	13,169	73,250	73,300	15,144	11,794	15,496	13,919	76,250	76,300	15,984	12,544	16,336	14,669
70,300	70,350	14,319	11,056	14,670	13,181	73,300	73,350	15,158	11,806	15,510	13,931	76,300	76,350	15,998	12,556	16,350	14,681
70,350	70,400	14,332	11,069	14,684	13,194	73,350	73,400	15,172	11,819	15,524	13,944	76,350	76,400	16,012	12,569	16,364	14,694
70,400	70,450	14,346	11,081	14,698	13,206	73,400	73,450	15,186	11,831	15,538	13,956	76,400	76,450	16,026	12,581	16,378	14,706
70,450	70,500	14,360	11,094	14,712	13,219	73,450	73,500	15,200	11,844	15,552	13,969	76,450	76,500	16,040	12,594	16,392	14,719
70,500	70,550	14,374	11,106	14,726	13,231	73,500	73,550	15,214	11,856	15,566	13,981	76,500	76,550	16,054	12,606	16,406	14,731
70,550	70,600	14,388	11,119	14,740	13,244	73,550	73,600	15,228	11,869	15,580	13,994	76,550	76,600	16,068	12,619	16,420	14,744
70,600	70,650	14,402	11,131	14,754	13,256	73,600	73,650	15,242	11,881	15,594	14,006	76,600	76,650	16,082	12,631	16,434	14,756
70,650	70,700	14,416	11,144	14,768	13,269	73,650	73,700	15,256	11,894	15,608	14,019	76,650	76,700	16,096	12,644	16,448	14,769
70,700	70,750	14,430	11,156	14,782	13,281	73,700	73,750	15,270	11,906	15,622	14,031	76,700	76,750	16,110	12,656	16,462	14,781
70,750	70,800	14,444	11,169	14,796	13,294	73,750	73,800	15,284	11,919	15,636	14,044	76,750	76,800	16,124	12,669	16,476	14,794
70,800	70,850	14,458</															

If line 42 (taxable income) is—		And you are—				If line 42 (taxable income) is—		And you are—				If line 42 (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	16,194	12,731	16,546	14,856	80,000	80,050	17,034	13,481	17,386	15,606	83,000	83,050	17,874	14,231	18,226	16,356
77,050	77,100	16,208	12,744	16,560	14,869	80,050	80,100	17,048	13,494	17,400	15,619	83,050	83,100	17,888	14,244	18,240	16,369
77,100	77,150	16,222	12,756	16,574	14,881	80,100	80,150	17,062	13,506	17,414	15,631	83,100	83,150	17,902	14,256	18,254	16,381
77,150	77,200	16,236	12,769	16,588	14,894	80,150	80,200	17,076	13,519	17,428	15,644	83,150	83,200	17,916	14,269	18,268	16,394
77,200	77,250	16,250	12,781	16,602	14,906	80,200	80,250	17,090	13,531	17,442	15,656	83,200	83,250	17,930	14,281	18,282	16,406
77,250	77,300	16,264	12,794	16,616	14,919	80,250	80,300	17,104	13,544	17,456	15,669	83,250	83,300	17,944	14,294	18,296	16,419
77,300	77,350	16,278	12,806	16,630	14,931	80,300	80,350	17,118	13,556	17,470	15,681	83,300	83,350	17,958	14,306	18,310	16,431
77,350	77,400	16,292	12,819	16,644	14,944	80,350	80,400	17,132	13,569	17,484	15,694	83,350	83,400	17,972	14,319	18,324	16,444
77,400	77,450	16,306	12,831	16,658	14,956	80,400	80,450	17,146	13,581	17,498	15,706	83,400	83,450	17,986	14,331	18,338	16,456
77,450	77,500	16,320	12,844	16,672	14,969	80,450	80,500	17,160	13,594	17,512	15,719	83,450	83,500	18,000	14,344	18,352	16,469
77,500	77,550	16,334	12,856	16,686	14,981	80,500	80,550	17,174	13,606	17,526	15,731	83,500	83,550	18,014	14,356	18,366	16,481
77,550	77,600	16,348	12,869	16,700	14,994	80,550	80,600	17,188	13,619	17,540	15,744	83,550	83,600	18,028	14,369	18,380	16,494
77,600	77,650	16,362	12,881	16,714	15,006	80,600	80,650	17,202	13,631	17,554	15,756	83,600	83,650	18,042	14,381	18,394	16,506
77,650	77,700	16,376	12,894	16,728	15,019	80,650	80,700	17,216	13,644	17,568	15,769	83,650	83,700	18,056	14,394	18,408	16,519
77,700	77,750	16,390	12,906	16,742	15,031	80,700	80,750	17,230	13,656	17,582	15,781	83,700	83,750	18,070	14,406	18,422	16,531
77,750	77,800	16,404	12,919	16,756	15,044	80,750	80,800	17,244	13,669	17,596	15,794	83,750	83,800	18,084	14,419	18,436	16,544
77,800	77,850	16,418	12,931	16,770	15,056	80,800	80,850	17,258	13,681	17,610	15,806	83,800	83,850	18,098	14,431	18,450	16,556
77,850	77,900	16,432	12,944	16,784	15,069	80,850	80,900	17,272	13,694	17,624	15,819	83,850	83,900	18,112	14,444	18,464	16,569
77,900	77,950	16,446	12,956	16,798	15,081	80,900	80,950	17,286	13,706	17,638	15,831	83,900	83,950	18,126	14,456	18,478	16,581
77,950	78,000	16,460	12,969	16,812	15,094	80,950	81,000	17,300	13,719	17,652	15,844	83,950	84,000	18,140	14,469	18,492	16,594
78,000						81,000						84,000					
78,000	78,050	16,474	12,981	16,826	15,106	81,000	81,050	17,314	13,731	17,666	15,856	84,000	84,050	18,154	14,481	18,506	16,606
78,050	78,100	16,488	12,994	16,840	15,119	81,050	81,100	17,328	13,744	17,680	15,869	84,050	84,100	18,168	14,494	18,520	16,619
78,100	78,150	16,502	13,006	16,854	15,131	81,100	81,150	17,342	13,756	17,694	15,881	84,100	84,150	18,182	14,506	18,534	16,631
78,150	78,200	16,516	13,019	16,868	15,144	81,150	81,200	17,356	13,769	17,708	15,894	84,150	84,200	18,196	14,519	18,548	16,644
78,200	78,250	16,530	13,031	16,882	15,156	81,200	81,250	17,370	13,781	17,722	15,906	84,200	84,250	18,210	14,531	18,562	16,656
78,250	78,300	16,544	13,044	16,896	15,169	81,250	81,300	17,384	13,794	17,736	15,919	84,250	84,300	18,224	14,544	18,576	16,669
78,300	78,350	16,558	13,056	16,910	15,181	81,300	81,350	17,398	13,806	17,750	15,931	84,300	84,350	18,238	14,556	18,590	16,681
78,350	78,400	16,572	13,069	16,924	15,194	81,350	81,400	17,412	13,819	17,764	15,944	84,350	84,400	18,252	14,569	18,604	16,694
78,400	78,450	16,586	13,081	16,938	15,206	81,400	81,450	17,426	13,831	17,778	15,956	84,400	84,450	18,266	14,581	18,618	16,706
78,450	78,500	16,600	13,094	16,952	15,219	81,450	81,500	17,440	13,844	17,792	15,969	84,450	84,500	18,280	14,594	18,632	16,719
78,500	78,550	16,614	13,106	16,966	15,231	81,500	81,550	17,454	13,856	17,806	15,981	84,500	84,550	18,294	14,606	18,646	16,731
78,550	78,600	16,628	13,119	16,980	15,244	81,550	81,600	17,468	13,869	17,820	15,994	84,550	84,600	18,308	14,619	18,660	16,744
78,600	78,650	16,642	13,131	16,994	15,256	81,600	81,650	17,482	13,881	17,834	16,006	84,600	84,650	18,322	14,631	18,674	16,756
78,650	78,700	16,656	13,144	17,008	15,269	81,650	81,700	17,496	13,894	17,848	16,019	84,650	84,700	18,336	14,644	18,688	16,769
78,700	78,750	16,670	13,156	17,022	15,281	81,700	81,750	17,510	13,906	17,862	16,031	84,700	84,750	18,350	14,656	18,702	16,781
78,750	78,800	16,684	13,169	17,036	15,294	81,750	81,800	17,524	13,919	17,876	16,044	84,750	84,800	18,364	14,669	18,716	16,794
78,800	78,850	16,698	13,181	17,050	15,306	81,800	81,850	17,538	13,931	17,890	16,056	84,800	84,850	18,378	14,681	18,730	16,806
78,850	78,900	16,712	13,194	17,064	15,319	81,850	81,900	17,552	13,944	17,904	16,069	84,850	84,900	18,392	14,694	18,744	16,819
78,900	78,950	16,726	13,206	17,078	15,331	81,900	81,950	17,566	13,956	17,918	16,081	84,900	84,950	18,406	14,706	18,758	16,831
78,950	79,000	16,740	13,219	17,092	15,344	81,950	82,000	17,580	13,969	17,932	16,094	84,950	85,000	18,420	14,719	18,772	16,844
79,000						82,000						85,000					
79,000	79,050	16,754	13,231	17,106	15,356	82,000	82,050	17,594	13,981	17,946	16,106	85,000	85,050	18,434	14,731	18,786	16,856
79,050	79,100	16,768	13,244	17,120	15,369	82,050	82,100	17,608	13,994	17,960	16,119	85,050	85,100	18,448	14,744	18,800	16,869
79,100	79,150	16,782	13,256	17,134	15,381	82,100	82,150	17,622	14,006	17,974	16,131	85,100	85,150	18,462	14,756	18,814	16,881
79,150	79,200	16,796	13,269	17,148	15,394	82,150	82,200	17,636	14,019	17,988	16,144	85,150	85,200	18,476	14,769	18,828	16,894
79,200	79,250	16,810	13,281	17,162	15,406	82,200	82,250	17,650	14,031	18,002	16,156	85,200	85,250	18,490	14,781	18,842	16,906
79,250	79,300	16,824	13,294	17,176	15,419	82,250	82,300	17,664	14,044	18,016	16,169	85,250	85,300	18,504	14,794	18,856	16,919
79,300	79,350	16,838	13,306	17,190	15,431	82,300	82,350	17,678	14,056	18,030	16,181	85,300	85,350	18,518	14,806	18,870	16,931
79,350	79,400	16,852	13,319	17,204	15,444	82,350	82,400	17,692	14,069	18,044	16,194	85,350	85,400	18,532	14,819	18,884	16,944
79,400	79,450	16,866	13,331	17,218	15,456	82,400	82,450	17,706	14,081	18,058	16,206	85,400	85,450	18,546	14,831	18,898	16,956
79,450	79,500	16,880	13,344	17,232	15,469	82,450	82,500	17,720	14,094	18,072	16,219	85,450	85,500	18,560	14,844	18,912	16,969
79,500	79,550	16,894	13,356	17,246	15,481	82,500	82,550	17,734	14,106	18,086	16,231	85,500	85,550	18,574	14,856	18,926	16,981
79,550	79,600	16,908	13,369	17,260	15,494	82,550	82,600	17,748	14,119	18,100	16,244	85,550	85,600	18,588	14,869	18,940	16,994
79,600	79,650	16,922	13,381	17,274	15,506	82,600	82,650	17,762	14,131	18,114	16,256	85,600	85,650	18,602	14,881	18,954	17,006
79,650	79,700	16,936	13,394	17,288	15,519	82,650	82,700	17,776	14,144	18,128	16,269	85,650	85,700	18,616	14,894	18,968	17,019
79,700	79,750	16,950	13,406	17,302	15,531	82,700	82,750	17,790	14,156	18,142	16,281	85,700	85,750	18,630	14,906	18,982	17,031
79,750	79,800	16,964	13,419	17,316	15,544	82,750	82,800	17,804	14,169	18,156	16,294	85,750	85,800	18,644	14,919	18,996	17,044
79,800	79,850	16,978															

2004 Tax Table—Continued

If line 42 (taxable income) is—		And you are—				If line 42 (taxable income) is—		And you are—				If line 42 (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	18,714	14,981	19,066	17,106	89,000	89,050	19,554	15,731	19,906	17,856	92,000	92,050	20,394	16,481	20,881	18,606
86,050	86,100	18,728	14,994	19,080	17,119	89,050	89,100	19,568	15,744	19,920	17,869	92,050	92,100	20,408	16,494	20,897	18,619
86,100	86,150	18,742	15,006	19,094	17,131	89,100	89,150	19,582	15,756	19,934	17,881	92,100	92,150	20,422	16,506	20,914	18,631
86,150	86,200	18,756	15,019	19,108	17,144	89,150	89,200	19,596	15,769	19,948	17,894	92,150	92,200	20,436	16,519	20,930	18,644
86,200	86,250	18,770	15,031	19,122	17,156	89,200	89,250	19,610	15,781	19,962	17,906	92,200	92,250	20,450	16,531	20,947	18,656
86,250	86,300	18,784	15,044	19,136	17,169	89,250	89,300	19,624	15,794	19,976	17,919	92,250	92,300	20,464	16,544	20,963	18,669
86,300	86,350	18,798	15,056	19,150	17,181	89,300	89,350	19,638	15,806	19,990	17,931	92,300	92,350	20,478	16,556	20,980	18,681
86,350	86,400	18,812	15,069	19,164	17,194	89,350	89,400	19,652	15,819	20,006	17,944	92,350	92,400	20,492	16,569	20,996	18,694
86,400	86,450	18,826	15,081	19,178	17,206	89,400	89,450	19,666	15,831	20,023	17,956	92,400	92,450	20,506	16,581	21,013	18,706
86,450	86,500	18,840	15,094	19,192	17,219	89,450	89,500	19,680	15,844	20,039	17,969	92,450	92,500	20,520	16,594	21,029	18,719
86,500	86,550	18,854	15,106	19,206	17,231	89,500	89,550	19,694	15,856	20,056	17,981	92,500	92,550	20,534	16,606	21,046	18,731
86,550	86,600	18,868	15,119	19,220	17,244	89,550	89,600	19,708	15,869	20,072	17,994	92,550	92,600	20,548	16,619	21,062	18,744
86,600	86,650	18,882	15,131	19,234	17,256	89,600	89,650	19,722	15,881	20,089	18,006	92,600	92,650	20,562	16,631	21,079	18,756
86,650	86,700	18,896	15,144	19,248	17,269	89,650	89,700	19,736	15,894	20,105	18,019	92,650	92,700	20,576	16,644	21,095	18,769
86,700	86,750	18,910	15,156	19,262	17,281	89,700	89,750	19,750	15,906	20,122	18,031	92,700	92,750	20,590	16,656	21,112	18,781
86,750	86,800	18,924	15,169	19,276	17,294	89,750	89,800	19,764	15,919	20,138	18,044	92,750	92,800	20,604	16,669	21,128	18,794
86,800	86,850	18,938	15,181	19,290	17,306	89,800	89,850	19,778	15,931	20,155	18,056	92,800	92,850	20,618	16,681	21,145	18,806
86,850	86,900	18,952	15,194	19,304	17,319	89,850	89,900	19,792	15,944	20,171	18,069	92,850	92,900	20,632	16,694	21,161	18,819
86,900	86,950	18,966	15,206	19,318	17,331	89,900	89,950	19,806	15,956	20,188	18,081	92,900	92,950	20,646	16,706	21,178	18,831
86,950	87,000	18,980	15,219	19,332	17,344	89,950	90,000	19,820	15,969	20,204	18,094	92,950	93,000	20,660	16,719	21,194	18,844
87,000						90,000						93,000					
87,000	87,050	18,994	15,231	19,346	17,356	90,000	90,050	19,834	15,981	20,221	18,106	93,000	93,050	20,674	16,731	21,211	18,856
87,050	87,100	19,008	15,244	19,360	17,369	90,050	90,100	19,848	15,994	20,237	18,119	93,050	93,100	20,688	16,744	21,227	18,869
87,100	87,150	19,022	15,256	19,374	17,381	90,100	90,150	19,862	16,006	20,254	18,131	93,100	93,150	20,702	16,756	21,244	18,881
87,150	87,200	19,036	15,269	19,388	17,394	90,150	90,200	19,876	16,019	20,270	18,144	93,150	93,200	20,716	16,769	21,260	18,894
87,200	87,250	19,050	15,281	19,402	17,406	90,200	90,250	19,890	16,031	20,287	18,156	93,200	93,250	20,730	16,781	21,277	18,906
87,250	87,300	19,064	15,294	19,416	17,419	90,250	90,300	19,904	16,044	20,303	18,169	93,250	93,300	20,744	16,794	21,293	18,919
87,300	87,350	19,078	15,306	19,430	17,431	90,300	90,350	19,918	16,056	20,320	18,181	93,300	93,350	20,758	16,806	21,310	18,931
87,350	87,400	19,092	15,319	19,444	17,444	90,350	90,400	19,932	16,069	20,336	18,194	93,350	93,400	20,772	16,819	21,326	18,944
87,400	87,450	19,106	15,331	19,458	17,456	90,400	90,450	19,946	16,081	20,353	18,206	93,400	93,450	20,786	16,831	21,343	18,956
87,450	87,500	19,120	15,344	19,472	17,469	90,450	90,500	19,960	16,094	20,369	18,219	93,450	93,500	20,800	16,844	21,359	18,969
87,500	87,550	19,134	15,356	19,486	17,481	90,500	90,550	19,974	16,106	20,386	18,231	93,500	93,550	20,814	16,856	21,376	18,981
87,550	87,600	19,148	15,369	19,500	17,494	90,550	90,600	19,988	16,119	20,402	18,244	93,550	93,600	20,828	16,869	21,392	18,994
87,600	87,650	19,162	15,381	19,514	17,506	90,600	90,650	20,002	16,131	20,419	18,256	93,600	93,650	20,842	16,881	21,409	19,006
87,650	87,700	19,176	15,394	19,528	17,519	90,650	90,700	20,016	16,144	20,435	18,269	93,650	93,700	20,856	16,894	21,425	19,019
87,700	87,750	19,190	15,406	19,542	17,531	90,700	90,750	20,030	16,156	20,452	18,281	93,700	93,750	20,870	16,906	21,442	19,031
87,750	87,800	19,204	15,419	19,556	17,544	90,750	90,800	20,044	16,169	20,468	18,294	93,750	93,800	20,884	16,919	21,458	19,044
87,800	87,850	19,218	15,431	19,570	17,556	90,800	90,850	20,058	16,181	20,485	18,306	93,800	93,850	20,898	16,931	21,475	19,056
87,850	87,900	19,232	15,444	19,584	17,569	90,850	90,900	20,072	16,194	20,501	18,319	93,850	93,900	20,912	16,944	21,491	19,069
87,900	87,950	19,246	15,456	19,598	17,581	90,900	90,950	20,086	16,206	20,518	18,331	93,900	93,950	20,926	16,956	21,508	19,081
87,950	88,000	19,260	15,469	19,612	17,594	90,950	91,000	20,100	16,219	20,534	18,344	93,950	94,000	20,940	16,969	21,524	19,094
88,000						91,000						94,000					
88,000	88,050	19,274	15,481	19,626	17,606	91,000	91,050	20,114	16,231	20,551	18,356	94,000	94,050	20,954	16,981	21,541	19,106
88,050	88,100	19,288	15,494	19,640	17,619	91,050	91,100	20,128	16,244	20,567	18,369	94,050	94,100	20,968	16,994	21,557	19,119
88,100	88,150	19,302	15,506	19,654	17,631	91,100	91,150	20,142	16,256	20,584	18,381	94,100	94,150	20,982	17,006	21,574	19,131
88,150	88,200	19,316	15,519	19,668	17,644	91,150	91,200	20,156	16,269	20,600	18,394	94,150	94,200	20,996	17,019	21,590	19,144
88,200	88,250	19,330	15,531	19,682	17,656	91,200	91,250	20,170	16,281	20,617	18,406	94,200	94,250	21,010	17,031	21,607	19,156
88,250	88,300	19,344	15,544	19,696	17,669	91,250	91,300	20,184	16,294	20,633	18,419	94,250	94,300	21,024	17,044	21,623	19,169
88,300	88,350	19,358	15,556	19,710	17,681	91,300	91,350	20,198	16,306	20,650	18,431	94,300	94,350	21,038	17,056	21,640	19,181
88,350	88,400	19,372	15,569	19,724	17,694	91,350	91,400	20,212	16,319	20,666	18,444	94,350	94,400	21,052	17,069	21,656	19,194
88,400	88,450	19,386	15,581	19,738	17,706	91,400	91,450	20,226	16,331	20,683	18,456	94,400	94,450	21,066	17,081	21,673	19,206
88,450	88,500	19,400	15,594	19,752	17,719	91,450	91,500	20,240	16,344	20,699	18,469	94,450	94,500	21,080	17,094	21,689	19,219
88,500	88,550	19,414	15,606	19,766	17,731	91,500	91,550	20,254	16,356	20,716	18,481	94,500	94,550	21,094	17,106	21,706	19,231
88,550	88,600	19,428	15,619	19,780	17,744	91,550	91,600	20,268	16,369	20,732	18,494	94,550	94,600	21,108	17,119	21,722	19,244
88,600	88,650	19,442	15,631	19,794	17,756	91,600	91,650	20,282	16,381	20,749	18,506	94,600	94,650	21,122	17,131	21,739	19,256
88,650	88,700	19,456	15,644	19,808	17,769	91,650	91,700	20,296	16,394	20,765	18,519	94,650	94,700	21,136	17,144	21,755	19,269
88,700	88,750	19,470	15,656	19,822	17,781	91,700	91,750	20,310	16,406	20,782	18,531	94,700	94,750	21,150	17,156	21,772	19,281
88,750	88,800	19,484	15,669	19,836	17,794	91,750	91,800	20,324	16,419	20,798	18,544	94,750	94,800	21,164	17,169	21,788	19,294

2004 Tax Table—Continued

If line 42 (taxable income) is—		And you are—				If line 42 (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	21,234	17,231	21,871	19,356	98,000	98,050	22,074	17,981	22,861	20,106
95,050	95,100	21,248	17,244	21,887	19,369	98,050	98,100	22,088	17,994	22,877	20,119
95,100	95,150	21,262	17,256	21,904	19,381	98,100	98,150	22,102	18,006	22,894	20,131
95,150	95,200	21,276	17,269	21,920	19,394	98,150	98,200	22,116	18,019	22,910	20,144
95,200	95,250	21,290	17,281	21,937	19,406	98,200	98,250	22,130	18,031	22,927	20,156
95,250	95,300	21,304	17,294	21,953	19,419	98,250	98,300	22,144	18,044	22,943	20,169
95,300	95,350	21,318	17,306	21,970	19,431	98,300	98,350	22,158	18,056	22,960	20,181
95,350	95,400	21,332	17,319	21,986	19,444	98,350	98,400	22,172	18,069	22,976	20,194
95,400	95,450	21,346	17,331	22,003	19,456	98,400	98,450	22,186	18,081	22,993	20,206
95,450	95,500	21,360	17,344	22,019	19,469	98,450	98,500	22,200	18,094	23,009	20,219
95,500	95,550	21,374	17,356	22,036	19,481	98,500	98,550	22,214	18,106	23,026	20,231
95,550	95,600	21,388	17,369	22,052	19,494	98,550	98,600	22,228	18,119	23,042	20,244
95,600	95,650	21,402	17,381	22,069	19,506	98,600	98,650	22,242	18,131	23,059	20,256
95,650	95,700	21,416	17,394	22,085	19,519	98,650	98,700	22,256	18,144	23,075	20,269
95,700	95,750	21,430	17,406	22,102	19,531	98,700	98,750	22,270	18,156	23,092	20,281
95,750	95,800	21,444	17,419	22,118	19,544	98,750	98,800	22,284	18,169	23,108	20,294
95,800	95,850	21,458	17,431	22,135	19,556	98,800	98,850	22,298	18,181	23,125	20,306
95,850	95,900	21,472	17,444	22,151	19,569	98,850	98,900	22,312	18,194	23,141	20,319
95,900	95,950	21,486	17,456	22,168	19,581	98,900	98,950	22,326	18,206	23,158	20,331
95,950	96,000	21,500	17,469	22,184	19,594	98,950	99,000	22,340	18,219	23,174	20,344
96,000						99,000					
96,000	96,050	21,514	17,481	22,201	19,606	99,000	99,050	22,354	18,231	23,191	20,356
96,050	96,100	21,528	17,494	22,217	19,619	99,050	99,100	22,368	18,244	23,207	20,369
96,100	96,150	21,542	17,506	22,234	19,631	99,100	99,150	22,382	18,256	23,224	20,381
96,150	96,200	21,556	17,519	22,250	19,644	99,150	99,200	22,396	18,269	23,240	20,394
96,200	96,250	21,570	17,531	22,267	19,656	99,200	99,250	22,410	18,281	23,257	20,406
96,250	96,300	21,584	17,544	22,283	19,669	99,250	99,300	22,424	18,294	23,273	20,419
96,300	96,350	21,598	17,556	22,300	19,681	99,300	99,350	22,438	18,306	23,290	20,431
96,350	96,400	21,612	17,569	22,316	19,694	99,350	99,400	22,452	18,319	23,306	20,444
96,400	96,450	21,626	17,581	22,333	19,706	99,400	99,450	22,466	18,331	23,323	20,456
96,450	96,500	21,640	17,594	22,349	19,719	99,450	99,500	22,480	18,344	23,339	20,469
96,500	96,550	21,654	17,606	22,366	19,731	99,500	99,550	22,494	18,356	23,356	20,481
96,550	96,600	21,668	17,619	22,382	19,744	99,550	99,600	22,508	18,369	23,372	20,494
96,600	96,650	21,682	17,631	22,399	19,756	99,600	99,650	22,522	18,381	23,389	20,506
96,650	96,700	21,696	17,644	22,415	19,769	99,650	99,700	22,536	18,394	23,405	20,519
96,700	96,750	21,710	17,656	22,432	19,781	99,700	99,750	22,550	18,406	23,422	20,531
96,750	96,800	21,724	17,669	22,448	19,794	99,750	99,800	22,564	18,419	23,438	20,544
96,800	96,850	21,738	17,681	22,465	19,806	99,800	99,850	22,578	18,431	23,455	20,556
96,850	96,900	21,752	17,694	22,481	19,819	99,850	99,900	22,592	18,444	23,471	20,569
96,900	96,950	21,766	17,706	22,498	19,831	99,900	99,950	22,606	18,456	23,488	20,581
96,950	97,000	21,780	17,719	22,514	19,844	99,950	100,000	22,620	18,469	23,504	20,594
97,000						<div style="border: 1px solid black; border-radius: 50%; padding: 20px; width: fit-content; margin: 0 auto;"> <p>\$100,000 or over — use the Tax Computation Worksheet on page 72</p> </div>					
97,000	97,050	21,794	17,731	22,531	19,856						
97,050	97,100	21,808	17,744	22,547	19,869						
97,100	97,150	21,822	17,756	22,564	19,881						
97,150	97,200	21,836	17,769	22,580	19,894						
97,200	97,250	21,850	17,781	22,597	19,906						
97,250	97,300	21,864	17,794	22,613	19,919						
97,300	97,350	21,878	17,806	22,630	19,931						
97,350	97,400	21,892	17,819	22,646	19,944						
97,400	97,450	21,906	17,831	22,663	19,956						
97,450	97,500	21,920	17,844	22,679	19,969						
97,500	97,550	21,934	17,856	22,696	19,981						
97,550	97,600	21,948	17,869	22,712	19,994						
97,600	97,650	21,962	17,881	22,729	20,006						
97,650	97,700	21,976	17,894	22,745	20,019						
97,700	97,750	21,990	17,906	22,762	20,031						
97,750	97,800	22,004	17,919	22,778	20,044						
97,800	97,850	22,018	17,931	22,795	20,056						
97,850	97,900	22,032	17,944	22,811	20,069						
97,900	97,950	22,046	17,956	22,828	20,081						
97,950	98,000	22,060	17,969	22,844	20,094						

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

2004 Tax Computation Worksheet—Line 43



See the instructions for line 43 that begin on page 33 to see if you must use the worksheet below to figure your tax.

Section A—Use if your filing status is **Single**. Complete the row below that applies to you.

Taxable income. If line 42 is—	(a) Enter the amount from line 42	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 43
At least \$100,000 but not over \$146,750	\$	× 28% (.28)	\$	\$ 5,373.00	\$
Over \$146,750 but not over \$319,100	\$	× 33% (.33)	\$	\$ 12,710.50	\$
Over \$319,100	\$	× 35% (.35)	\$	\$ 19,092.50	\$

Section B—Use if your filing status is **Married filing jointly** or **qualifying widow(er)**. Complete the row below that applies to you.

Taxable income. If line 42 is—	(a) Enter the amount from line 42	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 43
At least \$100,000 but not over \$117,250	\$	× 25% (.25)	\$	\$ 6,525.00	\$
Over \$117,250 but not over \$178,650	\$	× 28% (.28)	\$	\$ 10,042.50	\$
Over \$178,650 but not over \$319,100	\$	× 33% (.33)	\$	\$ 18,975.00	\$
Over \$319,100	\$	× 35% (.35)	\$	\$ 25,357.00	\$

Section C—Use if your filing status is **Married filing separately**. Complete the row below that applies to you.

Taxable income. If line 42 is—	(a) Enter the amount from line 42	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 43
At least \$100,000 but not over \$159,550	\$	× 33% (.33)	\$	\$ 9,487.50	\$
Over \$159,550	\$	× 35% (.35)	\$	\$ 12,678.50	\$

Section D—Use if your filing status is **Head of household**. Complete the row below that applies to you.

Taxable income. If line 42 is—	(a) Enter the amount from line 42	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 43
At least \$100,000 but not over \$100,500	\$	× 25% (.25)	\$	\$ 4,400.00	\$
Over \$100,500 but not over \$162,700	\$	× 28% (.28)	\$	\$ 7,415.00	\$
Over \$162,700 but not over \$319,100	\$	× 33% (.33)	\$	\$ 15,550.00	\$
Over \$319,100	\$	× 35% (.35)	\$	\$ 21,932.00	\$

Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. 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 Internet or fax, see page 7.

How To Use the Order Blank

Circle the items you need on the order blank below. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper.

Print or type your name and address accurately in the space provided below. An accurate address 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

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Fill in your name and address.

Name		
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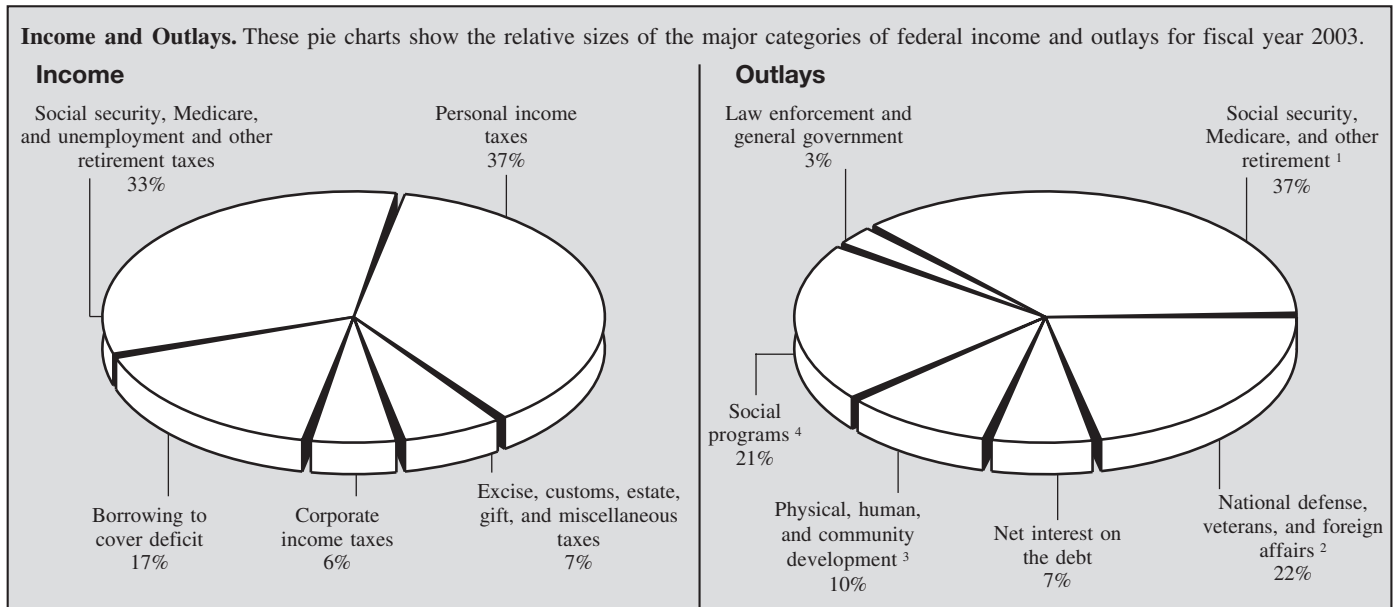
You can download all these items from the Internet at www.irs.gov or place an electronic order for them. The items in bold can be picked up at many IRS offices, post offices, and libraries.

Circle the forms and publications you need. The instructions for any form you order will be included.

1040	Schedule F (1040)	Schedule 3 (1040A)	4506	8822	Pub. 501	Pub. 535	Pub. 970
Schedules A&B (1040)	Schedule H (1040)	1040EZ	4562	8829	Pub. 502	Pub. 550	Pub. 972
Schedule C (1040)	Schedule J (1040)	1040-ES (2005)	4868	8863	Pub. 505	Pub. 554	
Schedule C-EZ (1040)	Schedule R (1040)	1040-V	6251	9465	Pub. 523	Pub. 575	
Schedule D (1040)	Schedule SE (1040)	1040X	8283	Pub. 1	Pub. 525	Pub. 590	
Schedule D-1 (1040)	1040A	2106	8582	Pub. 17	Pub. 527	Pub. 596	
Schedule E (1040)	Schedule 1 (1040A)	2106-EZ	8606	Pub. 334	Pub. 529	Pub. 910	
Schedule EIC (1040A or 1040)	Schedule 2 (1040A)	2441	8812	Pub. 463	Pub. 533	Pub. 926	

N

Major Categories of Federal Income and Outlays for Fiscal Year 2003



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 2003 (which began on October 1, 2002, and ended on September 30, 2003), federal income was \$1.8 trillion and

outlays were \$2.2 trillion, leaving a deficit of \$0.4 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 18% of outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities; about 3% 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 14% of total outlays were for Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs; and the remaining outlays were 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 \$54 billion in fiscal year 2003. 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.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and the 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 eligi-

bility for and the repayment of loans. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies 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 email us at [*taxforms@irs.gov](mailto:taxforms@irs.gov). Please put "Forms Comment" on the subject line. Or you can write to Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224. 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., 58 min.	6 hr., 17 min.	34 min.	13 hr., 35 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., 51 min.	2 hr., 19 min.	41 min.	10 hr., 55 min.
Sch. C-EZ	45 min.	3 min.	35 min.	20 min.	1 hr., 43 min.
Sch. D	55 min.	2 hr., 30 min.	2 hr., 18 min.	27 min.	6 hr., 10 min.
Sch. D-1	13 min.	1 min.	11 min.	34 min.	59 min.
Sch. E	3 hr.	1 hr., 13 min.	1 hr., 27 min.	34 min.	6 hr., 14 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.	13 min.	2 hr., 16 min.	20 min.	3 hr., 8 min.
Sch. R	19 min.	16 min.	35 min.	34 min.	1 hr., 44 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.

2004 Tax Rate Schedules



The Tax Rate Schedules are shown so you can see the tax rate that applies to all levels of taxable income. Do not use them to figure your tax. Instead, see the instructions for line 43 that begin on page 33.

Schedule X—If your filing status is **Single**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$7,150	..... 10%	\$0
7,150	29,050	\$715.00 + 15%	7,150
29,050	70,350	4,000.00 + 25%	29,050
70,350	146,750	14,325.00 + 28%	70,350
146,750	319,100	35,717.00 + 33%	146,750
319,100	.....	92,592.50 + 35%	319,100

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

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$14,300	..... 10%	\$0
14,300	58,100	\$1,430.00 + 15%	14,300
58,100	117,250	8,000.00 + 25%	58,100
117,250	178,650	22,787.50 + 28%	117,250
178,650	319,100	39,979.50 + 33%	178,650
319,100	.....	86,328.00 + 35%	319,100

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

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$7,150	..... 10%	\$0
7,150	29,050	\$715.00 + 15%	7,150
29,050	58,625	4,000.00 + 25%	29,050
58,625	89,325	11,393.75 + 28%	58,625
89,325	159,550	19,989.75 + 33%	89,325
159,550	.....	43,164.00 + 35%	159,550

Schedule Z—If your filing status is **Head of household**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$10,200	..... 10%	\$0
10,200	38,900	\$1,020.00 + 15%	10,200
38,900	100,500	5,325.00 + 25%	38,900
100,500	162,700	20,725.00 + 28%	100,500
162,700	319,100	38,141.00 + 33%	162,700
319,100	.....	89,753.00 + 35%	319,100



2004 Instructions for Schedules A & B (Form 1040)

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 can 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 can 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.

What's New

You can elect to deduct state and local general sales taxes instead of state and local income taxes as an itemized deduction on Schedule A. Generally, you can use either your actual expenses or the Optional State Sales Tax Tables to figure your state and local general sales tax deduction. See the instructions for line 5 that begin on page A-2 for details.

self-employed health insurance deduction you claimed on Form 1040, line 31.

Note. If, during 2004, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2.

Medical and Dental Expenses

You can deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 37.

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



If you received a distribution from a health savings account or a medical savings account in 2004, see Pub. 969 to figure your deduction.

Examples of Medical and Dental Payments You Can Deduct

To the extent you were not reimbursed, you can 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 can deduct* on this page. Reduce the insurance premiums by any



You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form(s) W-2.

- 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 can 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 can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 14 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 can be claimed on the deceased taxpayer's final return. See Pub. 502 for details.

Limit on long-term care premiums you can deduct. The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2004, of the person for whom the premiums were paid. See the chart on page A-2 for details.

IF the person was, at the end of 2004, age . . .	THEN the most you may deduct is . . .
40 or under	\$ 260
41–50	\$ 490
51–60	\$ 980
61–70	\$ 2,600
71 or older	\$ 3,250

Examples of Medical and Dental Payments You Cannot Deduct

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



If you were age 65 or older but not entitled to social security benefits, you can 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 47.
- Illegal operations or drugs.
- Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.
- 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* on this page.



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 31, reduce the premiums by the amount on line 31.

Note. If, during 2004, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include any health coverage tax credit advance payments shown in box 1 of Form 1099-H. Also, subtract the amount shown on Form 8885, line 4 (reduced by any advance payments shown on line 6 of that form), from the total insurance premiums you paid.

Whose medical and dental expenses can you include? You can 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 \$3,100 or more of gross income or had not filed a joint return.

Example. You provided over half of your mother's support but cannot claim her as a dependent because she received wages of \$3,100 in 2004. You can include on line 1 any medical and dental expenses you paid in 2004 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 2004 for medical or dental expenses you paid in 2004, reduce your 2004 expenses by this amount. If you received a reimbursement in 2004 for prior year medical or dental expenses, do not reduce your 2004 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 Form(s) W-2. 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 Form(s) W-2.

Taxes You Paid

Taxes You Cannot 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: 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 or General Sales Taxes



You can elect to deduct state and local general sales taxes instead of state and local income taxes. You cannot deduct

both.

State and local income taxes. If you deduct state and local income taxes, check box **a** on line 5. Include on this line the state and local income taxes listed below.

- State and local income taxes withheld from your salary during 2004. Your Form(s) W-2 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 2004 for a prior year, such as taxes paid with your 2003 state or local income tax return. Do not include penalties or interest.
- State and local estimated tax payments made during 2004, including any part of a prior year refund that you chose to have credited to your 2004 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 2004, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2004. Instead, see the instructions for Form 1040, line 10.

State and local general sales taxes. If you elect to deduct state and local general sales taxes, you **must** check box **b** on line 5. To figure your deduction, you can use either of the following methods.

1. The actual state and local general sales taxes (including compensating use taxes) you paid plus any selective sales taxes if the tax rate was the same as the general sales tax rate. For selective sales taxes on food, clothing, medical supplies, and motor vehicles, the tax is deductible even if the tax rate was less than the general sales tax rate. For selective sales taxes on motor vehicles for which the tax rate was

more than the general sales tax rate, the tax is deductible only up to the amount of tax that would have been imposed at the general sales tax rate. Do not include sales taxes paid on items used in your trade or business.

2. The Optional State Sales Tax Tables, which are available in Pub. 600. If you use the Optional State Sales Tax Tables, you can add to the table amount any state and local general sales taxes you paid on motor vehicles, boats, and any other items specified in Pub. 600. The deductible amount of tax on motor vehicles cannot exceed the tax that would have been imposed at the general sales tax rate. For boats, the tax is deductible only if it was imposed at the general sales tax rate. See Pub. 600 for details. Do not include sales taxes paid on items used in your trade or business.

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 2004.

If you sold your home in 2004, 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 this page. 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 2004 of real estate taxes you paid in 2004, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2004 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 can 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 46, 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 2004 that applies to any period after 2004, you can deduct only amounts that apply for 2004.

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) below 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 2004. 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 2004. 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.



If you are claiming the mortgage interest credit (see the instructions for Form 1040, line 53), subtract the amount shown on Form 8396, line 3, 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 can deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

Refinancing. Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home.

If you used part of the proceeds to improve your main home, you may be able to deduct the part of the points related to the improvement in the year paid. See Pub. 936 for details.



If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.

Line 13

Investment Interest

Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to passive activities or to securities that generate tax-exempt income.

Complete and attach Form 4952 to figure your deduction.

Exception. You do not have to file Form 4952 if all three of the following apply.

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.

2. You have no other deductible investment expenses.

3. You have no disallowed investment interest expense from 2003.



Alaska Permanent Fund dividends, including those reported on Form 8814, are not investment income.

For more details, see Pub. 550.

Gifts to Charity

You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can 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. You can access Pub. 78 on the IRS website at www.irs.gov under *Charities and Non-Profits*.

• 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 Can Deduct

Contributions can 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 can 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 can 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 can deduct only \$30.

Gifts of \$250 or more. You can 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 can 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 37.
- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 37.

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

Contributions You Cannot 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 deduct this expense on line 20 (see page A-6), or Form 1040, line 27, or take a credit for this expense (see Form 8863).

- 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.



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—

- The amount of each separate casualty or theft loss is more than \$100, and

- The total amount of all losses during the year is more than 10% of the amount on Form 1040, line 37.

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

Use Schedule A, line 22, 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

You can deduct only the part of these expenses that exceeds 2% of the amount on Form 1040, line 37.

Pub. 529 discusses the types of expenses that can and cannot be deducted.

Examples of Expenses You Cannot Deduct

- 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 Form W-2 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 (2) above 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 8 of the Form 1040 instructions) or see Pub. 587.

- Certain educational expenses. For details, use TeleTax topic 513 (see page 8 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 27.



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 18a.

- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Other Miscellaneous Deductions

Line 27

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 27. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 27.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.

- Casualty and theft losses of income-producing property from Form 4684, lines 32 and 38b, or Form 4797, line 18a.

- 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 on page B-1 to figure the amount to enter on line 28 if the amount on Form 1040, line 37, is over \$142,700 (\$71,350 if married filing separately).

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 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 had a foreign account or you 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.



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.

so. See the instructions for lines 7a and 7b on page B-2.

Part I. Interest

Line 1

Interest

Report on line 1 all of your taxable interest. Interest should be shown on your Forms 1099-INT, Forms 1099-OID, or substitute statements. Include interest from series EE and I U.S. savings bonds. List each payer's name and show the amount.

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.

Special Rules

Seller-Financed Mortgages

If you sold your home or other property and the buyer used the property as a personal




What's New

You may have to pay a penalty of up to \$10,000 (more in some cases) if you are required to file Form TD F 90-22.1 (for foreign accounts and trusts), but do not do

Itemized Deductions Worksheet—Line 28

Keep for Your Records



1. Enter the total of the amounts from Schedule A, lines 4, 9, 14, 18, 19, 26, and 27	1.	_____
2. Enter the total of the amounts from Schedule A, lines 4, 13, and 19, plus any gambling and casualty or theft losses included on line 27.	2.	_____
 Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 27.		
3. Is the amount on line 2 less than the amount on line 1? <input type="checkbox"/> No.  Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28. <input type="checkbox"/> Yes. Subtract line 2 from line 1	3.	_____
4. Multiply line 3 by 80% (.80)	4.	_____
5. Enter the amount from Form 1040, line 37	5.	_____
6. Enter: \$142,700 (\$71,350 if married filing separately)	6.	_____
7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> No.  Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28. <input type="checkbox"/> Yes. Subtract line 6 from line 5	7.	_____
8. Multiply line 7 by 3% (.03)	8.	_____
9. Enter the smaller of line 4 or line 8	9.	_____
10. Total itemized deductions. Subtract line 9 from line 1. Enter the result here and on Schedule A, line 28	10.	_____



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 the 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 2004, 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



You may have to file Form 5471 if, in 2004, you were an officer or director of a foreign corporation. You may also have

to file Form 5471 if, in 2004, 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. This amount should be shown in box 1a of your Forms 1099-DIV or substitute statements. List each payer's name and show the amount.

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 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 the 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).



For line 7a, (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 website at www.irs.gov/pub/irs-pdf/t9022-1.pdf.

If you checked the "Yes" box on line 7a, file Form TD F 90-22.1 by June 30, 2005, with the Department of the Treasury at the address shown on that form. Do not attach it to Form 1040.



If you are required to file Form 90-22.1 but do not do so, you may have to pay a penalty of up to \$10,000 (more in some cases).

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 2004, you may have to file Form 3520.



2004 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 \$5,000 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.

What's New

- The maximum amount of business expenses you can have and qualify to file Schedule C-EZ is increased from \$2,500 to \$5,000 for 2004. For other requirements you must meet, see Schedule C-EZ.

- You can use up to four vehicles simultaneously in your business and use the standard mileage rate. For details, see the instructions for line 9 beginning on page C-3.

- For certain business start-up costs paid or incurred after October 22, 2004, you can elect to deduct up to \$5,000. This limit is reduced by the amount by which your start-up costs exceed \$50,000. Also, the amortization period for certain business start-up costs paid or incurred after October 22, 2004, has been increased to 15 years. For details, see Pub. 535.

- You can elect to deduct costs of certain qualified film and television productions that begin after October 22, 2004. For details, see Pub. 535.

- You can elect to deduct certain forestation and reforestation costs paid or incurred after October 22, 2004, instead of amortizing them over 84 months. This election does not apply to estates and trusts. Also, the dollar limitation for amortization on certain forestation and reforestation costs paid or incurred after October 22, 2004, has been eliminated. For details, see Pub. 535.

General Instructions

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 J to figure your tax by averaging your fishing 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.

- Form 4562 to claim depreciation on assets placed in service in 2004, to claim amortization that began in 2004, to make an election under section 179 to expense certain property, 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 an interest purchased or otherwise acquired in a tax shelter required to be registered with the IRS.

- 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.

Exception. If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. possession, you can treat the business either as a sole proprietorship or a partnership. The only states with community property laws are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. A change in

your reporting position will be treated as a conversion of the entity.

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 can 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 2004 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.

Reportable Transaction Disclosure Statement

Use Form 8886 to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. The following are reportable transactions.

- Any transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.

- Any transaction offered under conditions of confidentiality for which you paid an advisor a minimum fee.

- Any transaction for which you have contractual protection against disallowance of the tax benefits.

- Any transaction resulting in a loss of at least \$2 million in any single tax year or \$4 million in any combination of tax years. (At least \$50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)

- Any transaction resulting in a book-tax difference of more than \$10 million on a gross basis.

- Any transaction resulting in a tax credit of more than \$250,000, if you held the asset generating the credit for 45 days or less.

See the Instructions for Form 8886 for more details and exceptions.

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 (SSN)." 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 employer identification number (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, see the Instructions for 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 inventorable items in the same manner as materials and supplies that are not incidental. You accrued sales in 2003 for which you received payment in 2004. 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 the Instructions for Form 3115, Rev. Proc. 2004-23, 2004-16 I.R.B. 785, available at www.irs.gov/irb/2004-16_IRB/ar11.html, and Rev. Proc. 2004-57, 2004-38 I.R.B. 498, available at www.irs.gov/irb/2004-38_IRB/ar11.html.

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:

- Studying and reviewing financial statements or reports on the activity,
- Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
- 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 2004 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 dur-

ing 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 2004, 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 2003 Schedule C or C-EZ for this business.

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes 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 cannot 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 can 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(l)(2)(B) for details. If you make this election, include the interest on Form 1040, line 62. Also, enter "453(l)(3)" and the amount of the interest on the dotted line to the left of line 62.

If you use the installment method, attach a schedule to your return. Show separately for 2004 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 2004, credit for federal tax paid on gasoline or other fuels claimed on your 2003 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 2004, 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 through 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 can 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

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 four vehicles 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 2004 only if you:

- Owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service, or

- 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 9 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 37.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 9. 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.

- Schedule C, Part IV, or Schedule C-EZ, Part III, 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 Schedule C, Part IV, or Schedule C-EZ, Part III, for each additional vehicle.

- Form 4562, Part V, 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 11

Enter the total cost of contract labor for the tax year. Do not include contract labor deducted elsewhere on your return such as contract labor that you included in Part III. Also, do not include salaries and wages paid to your employees, instead see line 26.

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 produc-

tion of income. You can also elect under section 179 to expense part of the cost of certain property you bought in 2004 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 2004;

- 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 2004, 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 2004.

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. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

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 31, 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 31, 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.

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.

How to report. 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 2004 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 2004 that applies to future years, deduct only the part that applies to 2004.

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 included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 32, not on Schedule C.

Generally, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

Form 5500. File this form for a plan that is not a one-participant plan (see below).

Form 5500-EZ. File this form for a one-participant plan. A one-participant plan is a plan that only covers you (or you and your spouse).

For details, see Pub. 560.

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the inclusion amount. 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 can 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 shown on Form 8846, line 4.

- Federal highway use tax.

Do not deduct the following on this line.

- Federal income taxes, including your self-employment tax. However, you can deduct one-half of your self-employment tax on Form 1040, line 30.

- 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.

Instead of keeping records of your actual incidental expenses, you can use an optional method for deducting incidental expenses only if you did not pay or incur meal expenses on a day you were traveling away from your tax home. The amount of the deduction is \$3 a day. Incidental expenses include fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign

countries. They do not include expenses for laundry, cleaning and pressing of clothing, lodging taxes, or the costs of telegrams or telephone calls. You cannot use this method on any day that you use the standard meal allowance (as explained in the instructions for lines 24b and 24c).

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 meal expenses while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you can use the standard meal allowance for your daily meals and incidental expenses. Under this method, you deduct a specified amount, depending on where you travel, instead of keeping records of your actual meal expenses. However, you must still keep records to prove the time, place, and business purpose of your travel.

The standard meal allowance is the federal M&IE rate. You can find these rates on the Internet at www.policyworks.gov/perdiem. 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.

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 can 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 70% 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 can fully deduct meals, incidentals, and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You can also fully deduct meals, incidentals, 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.

If you provide daycare in your home, see Pub. 587 for information on deducting the cost of meals and snacks you provide to your daycare recipients.

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 amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 8844, Empowerment Zone and Renewal Community Employment Credit, line 2;
- Form 8845, Indian Employment Credit, line 4;
- Form 8861, Welfare-to-Work Credit, line 2; and

- Form 8884, New York Liberty Zone Business Employee Credit, line 2.



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 Schedule C, Question G, also see the Instructions for Form 8582. Enter the net profit or deductible loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit. See the instructions for Form 1040, lines 65a and 65b, 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 -0- 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 2004 because of the at-risk rules is treated as a deduction allocable to the business in 2005. 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 can 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. 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 2004 on

line 36. The amount you can deduct for 2004 is figured on line 42.

Additional information. For additional guidance on this method of accounting for inventoriable items, see Rev. Proc. 2001-10 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 Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.



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 2004, 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 inventoriable 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.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you cannot 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 2004, you must complete and attach Form 4562.

You can amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Qualified revitalization expenditures.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.
- Goodwill and certain other intangibles.

In general, you cannot 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 2004.

Business start-up costs. You can elect to amortize certain business start-up costs paid or incurred before October 23, 2004, over 60 months or more, beginning with the month your business began. For certain business start-up costs paid or incurred after October 22, 2004, you can elect to deduct up to \$5,000 for the year your business began. This limit is reduced by the amount by which your start-up costs exceed

\$50,000. You can elect to amortize any remaining business start-up costs over 15 years. For details, see Pub. 535. For amortization that begins in 2004, you must complete and attach Form 4562.

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 42, by the amount of the deduction. Next to line 42, enter "CCF" and the amount of the deduction. For details, see Pub. 595.

Clean-fuel vehicles and clean-fuel vehicle refueling property. You may be able to 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 2004 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 2004 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.

Film and television production expenses. You can elect to deduct costs of certain qualified film and television productions that begin after October 22, 2004. For details, see Pub. 535.

Forestation and reforestation costs. You can elect to amortize certain forestation and reforestation costs over 84 months. You can also elect to expense up to \$10,000 (\$5,000 if married filing separately) of certain forestation and reforestation costs paid or incurred after October 22, 2004, for each qualified timber property. The amortization election does not apply to trusts and the expense election does not apply to estates and trusts. For details, see Pub. 535. For amortization that begins in 2004, you must complete and attach Form 4562.

Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity (for example, 531210, the code for offices

of real estate agents and brokers) and enter it on Schedule C or C-EZ, line B.

Note. If your principal source of income is from farming activities, you should file Schedule F.

Accommodation, Food Services, & Drinking Places Accommodation 721310 Rooming & boarding houses 721210 RV (recreational vehicle) parks & recreational camps 721100 Travel accommodation (including hotels, motels, & bed & breakfast inns) Food Services & Drinking Places 722410 Drinking places (alcoholic beverages) 722110 Full-service restaurants 722210 Limited-service eating places	722300 Special food service (including food service contractors & caterers)	561410 Document preparation services	561500 Travel arrangement & reservation services
	Administrative & Support and Waste Management & Remediation Services Administrative & Support Services 561430 Business service centers (including private mail centers & copy shops) 561740 Carpet & upholstery cleaning services 561440 Collection agencies 561450 Credit bureaus	561300 Employment services 561710 Exterminating & pest control services 561210 Facilities support (management) services 561600 Investigation & security services 561720 Janitorial services 561730 Landscaping services 561110 Office administrative services 561420 Telephone call centers (including telephone answering services & telemarketing bureaus)	561490 Other business support services (including repossession services, court reporting, & stenotype services) 561790 Other services to buildings & dwellings 561900 Other support services (including packaging & labeling services, & convention & trade show organizers)

Principal Business or Professional Activity Codes (continued)

<p>Waste Management & Remediation Services 562000 Waste management & remediation services</p>	<p>238910 Site preparation contractors 238120 Structural steel & precast concrete construction contractors 238340 Tile & terrazzo contractors 238290 Other building equipment contractors 238390 Other building finishing contractors 238190 Other foundation, structure, & building exterior contractors 238990 All other specialty trade contractors</p>	<p>Hospitals 622000 Hospitals Nursing & Residential Care Facilities 623000 Nursing & residential care facilities Social Assistance 624410 Child day care services 624200 Community food & housing, & emergency & other relief services 624100 Individual & family services 624310 Vocational rehabilitation services</p>	<p>325600 Soap, cleaning compound, & toilet preparation mfg. 325900 Other chemical product & preparation mfg.</p>
<p>Agriculture, Forestry, Hunting, & Fishing 112900 Animal production (including breeding of cats and dogs) 114110 Fishing 113000 Forestry & logging (including forest nurseries & timber tracts) 114210 Hunting & trapping Support Activities for Agriculture & Forestry 115210 Support activities for animal production (including farriers) 115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating) 115310 Support activities for forestry</p>	<p>Educational Services 611000 Educational services (including schools, colleges, & universities)</p>	<p>Information 511000 Publishing industries (except Internet)</p>	<p>Food Manufacturing 311110 Animal food mfg. 311800 Bakeries & tortilla mfg. 311500 Dairy product mfg. 311400 Fruit & vegetable preserving & speciality food mfg. 311200 Grain & oilseed milling 311610 Animal slaughtering & processing 311710 Seafood product preparation & packaging 311300 Sugar & confectionery product mfg. 311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)</p>
<p>Arts, Entertainment, & Recreation Amusement, Gambling, & Recreation Industries 713100 Amusement parks & arcades 713200 Gambling industries 713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)</p>	<p>Finance & Insurance Credit Intermediation & Related Activities 522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions) 522200 Nondepository credit intermediation (including sales financing & consumer lending) 522300 Activities related to credit intermediation (including loan brokers) Insurance Agents, Brokers, & Related Activities 524210 Insurance agencies & brokerages 524290 Other insurance related activities</p>	<p>Broadcasting (except Internet) & Telecommunications 515000 Broadcasting (except Internet) 517000 Telecommunications Internet Publishing & Broadcasting 516110 Internet publishing & broadcasting Internet Service Providers, Web Search Portals, & Data Processing Services 518210 Data processing, hosting, & related services 518111 Internet service providers 518112 Web search portals 519100 Other information services (including news syndicates and libraries)</p>	<p>Leather & Allied Product Manufacturing 316210 Footwear mfg. (including leather, rubber, & plastics) 316110 Leather & hide tanning & finishing 316990 Other leather & allied product mfg.</p>
<p>Museums, Historical Sites, & Similar Institutions 712100 Museums, historical sites, & similar institutions Performing Arts, Spectator Sports, & Related Industries 711410 Agents & managers for artists, athletes, entertainers, & other public figures 711510 Independent artists, writers, & performers 711100 Performing arts companies 711300 Promoters of performing arts, sports, & similar events 711210 Spectator sports (including professional sports clubs & racetrack operations)</p>	<p>Securities, Commodity Contracts, & Other Financial Investments & Related Activities 523140 Commodity contracts brokers 523130 Commodity contracts dealers 523110 Investment bankers & securities dealers 523210 Securities & commodity exchanges 523120 Securities brokers 523900 Other financial investment activities (including investment advice)</p>	<p>Internet Service Providers, Web Search Portals, & Data Processing Services 518210 Data processing, hosting, & related services 518111 Internet service providers 518112 Web search portals 519100 Other information services (including news syndicates and libraries) Motion Picture & Sound Recording 512100 Motion picture & video industries (except video rental) 512200 Sound recording industries</p>	<p>Nonmetallic Mineral Product Manufacturing 327300 Cement & concrete product mfg. 327100 Clay product & refractory mfg. 327210 Glass & glass product mfg. 327400 Lime & gypsum product mfg. 327900 Other nonmetallic mineral product mfg.</p>
<p>Construction of Buildings 236200 Nonresidential building construction 236100 Residential building construction Heavy and Civil Engineering Construction 237310 Highway, street, & bridge construction 237210 Land subdivision 237100 Utility system construction 237990 Other heavy & civil engineering construction Specialty Trade Contractors 238310 Drywall & insulation contractors 238210 Electrical contractors 238350 Finish carpentry contractors 238330 Flooring contractors 238130 Framing carpentry contractors 238150 Glass & glazing contractors 238140 Masonry contractors 238320 Painting & wall covering contractors 238220 Plumbing, heating & air-conditioning contractors 238110 Poured concrete foundation & structure contractors 238160 Roofing contractors 238170 Siding contractors</p>	<p>Health Care & Social Assistance Ambulatory Health Care Services 621610 Home health care services 621510 Medical & diagnostic laboratories 621310 Offices of chiropractors 621210 Offices of dentists 621330 Offices of mental health practitioners (except physicians) 621320 Offices of optometrists 621340 Offices of physical, occupational & speech therapists, & audiologists 621111 Offices of physicians (except mental health specialists) 621112 Offices of physicians, mental health specialists 621391 Offices of podiatrists 621399 Offices of all other miscellaneous health practitioners 621400 Outpatient care centers 621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)</p>	<p>Manufacturing 315000 Apparel mfg. 312000 Beverage & tobacco product mfg. 334000 Computer & electronic product mfg. 335000 Electrical equipment, appliance, & component mfg. 332000 Fabricated metal product mfg. 337000 Furniture & related product mfg. 333000 Machinery mfg. 339110 Medical equipment & supplies mfg. 322000 Paper mfg. 324100 Petroleum & coal products mfg. 326000 Plastics & rubber products mfg. 331000 Primary metal mfg. 323100 Printing & related support activities 313000 Textile mills 314000 Textile product mills 336000 Transportation equipment mfg. 321000 Wood product mfg. 339900 Other miscellaneous mfg.</p>	<p>Mining 212110 Coal mining 212200 Metal ore mining 212300 Nonmetallic mineral mining & quarrying 211110 Oil & gas extraction 213110 Support activities for mining</p>
		<p>Chemical Manufacturing 325100 Basic chemical mfg. 325500 Paint, coating, & adhesive mfg. 325300 Pesticide, fertilizer, & other agricultural chemical mfg. 325410 Pharmaceutical & medicine mfg. 325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.</p>	<p>Other Services Personal & Laundry Services 812111 Barber shops 812112 Beauty salons 812220 Cemeteries & crematories 812310 Coin-operated laundries & drycleaners 812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning dropoff & pickup sites) 812210 Funeral homes & funeral services 812330 Linen & uniform supply 812113 Nail salons 812930 Parking lots & garages 812910 Pet care (except veterinary) services 812920 Photofinishing 812190 Other personal care services (including diet & weight reducing centers) 812990 All other personal services Repair & Maintenance 811120 Automotive body, paint, interior, & glass repair 811110 Automotive mechanical & electrical repair & maintenance 811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)</p>

Principal Business or Professional Activity Codes (continued)

811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance	Rental & Leasing Services 532100 Automotive equipment rental & leasing 532400 Commercial & industrial machinery & equipment rental & leasing 532210 Consumer electronics & appliances rental 532220 Formal wear & costume rental 532310 General rental centers 532230 Video tape & disc rental 532290 Other consumer goods rental	446190 Other health & personal care stores Motor Vehicle & Parts Dealers 441300 Automotive parts, accessories, & tire stores 441222 Boat dealers 441221 Motorcycle dealers 441110 New car dealers 441210 Recreational vehicle dealers (including motor home & travel trailer dealers) 441120 Used car dealers 441229 All other motor vehicle dealers	488000 Support activities for transportation (including motor vehicle towing) Couriers & Messengers 492000 Couriers & messengers Warehousing & Storage Facilities 493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)
811210 Electronic & precision equipment repair & maintenance		Sporting Goods, Hobby, Book, & Music Stores 451211 Book stores 451120 Hobby, toy, & game stores 451140 Musical instrument & supplies stores 451212 News dealers & newsstands 451220 Prerecorded tape, compact disc, & record stores 451130 Sewing, needlework, & piece goods stores 451110 Sporting goods stores Miscellaneous Store Retailers 453920 Art dealers 453110 Florists 453220 Gift, novelty, & souvenir stores 453930 Manufactured (mobile) home dealers 453210 Office supplies & stationery stores 453910 Pet & pet supplies stores 453310 Used merchandise stores 453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops)	Utilities 221000 Utilities
811430 Footwear & leather goods repair		Nonstore Retailers 454112 Electronic auctions 454111 Electronic shopping 454310 Fuel dealers 454113 Mail-order houses 454210 Vending machine operators 454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	Wholesale Trade Merchant Wholesalers, Durable Goods 423600 Electrical & electronic goods 423200 Furniture & home furnishing 423700 Hardware, & plumbing & heating equipment & supplies 423940 Jewelry, watch, precious stone, & precious metals 423300 Lumber & other construction materials 423800 Machinery, equipment, & supplies 423500 Metal & mineral (except petroleum) 423100 Motor vehicle & motor vehicle parts & supplies 423400 Professional & commercial equipment & supplies 423930 Recyclable materials 423910 Sporting & recreational goods & supplies 423920 Toy & hobby goods & supplies 423990 Other miscellaneous durable goods
811410 Home & garden equipment & appliance repair & maintenance		Transportation & Warehousing 481000 Air transportation 485510 Charter bus industry 484110 General freight trucking, local 484120 General freight trucking, long distance 485210 Interurban & rural bus transportation 486000 Pipeline transportation 482110 Rail transportation 487000 Scenic & sightseeing transportation 485410 School & employee bus transportation 484200 Specialized freight trucking (including household moving vans) 485300 Taxi & limousine service 485110 Urban transit systems 483000 Water transportation 485990 Other transit & ground passenger transportation	Merchant Wholesalers, Nondurable Goods 424300 Apparel, piece goods, & notions 424800 Beer, wine, & distilled alcoholic beverage 424920 Books, periodicals, & newspapers 424600 Chemical & allied products 424210 Drugs & druggists' sundries 424500 Farm product raw materials 424910 Farm supplies 424930 Flower, nursery stock, & florists' supplies 424400 Grocery & related products 424950 Paint, varnish, & supplies 424100 Paper & paper products 424700 Petroleum & petroleum products 424940 Tobacco & tobacco products 424990 Other miscellaneous nondurable goods
811420 Reupholstery & furniture repair			Wholesale Electronic Markets and Agents & Brokers 425110 Business to business electronic markets 425120 Wholesale trade agents & brokers
811490 Other personal & household goods repair & maintenance			999999 Unclassified establishments (unable to classify)
Professional, Scientific, & Technical Services 541100 Legal services 541211 Offices of certified public accountants 541214 Payroll services 541213 Tax preparation services 541219 Other accounting services	Religious, Grantmaking, Civic, Professional, & Similar Organizations 813000 Religious, grantmaking, civic, professional, & similar organizations		
Architectural, Engineering, & Related Services 541310 Architectural services 541350 Building inspection services 541340 Drafting services 541330 Engineering services 541360 Geophysical surveying & mapping services 541320 Landscape architecture services 541370 Surveying & mapping (except geophysical) services 541380 Testing laboratories	Retail Trade Building Material & Garden Equipment & Supplies Dealers 444130 Hardware stores 444110 Home centers 444200 Lawn & garden equipment & supplies stores 444120 Paint & wallpaper stores 444190 Other building materials dealers Clothing & Accessories Stores 448130 Children's & infants' clothing stores 448150 Clothing accessories stores 448140 Family clothing stores 448310 Jewelry stores 448320 Luggage & leather goods stores 448110 Men's clothing stores 448210 Shoe stores 448120 Women's clothing stores 448190 Other clothing stores Electronic & Appliance Stores 443130 Camera & photographic supplies stores 443120 Computer & software stores 443111 Household appliance stores 443112 Radio, television, & other electronics stores Food & Beverage Stores 445310 Beer, wine, & liquor stores 445220 Fish & seafood markets 445230 Fruit & vegetable markets 445100 Grocery stores (including supermarkets & convenience stores without gas) 445210 Meat markets 445290 Other specialty food stores Furniture & Home Furnishing Stores 442110 Furniture stores 442200 Home furnishings stores Gasoline Stations 447100 Gasoline stations (including convenience stores with gas) General Merchandise Stores 452000 General merchandise stores Health & Personal Care Stores 446120 Cosmetics, beauty supplies, & perfume stores 446130 Optical goods stores 446110 Pharmacies & drug stores		
Computer Systems Design & Related Services 541510 Computer systems design & related services			
Specialized Design Services 541400 Specialized design services (including interior, industrial, graphic, & fashion design)			
Other Professional, Scientific, & Technical Services 541800 Advertising & related services 541600 Management, scientific, & technical consulting services 541910 Market research & public opinion polling 541920 Photographic services 541700 Scientific research & development services 541930 Translation & interpretation services 541940 Veterinary services 541990 All other professional, scientific, & technical services			
Real Estate & Rental & Leasing Real Estate 531100 Lessors of real estate (including miniwarehouses & self-storage units) 531210 Offices of real estate agents & brokers 531320 Offices of real estate appraisers 531310 Real estate property managers 531390 Other activities related to real estate			



2004 Instructions for Schedule D

Capital Gains and Losses

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.

General Instructions

What's New

Tax computation using maximum capital gains rates. You will now use the Qualified Dividends and Capital Gain Tax Worksheet on page 34 of the Instructions for Form 1040 to figure your tax if you have net capital gain or qualified dividends. However, if you have any 25% rate gain (unrecaptured section 1250 gain) or 28% rate gain, you will still use the Schedule D Tax Worksheet on page D-9 to figure your tax. Part IV of Schedule D has been eliminated.

Capital Loss Carryover Worksheet. Use the Capital Loss Carryover Worksheet on page D-6 to figure your capital loss carryover from 2003 to 2004. You will need a copy of your 2003 Form 1040 and Schedule D.

Gain on home acquired in a like-kind exchange. If you sold or exchanged your main home that you acquired in a like-kind exchange, you may not be able to exclude any of the gain. See *Sale of Your Home* on page D-2 for details.

Other Forms You May Have To File

Use Form 4797 to report the following.

1. The sale or exchange of:
 - a. Property used in a trade or business;
 - b. Depreciable and amortizable property;
 - c. Oil, gas, geothermal, or other mineral property; and
 - d. Section 126 property.
2. 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.
3. 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.

4. Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.

5. Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

6. 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.

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 the total capital gain distributions paid to you during the year, regardless of how long you held your in-

vestment. This amount is shown in box 2a of Form 1099-DIV.

If there is an amount in box 2b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-8 if you complete line 19 of Schedule D.

If there is an amount in box 2c, see *Exclusion of Gain on Qualified Small Business (QSB) Stock* on page D-4.

If there is an amount in box 2d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-7 if you complete line 18 of Schedule D.

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. Your exclusion amount is zero if you acquired your home in a like-kind exchange and you sold or exchanged the home after October 22, 2004, and during the 5-year period beginning on the date you acquired it. 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.

Even if you do not meet one or both of the above two tests, you still can claim an exclusion if you sold or exchanged the home because of a change in place of employment, health, or certain unforeseen circumstances. In this case, the maximum amount of gain you can exclude is reduced.

You can choose to have the 5-year test period for ownership and use in *Test 1* above suspended during any period you or your spouse serve on qualified official extended duty as a member of the uniformed services or Foreign Service of the United States. This means you may be able to meet *Test 1* even if, because of your service, you did not actually use the home as your main home for at least the required 2 years during the 5-year period ending on the date of sale.

See Pub. 523 for details, including how to report any taxable gain if:

- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, or
- Your gain exceeds your exclusion amount.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unrecaptured section 1250 gain. For details on 28% rate gain, see the instructions for line 18 on page D-7. For details on unrecaptured section 1250 gain, see the instructions for line 19 beginning on page D-7.

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 -0- in column (f).

Nondeductible Losses

Do not deduct a loss from the direct or indirect sale or exchange of property between any of the following.

- Members of a family.
- A corporation and an individual owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a beneficiary of another trust created by the same grantor.
- An executor of an estate and a beneficiary of that estate, unless the sale or exchange was to satisfy a pecuniary bequest (that is, a bequest of a sum of money).
- An individual and a tax-exempt organization controlled by the individual or the individual's family.

See Pub. 544 for more details on sales and exchanges between related parties.

If you disposed of (a) an asset used in an activity to which the at-risk rules apply or

(b) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the Instructions for Form 6198.

If the loss is allowable under the at-risk rules, it then may 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.
- If qualified dividends that you reported on Form 1040, line 9b, include extraordinary dividends, any loss on the sale or exchange of the stock is a long-term capital loss to the extent of the extraordinary dividends. An extraordinary dividend is a dividend that equals or exceeds 10% (5% in the case of preferred stock) of your basis in the stock.
- 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-7.

- 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 62. Write "Section 1260(b) interest" and the amount of the interest to the left of line 62. 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.

- Gain or loss from the disposition of stock or other securities in an investment club. 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 earnings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

The limitation on investment interest expense that applies to investors does not apply to interest paid or incurred in a trading business. A trader reports interest expense and other expenses (excluding commissions and other costs of acquiring or disposing of securities) from a trading business on Schedule C (instead of Schedule A).

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate interest and other expenses between your trading business and your investment securities.

Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including securities held at the end of the year. Securities held at the end of the year are "marked to market" by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (not includ-

ing extensions) of the tax return for the year prior to the year for which the election becomes effective. To be effective for 2004, the election must have been made by April 15, 2004.

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 2005, 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 property sold short after the short sale but on or before the date you close the short sale. If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

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 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, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-8 if you complete line 19 of Schedule D.

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

If there is an amount in box 1d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-7 if you complete line 18 of Schedule D.

Enter on Form 1040, line 69, the tax paid as shown in box 2 of Form 2439. Also on line 69, 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 2004 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.

1. It must be stock in a C corporation (that is, not S corporation stock).

2. It must have been originally issued after August 10, 1993.

3. 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.

4. 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.

5. During substantially all the time you held the stock:

a. The corporation was a C corporation,

b. 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

c. 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.



SSBIC. A specialized small business investment company (SSBIC) is treated as having met test 5b above.

Qualified Business

A qualified business is any business that is not one of the following.

- 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.

- A business whose principal asset is the reputation or skill of one or more employees.

- A banking, insurance, financing, leasing, investing, or similar business.

- A farming business (including the raising or harvesting of trees).

- A business involving the production of products for which percentage depletion can be claimed.

- A 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 on line 8 the entire gain realized on the sale of QSB stock. Complete all columns as indicated. Directly below the line on which you reported the gain, enter in column (a) "Section 1202 exclusion" and enter as a loss in column (f) the amount of the allowable exclusion. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-7.

Gain from Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2c, 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. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-7.

Gain from Form 2439. If you received a Form 2439 with a gain in box 1c, 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. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-7.

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 eligi-

ble 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. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-7.

Alternative minimum tax. You must enter 7% 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 page D-4) that you held for more than 6 months, you may elect to postpone gain if you purchase other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also may make the election to postpone gain. The benefit of the postponed gain applies to your share of the entity's postponed gain if you held an interest in the entity for the entire period the entity held the QSB stock. If a pass-through entity sold QSB stock held for more than 6 months and you held an interest in the entity for the entire period the entity held the stock, you also may elect to postpone gain if you, rather than the pass-through entity, purchase the replacement QSB stock within the 60-day period.

You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the tax year in which the QSB stock was sold. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return.

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 the amount of the postponed gain as a (loss) in column (f).

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 www.hud.gov/crlocator.

Qualified empowerment zone assets are:

1. Tangible property, if:

- a. You acquired the property after December 21, 2000,

- b. The original use of the property in the empowerment zone began with you, and

- c. 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

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

- a. 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;

- b. 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

- c. 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.

Exclusion of Gain From DC Zone Assets

If you sold or exchanged a District of Columbia Enterprise Zone (DC Zone) asset that you held for more than 5 years, you may be able to exclude the amount of qualified capital gain that you would otherwise

include on Schedule D. The exclusion applies to an interest in, or property of, certain businesses operating in the District of Columbia.

DC Zone asset. A DC Zone asset is any of the following.

- DC Zone business stock.
- DC Zone partnership interest.
- DC Zone business property.

Qualified capital gain. Qualified capital gain is any gain recognized on the sale or exchange of a DC Zone asset that is a capital asset or property used in a trade or business. It does not include any of the following gains.

- Gain treated as ordinary income under section 1245.

- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.

- Gain attributable to real property, or an intangible asset, that is not an integral part of a DC Zone business.

- Gain from a related-party transaction. See *Sales and Exchanges Between Related Persons* in chapter 2 of Pub. 544.

See Pub. 954 and section 1400B for more details on DC Zone assets and special rules.

How to report. Report the entire gain realized from the sale or exchange as you otherwise would without regard to the exclusion. On Schedule D, line 8, enter "DC Zone Asset" in column (a) and enter as a loss in column (f) the amount of the allowable exclusion. 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.

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-2). 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 2004 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 (for example, you were the nominee for the actual owner of the property).

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 and reacquisition.

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 nondividend 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 and reacquisition, 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. 551 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. See Pub. 550 for details.

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. See Pub. 544 for details.

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.

Capital Loss Carryover Worksheet—Lines 6 and 14

Keep for Your Records



Use this worksheet to figure your capital loss carryovers from 2003 to 2004 if your 2003 Schedule D, line 18, is a loss and (a) that loss is a smaller loss than the loss on your 2003 Schedule D, line 17a, or (b) your 2003 Form 1040, line 38, is a loss. Otherwise, you do not have any carryovers.

1. Enter the amount from your 2003 Form 1040, line 38. If a loss, enclose the amount in parentheses	1.	_____
2. Enter the loss from your 2003 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 7b of your 2003 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 your 2003 Schedule D, line 7b, as a positive amount	5.	_____
6. Enter any gain from your 2003 Schedule D, line 16	6.	_____
7. Add lines 4 and 6	7.	_____
8. Short-term capital loss carryover for 2004. Subtract line 7 from line 5. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 6	8.	_____
If line 16 of your 2003 Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.		
9. Enter the loss from your 2003 Schedule D, line 16, as a positive amount	9.	_____
10. Enter any gain from your 2003 Schedule D, line 7b	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 for 2004. Subtract line 12 from line 9. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 14	13.	_____

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.

Line 18

If you checked "Yes" on line 17, complete the worksheet below if either of the following apply for 2004.

- You reported in Part II a section 1202 exclusion from the eligible gain on qualified small business stock (see page D-4), or
- You reported in Part II a collectibles gain or (loss). 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.

Include on the worksheet any 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 checked "Yes" on line 17, complete the worksheet on page D-8 if any of the following apply for 2004.

- 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

Lines 1 through 3. If you had more than one property described on line 1, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4.

Line 4. To figure the amount to enter on line 4, follow the steps below for each installment sale of trade or business property held more than 1 year.

Step 1. Figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2004 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 2004 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 2004 as the smaller of (a) the amount from line 26 or line 37 of your 2004 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,

28% Rate Gain Worksheet—Line 18

Keep for Your Records



1. Enter the total of all collectibles gain or (loss) from items you reported on line 8, column (f), of Schedules D and D-1	1.	
2. Enter as a positive number the amount of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1	2.	
3. Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15, is more than zero); Form 6252; Form 6781, Part II; and Form 8824	3.	
4. Enter the total of any collectibles gain reported to you on:	4.	
• Form 1099-DIV, box 2d;	}	
• Form 2439, box 1d; and		
• Schedule K-1 from a partnership, S corporation, estate, or trust.		
5. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), line 13c	5.	()
6. If Schedule D, line 7, is a (loss), enter that (loss) here. Otherwise, enter -0-	6.	()
7. Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 18	7.	

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 2004 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 2004 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unreaptured section 1250 gain that must be allocated to the installment payments received from the sale.

- Step 3. Generally, the amount of capital gain on each installment payment is treated as unreaptured section 1250 gain until the total unreaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unreaptured section 1250 gain for installment payments received in 2004 as the smaller of

(a) the amount from line 26 or line 37 of your 2004 Form 6252, whichever applies, or (b) the amount of unreaptured section 1250 gain remaining to be reported. This amount is generally the total unreaptured 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 unreaptured section 1250 gain, use only the amount you chose to treat as unreaptured section 1250 gain for those payments to reduce the total unreaptured 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 unreaptured section 1250 gain for the sale. Include this amount on line 12.

Line 21

Limit on capital losses. For 2004, you may deduct capital losses up to the amount of your capital gains plus \$3,000 (\$1,500 if married filing separately). Enter on line 21 the smaller of (a) the loss on line 16 or (b) (\$3,000), or if married filing separately, (\$1,500). When figuring which amount is smaller, treat both amounts as positive numbers.

Capital loss carryover. You have a capital loss carryover from 2004 to 2005 if you have a loss on line 16 and either:

- That loss is more than the loss on line 21, or
- Form 1040, line 40, is less than zero.

To figure any capital loss carryover to 2005, you will use the Capital Loss Carryover Worksheet in the 2005 Instructions for Schedule D. If you want to figure your carryover now, see Pub. 550.



You will need a copy of your 2004 Form 1040 and Schedule D to figure your capital loss carryover to 2005.

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.	
2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1	2.	
3. Subtract line 2 from line 1	3.	
4. Enter the total unreaptured 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.	
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.	
6. Add lines 3 through 5	6.	
7. Enter the smaller of line 6 or the gain from Form 4797, line 7	7.	
8. Enter the amount, if any, from Form 4797, line 8	8.	
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	
10. Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unreaptured section 1250 gain (see instructions)	10.	
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.	
12. Enter the total of any unreaptured 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.	
13. Add lines 9 through 12	13.	
14. If you had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the 28% Rate Gain Worksheet on page D-7. Otherwise, enter -0-	14.	
15. Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0-	15.	()
16. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), line 13c	16.	()
17. Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0-	17.	
18. Unrecaptured section 1250 gain. Subtract line 17 from line 13. If zero or less, enter -0-. If more than zero, enter the result here and on Schedule D, line 19	18.	



Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet on page 34 of the Instructions for Form 1040 to figure your tax.

Exception: Do not use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:

- Line 15 or line 16 of Schedule D is zero or less **and** you have no qualified dividends on Form 1040, line 9b, or
- Form 1040, line 42, is zero or less.

Instead, see the instructions for Form 1040, line 43.

1. Enter your taxable income from Form 1040, line 42	1.	
2. Enter your qualified dividends from Form 1040, line 9b	2.	
3. Enter the amount from Form 4952, line 4g	3.	
4. Enter the amount from Form 4952, line 4e*	4.	
5. Subtract line 4 from line 3. If zero or less, enter -0-	5.	
6. Subtract line 5 from line 2. If zero or less, enter -0-	6.	
7. Enter the smaller of line 15 or line 16 of Schedule D	7.	
8. Enter the smaller of line 3 or line 4	8.	
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	
10. Add lines 6 and 9	10.	
11. Add lines 18 and 19 of Schedule D	11.	
12. Enter the smaller of line 9 or line 11	12.	
13. Subtract line 12 from line 10	13.	
14. Subtract line 13 from line 1. If zero or less, enter -0-	14.	
15. Enter the smaller of:		
• The amount on line 1 or		
• \$29,050 if single or married filing separately;		
\$58,100 if married filing jointly or qualifying widow(er); or	15.	
\$38,900 if head of household		
16. Enter the smaller of line 14 or line 15	16.	
17. Subtract line 10 from line 1. If zero or less, enter -0-	17.	
18. Enter the larger of line 16 or line 17	18.	
If lines 15 and 16 are the same, skip lines 19 and 20 and go to line 21. Otherwise, go to line 19.		
19. Subtract line 16 from line 15	19.	
20. Multiply line 19 by 5% (.05)	20.	
If lines 1 and 15 are the same, skip lines 21 through 33 and go to line 34. Otherwise, go to line 21.		
21. Enter the smaller of line 1 or line 13	21.	
22. Enter the amount from line 19 (if line 19 is blank, enter -0-)	22.	
23. Subtract line 22 from line 21. If zero or less, enter -0-	23.	
24. Multiply line 23 by 15% (.15)	24.	
If Schedule D, line 19, is zero or blank, skip lines 25 through 30 and go to line 31. Otherwise, go to line 25.		
25. Enter the smaller of line 9 above or Schedule D, line 19	25.	
26. Add lines 10 and 18	26.	
27. Enter the amount from line 1 above	27.	
28. Subtract line 27 from line 26. If zero or less, enter -0-	28.	
29. Subtract line 28 from line 25. If zero or less, enter -0-	29.	
30. Multiply line 29 by 25% (.25)	30.	
If Schedule D, line 18, is zero or blank, skip lines 31 through 33 and go to line 34. Otherwise, go to line 31.		
31. Add lines 18, 19, 23, and 29	31.	
32. Subtract line 31 from line 1	32.	
33. Multiply line 32 by 28% (.28)	33.	
34. Figure the tax on the amount on line 18 . Use the Tax Table or Tax Computation Worksheet, whichever applies	34.	
35. Add lines 20, 24, 30, 33, and 34	35.	
36. Figure the tax on the amount on line 1 . Use the Tax Table or Tax Computation Worksheet, whichever applies	36.	
37. Tax on all taxable income (including capital gains and qualified dividends). Enter the smaller of line 35 or line 36. Also include this amount on Form 1040, line 43	37.	

*If applicable, enter instead the smaller amount you entered on the dotted line next to line 4e of Form 4952.



2004 Instructions for Schedule E (Form 1040)

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 can 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).

Section references are to the Internal Revenue Code.

General Instructions

At-Risk Rules

Generally, you must complete Form 6198 to figure your allowable loss if you have:

- A loss from an activity carried on as a trade or business or for the production of income, and
- Amounts in the activity for which you are not at risk.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity. However, the at-risk rules do not apply to losses from an activity of holding real property, if you acquired your interest in the activity before 1987 and the property was placed in service before 1987. The activity of holding mineral property does not qualify for this exception.

In most cases, you are not at risk for amounts such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property. See *Qualified nonrecourse financing* below.

- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the activity from a person who has an interest in the activity (other than as a creditor) or who is related, under section 465(b)(3), to a person (other than you) having such an interest.

Qualified nonrecourse financing. 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.

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 40 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 2004, 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 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 can 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 2004, complete line 43 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:
 - a. You actively participated (defined below) in all of the rental real estate activities;
 - b. If married filing separately, you lived apart from your spouse all year;
 - c. Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately);
 - d. You have no current or prior year unallowed credits from passive activities; and
 - e. 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 36, 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 tier 1 railroad retirement benefits,
- Deductible contributions to a traditional IRA or certain other qualified retirement plans under section 219,
- The student loan interest deduction,
- The tuition and fees deduction,
- The deduction for one-half of self-employment tax, and
- Any excluded amounts 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.

Reportable Transaction Disclosure Statement

Use Form 8886 to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. The following are reportable transactions.

- Any transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.
- Any transaction offered under conditions of confidentiality for which you paid an advisor a minimum fee.
- Any transaction for which you have contractual protection against disallowance of the tax benefits.
- Any transaction resulting in a loss of at least \$2 million in any single tax year or \$4 million in any combination of tax years. (At least \$50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)
- Any transaction resulting in a book-tax difference of more than \$10 million on a gross basis.

- Any transaction resulting in a tax credit of more than \$250,000, if you held the asset generating the credit for 45 days or less.

See the Instructions for Form 8886 for more details and exceptions.

Tax Shelter Registration Number

Complete and attach Form 8271 if you are claiming or reporting any income, deduction, loss, credit, or other tax benefit, from an interest purchased or otherwise acquired in a tax shelter required to be registered with the IRS.

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 rental real estate (including personal property leased with real estate), and
- Royalty income and expenses.

See the instructions for lines 3 and 4 to determine if you should report your rental real estate and royalty income on Schedule C, Schedule C-EZ, or Form 4835 instead of Schedule E.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

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 35, 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 all of the following.

- 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 2004 more than the greater of:

1. 14 days, or
2. 10% of the total days it was rented to others at a fair rental price.

Otherwise, check "No."

If you checked "No," you can deduct all your expenses for the rental part, subject to the *At-Risk Rules* and the *Passive Activity Loss Rules* explained 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 can 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 2005 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 of what you received 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 8 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 2004, the payer should send you a Form 1099-MISC or similar statement by January 31, 2005, 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 2004 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 2004 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 can 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 used more than four vehicles 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 2004 only if:

- You owned the vehicle and used 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 37.5 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 2004 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 2004, the recipient should send you a Form 1098 or similar statement by January 31, 2005, 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 can deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized and depreciated (that is, they cannot be deducted in full in the year they are paid or incurred). See the instructions for line 20.

Line 17

You can 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 2004;
- 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 2004.

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 29a and 29b, or lines 34a and 34b, 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 7 of the Form 1040 instructions for how to get a copy. Do not attach Schedules K-1 to your return. Keep them for your records.

If you are treating items on your tax return differently from the way the partnership (other than an electing large partnership) or S corporation reported them on its return, you may have to file Form 8082. If you are a partner in an electing large partnership, you must report the items shown on Schedule K-1 (Form 1065-B) on your tax return the same way that the partnership reported the items on Schedule K-1.

Special rules that limit losses. Please note the following.

- If you have a current year loss, or a prior year unallowed loss, from a partnership or an S corporation, see *At-Risk Rules* and *Passive Activity Loss Rules* on 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 (h), 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 (f), 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 (f).

If you have passive activity income, complete Part II, column (g), for that activity.

If you have nonpassive income or losses, complete Part II, columns (h) through (j), 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.

You can 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. See the instructions for line 27 on page E-6 for how to report these expenses.

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 2003 Form 1040 based on information received from the partnership, enter as income in column (g) or column (j), whichever applies, the amount of the credit claimed for 2003.

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), box 14, code A (or from Schedule K-1 (Form 1065-B), box 9 (code K1)), 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.

1. You controlled a foreign partnership (that is, you owned more than a 50% direct or indirect interest in the partnership).

2. You owned at least a 10% direct or indirect interest in a foreign partnership while U.S. persons controlled that partnership.

3. You had an acquisition, disposition, or change in proportional interest of a foreign partnership that:

- a. Increased your direct interest to at least 10% or reduced your direct interest of at least 10% to less than 10%, or

- b. Changed your direct interest by at least a 10% interest.

4. You contributed property to a foreign partnership in exchange for a partnership interest if:

- a. Immediately after the contribution, you owned, directly or indirectly, at least a 10% interest in the partnership, or

- b. 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 can 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. See page E-1.

Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on Form 1040, line 9a.

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.

Line 27

If you answered "Yes" on line 27, follow the instructions below. If you fail to follow these instructions, the IRS may send you a notice of additional tax due because the amounts reported by the partnership or S corporation on Schedule K-1 do not match the amounts you reported on your tax return.

Losses Not Allowed in Prior Years Due to the At-Risk or Basis Limitations

- Enter your total prior year unallowed losses that are now deductible on a separate line in column (h) of line 28. Do not combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

- Enter "PYA" (prior year amount) in column (a) of the same line.

Prior Year Unallowed Losses From a Passive Activity Not Reported on Form 8582

- Enter on a separate line in column (f) of line 28 your total prior year unallowed losses not reported on Form 8582. Such losses include prior year unallowed losses that are now deductible because you did not have an overall loss from all passive activities or you disposed of your entire interest in a passive activity in a fully taxable transaction. Do not combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

- Enter "PYA" (prior year amount) in column (a) of the same line.

Unreimbursed Partnership Expenses

- You can deduct unreimbursed ordinary and necessary partnership expenses you paid on behalf of the partnership on Schedule E if you were required to pay these expenses under the partnership agreement (except amounts deductible only as itemized deductions, which you must enter on Schedule A).

- Enter unreimbursed partnership expenses from nonpassive activities on a separate line in column (h) of line 28. Do not combine these expenses with, or net them against, any other amounts from the partnership.

- If the expenses are from a passive activity and you are not required to file Form 8582, enter the expenses related to a passive activity on a separate line in column (f) of line 28. Do not combine these expenses with, or net them against, any other amounts from the partnership.

- Enter "UPE" (unreimbursed partnership expenses) in column (a) of the same line.

Line 28

For nonpassive income or loss (and passive losses for which you are not filing Form

8582), enter in the applicable column of line 28 your current year ordinary income or loss from the partnership or S corporation. Report each related item in the applicable column of a separate line following the line on which you reported the current year ordinary income or loss. Also enter a description of the related item (for example, depletion) in column (a) of the same line.

If you are required to file Form 8582, see the Instructions for Form 8582 before completing Schedule E.

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 37. Do not include this amount in the total on line 37. Instead, enter the amount on Form 1040, line 64.

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 2004, the trust had a U.S. beneficiary. See section 679. An individual who received a distribution from, or who was the grantor 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 39 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 42). 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 42. 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 39 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 42

You will not be charged a penalty for underpayment of estimated tax if:

1. Your gross farming or fishing income for 2003 or 2004 is at least two-thirds of your gross income, and
 2. You file your 2004 tax return and pay the tax due by March 1, 2005.
-



2004 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.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

- For certain business start-up costs paid or incurred after October 22, 2004, you can elect to deduct up to \$5,000. This limit is reduced by the amount by which your start-up costs exceed \$50,000. Also, the amortization period for certain business start-up costs paid or incurred after October 22, 2004, has been increased to 15 years. For details, see Pub. 225.

- You can elect to deduct certain forestation and reforestation costs paid or incurred after October 22, 2004, instead of amortizing them over 84 months. This election does not apply to estates and trusts. Also, the dollar limitation for amortization on certain forestation and reforestation costs paid or incurred after October 22, 2004, has been eliminated. For details, see Pub. 225.

General Instructions

Other Schedules and Forms You May Have To File

- Schedule E, Part I, to report rental income from pastureland that is based on a flat charge. Report on Schedule F, line 10, 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 your farming business.

- Form 4562 to claim depreciation on assets placed in service in 2004, to claim amortization that began in 2004, to make an election under section 179 to expense certain property, 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 farming 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 details, see the 2004 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.

Reportable transaction disclosure statement. If you entered into a reportable transaction in 2004, you must use Form 8886 to disclose information if your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. For more information, see *Reportable Transaction*

Disclosure Statement in the Instructions for Schedule C on page C-1.

Estimated Tax

If you had to make estimated tax payments in 2004 and you underpaid your estimated tax, you will not be charged a penalty if both of the following apply.

- Your gross farming or fishing income for 2003 or 2004 is at least two-thirds of your gross income.

- You file your 2004 tax return and pay the tax due by March 1, 2005.

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.

Line B

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 Schedule F, Parts I and II. 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 Schedule F, Parts II, III, and line 11. Generally, re-

port 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, and firearms tax return. If you need an EIN, see the Instructions for 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 passive 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 passive 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 F, line 36. Generally, you can deduct losses from passive activi-

ties 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, direct payments or counter-cyclical payments received under the Farm Security and Rural Investment Act of 2002 are required to be included in income only in the year of actual receipt.

If you ran the farm yourself and received rents based on crop shares or farm production, report these rents as income on line 4.

Sales of Livestock Because of Weather-Related Conditions

If you sold livestock because of drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if all of the following apply.

- Your main business is farming.
- You can show that you sold the livestock only because of weather-related conditions.
- Your area qualified for federal aid.

See Pub. 225 for details.

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
(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 5a and 5b

If you received distributions from a cooperative in 2004, 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.

- Direct payments.
- Counter-cyclical payments.
- 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* on page F-3). 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 2004 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 2004 was the year of damage, you can elect to include certain proceeds in income for 2005. 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 can 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 2004, even if you elect to include them in income for 2005.

Enter on line 8b the taxable amount of the proceeds you received in 2004. Do not include proceeds you elect to include in income for 2005.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in

2003 and elected to include in income for 2004.

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 cancellation of debt. 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, 2005, showing the amount of debt canceled in 2004. However, certain solvent farmers can exclude canceled qualified farm indebtedness from income. To find out if you must include any cancellation of debt in income, see Pub. 225.

- State gasoline or fuel tax refund you received in 2004.

- The amount of credit for federal tax paid on fuels claimed on your 2003 Form 1040.

- The amount of credit for alcohol used as 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 2004. 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 farming 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.



Exceptions 1 and 2 above do not apply to tax shelters, farming syndicates, or partnerships required to use the accrual method of accounting under 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* below.

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 can elect to currently deduct the expenses rather than capitalize them.

But you cannot 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 can make this election, you are treated as having made the election.



In the case of a partnership or S corporation, the election must be made by the partner or shareholder. This election cannot be made by tax shelters, farming syndicates, or partners in partnerships required to use the accrual method of accounting under 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 cannot 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 farming 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 four vehicles simultaneously in your farming business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previ-

ously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2004 only if you:

- Owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- 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 37.5 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 on Form 4562, Part V. 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 cannot 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 can be carried forward and deducted in later tax years. However, the amount deductible for any 1 year cannot 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 can also elect under section 179 to expense a portion of the cost of certain property you bought in 2004 for use in your farming 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. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

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 31, 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 31, 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 all of the following apply.

- 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 all of the above apply, you can deduct the prepaid feed, which is subject to the overall limit for *Prepaid farm supplies* explained on page F-4. If all of the above do not apply, 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 2004 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 2004 for later years; include only the part that applies to 2004.

Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 8844, Empowerment Zone and Renewal Community Employment Credit, line 2;
- Form 8845, Indian Employment Credit, line 4;
- Form 8861, Welfare-to-Work Credit, line 2; and
- Form 8884, New York Liberty Zone Business Employee Credit, line 2.

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 32, 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. See Pub. 463 to figure your inclusion amount.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farmland.

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 can deduct one-half of your self-employment tax on Form 1040, line 30.
- 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 farming business. Instead, treat these taxes as part of the cost of the property.
- Other taxes not related to your farming 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 your farming business. But you can deduct expenses you paid for your farming business that are more than the cost of the base rate for the first phone line. For example, if you had a second phone line, you can deduct the business

percentage of the charges for that line, including the base rate charges.

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.

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 2004.

Bad debts. See Pub. 535.

Business start-up costs. You can elect to amortize certain business start-up costs paid or incurred before October 23, 2004, over 60 months or more beginning with the month your business began. For certain business start-up costs paid or incurred after October 22, 2004, you can elect to deduct up to \$5,000 for the year your business began. This limit is reduced by the amount by which your start-up costs exceed \$50,000. You can elect to amortize any remaining qualified business start-up costs over 15 years. For details, see Pub. 225. For amortization that begins in 2004, you must complete and attach Form 4562.

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.

Clean-fuel vehicles and clean-fuel vehicle refueling property. You may be able to deduct part of the cost of qualified clean-fuel vehicle property used in your farming business and qualified clean-fuel vehicle refueling property. See Pub. 535.

Forestation and reforestation costs. You can elect to amortize certain forestation and reforestation costs over 84 months. You can also elect to expense up to \$10,000 (\$5,000 if married filing separately) of certain forestation and reforestation costs paid or incurred after October 22, 2004, for each qualified timber property. The amortization election does not apply to trusts and the expense election does not apply to estates and trusts. For details, see Pub. 225. For amortization that begins in 2004, you must complete and attach Form 4562.

Legal and professional fees. You can deduct on this line fees for tax advice related to your farming business and for preparation of the tax forms related to your farming 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 2004 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. 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 Schedule F, line E, also see the Instructions for Form 8582. Enter the net profit or deductible loss here and on Form 1040, line 18, and Schedule SE, line 1. Estates and trusts should enter the net profit or deductible loss here and on Form 1041, line 6. Partnerships should stop here and enter the profit or loss on this line and on Form 1065, line 5 (or Form 1065-B, line 7).

If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the instructions for Form 1040, lines 65a and 65b, for details.

Line 37

At-risk rules. Generally, if you have a loss from a farming activity and 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 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 -0- 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 2004 because of the at-risk rules is treated as a deduction allocable to the activity in 2005.

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. 225 for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

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.



2004 Instructions for Schedule J

Income Averaging for Farmers and Fishermen

Use Schedule J (Form 1040) to elect to figure your 2004 tax by averaging, over the previous 3 years (base years), all or part of your 2004 taxable income from your trade or business of farming or fishing. Making this election may give you a lower tax if your 2004 income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

This election does not apply when figuring your tentative minimum tax on Form 6251 (that is, you cannot average your AMT income from farming or fishing). 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.

What's New

Fishermen. You can use Schedule J to average your income from your fishing business by electing to include taxable income from fishing in elected farm income on line 2.

Alternative minimum tax (AMT). Filing Schedule J may reduce your total tax for 2004 even if you owe AMT.

General Instructions

Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2001, 2002, and 2003 to figure your tax on Schedule J. If you do not have copies of those returns, you can get them by filing Form 4506. There is a \$39 fee for each return requested. If you want a free transcript of your tax return, use Form 4506-T. See your Form 1040 instruction booklet to find out how to get these forms. Keep a copy of your 2004 income tax return for use in 2005, 2006, or 2007.

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 or fishing. This includes all income, gains, losses, and deductions attributable to any farming or fishing 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 or fishing that you elect to include on line 2. You do not have to include all of your taxable income from farming or fishing 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 or fishing 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:

1. Operating a nursery or sod farm;
2. Raising or harvesting of trees bearing fruits, nuts, or other crops;
3. Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
4. Raising, shearing, feeding, caring for, training, and managing animals; and
5. Leasing land to a tenant engaged in a farming business, but only if the lease payments are (a) based on a share of the tenant's production (not a fixed amount), and (b) determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business does not include:

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

Fishing business. A fishing business is the trade or business of fishing in which the fish harvested, either in whole or in part, are intended to enter commerce or enter commerce through sale, barter, or trade. This includes:

1. The catching, taking, or harvesting of fish;
2. The attempted catching, taking, or harvesting of fish;
3. Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish; or
4. Any operations at sea in support of, or in preparation for, any activity described in (1) through (3) above.

The word fish means finfish, mollusks, crustaceans, and all other forms of marine animal and plant life other than marine mammals and birds.

A fishing business does not include any scientific research activity which is conducted by a scientific research vessel.



Generally, income, gains, losses, and deductions from farming or fishing 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 or fishing business;
- Schedule C or C-EZ;
- Schedule D;
- Schedule E, Part II;
- Schedule F;
- Form 4797; and
- Form 4835.



Complete this worksheet if you did not use Schedule J to figure your tax for both 2002 and 2003 **and** your 2001 taxable income was zero or less. See the instructions below 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 5 **5.** _____

Line 4

Figure the tax on the amount on line 3 using the 2004 Tax Table, Tax Computation Worksheet, or Qualified Dividends and Capital Gain Tax Worksheet from your 2004 Form 1040 instruction booklet, or use the Schedule D Tax Worksheet. Enter the tax on line 4.

Line 5

If you used Schedule J to figure your tax for 2003 (that is, you entered the amount from that Schedule J, line 22, on Form 1040, line 41, or on Form 1040X), enter on line 5 the amount from your 2003 Schedule J, line 11. If you used Schedule J to figure your tax for 2002 but not 2003, enter on line 5 the amount from your 2002 Schedule J, line 15. If you used Schedule J to figure your tax for 2001 but not 2002 nor 2003, enter

on line 5 the amount from your 2001 Schedule J, line 3.

If you figured your tax for 2001, 2002, and 2003 without using Schedule J, enter on line 5 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 above to figure the amount to enter on line 5.

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 for at least 3 years after April 15, 2005 (or the date you file your 2004 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 income averaging purposes to the extent it did not reduce your capital loss carryover to 2002. This could happen if the taxable income before subtracting exemptions shown on your 2001 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2001 capital loss carryover to 2002 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2001 Schedule D, line 17, over the loss on your 2001 Schedule D, line 18. If you had any net operating loss (NOL) carrybacks to 2001, be sure you refigured your 2001 capital loss carryover to 2002.

Line 3. If you had an NOL for 2001, enter the amount of that NOL as figured on the 2001 Form 1045, Schedule A, line 27, you

2001 Tax Rate Schedules—Line 8

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 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$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 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$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 8

Keep for Your Records



Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2001 Form 1040 (or line 10 of your 2001 Form 1040A) and checked the box on that line **and** elected farm income included on Schedule J, lines 5 and 6, does not include any net capital gain.

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

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 income averaging for 2001, 2002, nor

2003. John has \$18,000 of elected farm income on line 2. The taxable income before subtracting exemptions shown on his 2001 Form 1040, line 37, was \$3,900. A deduction for exemptions of \$2,900 was shown on line 38, and line 39, taxable income, was \$1,000. However, John had a \$22,300 NOL in 2002, \$9,000 of which

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

2001 Tax Computation Worksheet for Certain Dependents and Nonresident Alien Individuals — Line 8

Keep for Your Records



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

Special Rules. If:

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

1.	Figure the tax on the amount on Schedule J, line 7 (or the applicable line of the worksheet or schedule listed above). Use the 2001 Tax Rate Schedules on page J-2	1.	<input type="text"/>
2.	Is the amount on line 1 more than the amount shown below for your 2001 filing status?		
	• Single or married filing separately—\$900		
	• Married filing jointly or qualifying widow(er)—\$1,800		
	• Head of household—\$1,500		
	<input type="checkbox"/> Yes. Enter: \$300 if single or married filing separately for 2001; \$500 if head of household; \$600 if married filing jointly or qualifying widow(er). }	2.	<input type="text"/>
	<input type="checkbox"/> No. Divide the amount on line 1 by 3.0. }		
3.	Subtract line 2 from line 1. Enter the result here and on Schedule J, line 8 (or the applicable line of the worksheet or schedule listed above)	3.	<input type="text"/>

positive amount on line 1 of the 2001 worksheet.

When John filed his 2001 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 2002. However, when John carried back the 2002 NOL to 2001, he refigured his 2001 capital loss carryover to 2002 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 2001 that reduced the 2002 NOL carryback. The \$2,900 of exemptions and \$3,000 net capital loss deduction also reduced the amount of the 2002 NOL carryback. Therefore, only \$2,100 was available to carry to 2003 and later years, as shown on his 2002 Form 1045, Schedule B, line 9. John enters the \$2,100 on line 3 of the worksheet, and \$5,100 on line 4. He then subtracts the \$5,100 from the \$8,000 on line 1 and enters the result, \$2,900, on line 5 of the worksheet. He enters a negative \$2,900 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$3,100 on Schedule J, line 7.

Line 8

If line 7 is zero, enter -0- on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2001 Tax Rate Schedules on page J-2,
- The 2001 Capital Gain Tax Worksheet on page J-3, or
- The Schedule D you filed for 2001 (but use the 2001 Tax Rate Schedules on page J-2 instead of the 2001 Tax Table when figuring the tax on Schedule D,

lines 25 and 39, or on the Schedule D Tax Worksheet, lines 15 and 36).

Exception. You must use the 2001 Tax Computation Worksheet for Certain Dependents and Nonresident Alien Individuals on page J-3 if you, or your spouse if filing jointly, did not receive (before offset) an advance payment of your 2001 taxes and either of the following apply.

- You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2001 tax return.
- You filed Form 1040NR for 2001.

If the 2001 Capital Gain Tax Worksheet or Schedule D also applies, follow the *Special Rules* on the worksheet on page J-3 to figure your tax.

Line 9

If you used Schedule J to figure your tax for 2003 (that is, you entered the amount from that Schedule J, line 22, on Form 1040, line 41, or on Form 1040X), enter on line 9 the amount from your 2003 Schedule J, line 15. If you used Schedule J to figure your tax for 2002 but not 2003, enter on line 9 the amount from your 2002 Schedule J, line 3.

If you figured your tax for both 2002 and 2003 without using Schedule J, enter on line 9 the taxable income from your 2002 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you filed your 2002 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2002, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2002 until at least 3 years after April 15, 2005 (or the date you file your 2004 tax

return, if later), even if you did not file a tax return for 2002.

Instructions for 2002 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2002 Schedule D, line 18, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2003. This could happen if the taxable income before subtracting exemptions shown on your 2002 Form 1040, line 39 (or as previously adjusted), was less than zero. Enter the amount by which your 2002 capital loss carryover to 2003 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2002 Schedule D, line 17, over the loss on your 2002 Schedule D, line 18. If you had any NOL carrybacks to 2002, be sure you refigured your 2002 capital loss carryover to 2003.

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

Example. John Farmington did not use income averaging for 2001, 2002, nor 2003. The taxable income before subtracting exemptions on his 2002 Form 1040, line 39, is a negative \$30,000. A deduction for exemptions of \$3,000 is shown on line 40, and line 41, taxable income, is limited to zero. John subtracts from the \$30,000 loss the \$3,000 deduction for exemptions. The result is a negative \$33,000, John's 2002 taxable income, which he enters as a positive amount on line 1 of the 2002 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 17 (as ad-

2002 Taxable Income Worksheet—Line 9

Keep for Your Records



Complete this worksheet if you did not use Schedule J to figure your tax for 2003 **and** your 2002 taxable income was zero or less. See the instructions above before completing this worksheet.

- | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------------|
| 1. Figure the taxable income from your 2002 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2002, do not include any NOL carryovers or carrybacks to 2002. Enter the result as a positive amount | 1. | <input type="text"/> |
| 2. If there is a loss on your 2002 Schedule D, line 18, add that loss (as a positive amount) and your 2002 capital loss carryover to 2003. Subtract from that sum the amount of the loss on your 2002 Schedule D, line 17, and enter the result . . | 2. | <input type="text"/> |
| 3. If you had an NOL for 2002, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2002 that were not used in 2002 and were carried to years after 2002 | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 9 | 5. | <input type="text"/> |

2002 Tax Rate Schedules—Line 12

Schedule X—Use if your 2002 filing status was Single					Schedule Y-2—Use if your 2002 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	\$6,000	.....	10%	\$0	\$0	\$6,000	.....	10%	\$0
6,000	27,950	\$600.00 +	15%	6,000	6,000	23,350	\$600.00 +	15%	6,000
27,950	67,700	3,892.50 +	27%	27,950	23,350	56,425	3,202.50 +	27%	23,350
67,700	141,250	14,625.00 +	30%	67,700	56,425	85,975	12,132.75 +	30%	56,425
141,250	307,050	36,690.00 +	35%	141,250	85,975	153,525	20,997.75 +	35%	85,975
307,050	.....	94,720.00 +	38.6%	307,050	153,525	.....	44,640.25 +	38.6%	153,525
Schedule Y-1—Use if your 2002 filing status was Married filing jointly or Qualifying widow(er)					Schedule Z—Use if your 2002 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	\$12,000	.....	10%	\$0	\$0	\$10,000	.....	10%	\$0
12,000	46,700	\$1,200.00 +	15%	12,000	10,000	37,450	\$1,000.00 +	15%	10,000
46,700	112,850	6,405.00 +	27%	46,700	37,450	96,700	5,117.50 +	27%	37,450
112,850	171,950	24,265.50 +	30%	112,850	96,700	156,600	21,115.00 +	30%	96,700
171,950	307,050	41,995.50 +	35%	171,950	156,600	307,050	39,085.00 +	35%	156,600
307,050	.....	89,280.50 +	38.6%	307,050	307,050	.....	91,742.50 +	38.6%	307,050

2002 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 2002 Form 1040 (or line 10 of your 2002 Form 1040A) and checked the box on that line **and** elected farm income on Schedule J, lines 9 and 10, does not include any net capital gain.

1.	Amount from Schedule J, line 11	1.	_____		
2.	Amount from your 2002 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 2002 Tax Rate Schedules above			4.	_____
5.	Enter the smaller of:				
	• The amount on line 1 above or				
	• \$27,950 if single for 2002; \$46,700 if married filing jointly or qualifying widow(er); \$23,350 if married filing separately; or \$37,450 if head of household.	5.	_____		
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 2002 Tax Rate Schedules above			14.	_____
15.	Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 12			15.	_____

justed). He also had a \$7,000 capital loss carryover to 2003. 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 \$22,300 on line 3 of the worksheet, the 2002 NOL from his 2002 Form 1045, Schedule A, line 27. Of the \$33,000 negative taxable income, the \$3,000 deduction for exemptions, the

\$3,000 capital loss deduction, and his \$4,700 standard deduction were not allowed in figuring the NOL. John had a \$22,300 loss on his 2002 Schedule F, the only other item on his 2002 tax return.

John enters \$25,300 on line 4 and \$7,700 on line 5. He enters \$7,700 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$1,700 on Schedule J, line 11. If he uses Schedule J to figure his tax for

2005, he will enter the negative \$1,700 amount on his 2005 Schedule J as his 2002 taxable income for income averaging purposes.

Line 12

If line 11 is zero or less, enter -0- on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2002 Tax Rate Schedules on page J-5,
- The 2002 Capital Gain Tax Worksheet on page J-5, or
- The Schedule D you filed for 2002 (but use the 2002 Tax Rate Schedules on page J-5 instead of the 2002 Tax Table when figuring the tax on Schedule D, lines 25 and 39, or on the Schedule D Tax Worksheet, lines 15 and 36).

Line 13

If you used Schedule J to figure your tax for 2003 (that is, you entered the amount from that Schedule J, line 22, on Form 1040, line 41, or on Form 1040X), enter on line 13 the amount from that Schedule J, line 3.

If you did not use Schedule J to figure your tax for 2003, enter on line 13 the taxable income from your 2003 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 2003 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2003, 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 2003 until at least 3 years after April 15, 2005 (or the date you file your 2004 tax return, if later), even if you did not file a tax return for 2003.

Instructions for 2003 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2003 Schedule D, line 18, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2004. This could happen if the

taxable income before subtracting exemptions shown on your 2003 Form 1040, line 38 (or as previously adjusted), was less than zero. Enter the amount by which your 2003 capital loss carryover to 2004 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2003 Schedule D, line 17a, over the loss on your 2003 Schedule D, line 18.

Line 3. If you had an NOL for 2003, enter the amount of that NOL as figured on the 2003 Form 1045, Schedule A, line 27, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2003, enter the portion, if any, of the NOL carryovers and carrybacks to 2003 that were not used in 2003 and were carried to years after 2003.

Example. John Farmington did not use income averaging for 2001, 2002, nor 2003. The taxable income before subtracting exemptions on his 2003 Form 1040, line 38, is a negative \$1,000. This amount includes an NOL deduction (NOLD) on his 2003 Form 1040, line 21, of \$2,100. The \$2,100 is the portion of the 2002 NOL that was remaining from 2001 to be carried to 2003. See the examples that begin on pages J-3 and J-4. A deduction for exemptions of \$3,050 is shown on Form 1040, line 39, and line 40, taxable income, is limited to zero. John does not have an NOL for 2003. John subtracts from the \$1,000 negative amount on Form 1040, line 38, the \$3,050 deduction for exemptions. The result is a negative \$4,050, John's 2003 taxable income, which he enters as a positive amount on line 1 of the 2003 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13a), a \$7,000 loss on Schedule D, line 17a, and a \$5,000 capital loss carryover to 2004 (his 2003 capital loss carryover to 2004 was \$5,000, not \$4,000, because the amount on

his Form 1040, line 38, 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 17a, and enters \$1,000 on line 2 of the worksheet.

John enters -0- on line 3 of the worksheet because he does not have an NOL for 2003 and did not have an NOL carryover from 2003 available to carry to 2004 and later years. The NOLD for 2003 of \$2,100 was reduced to zero because it did not exceed his modified taxable income of \$4,100. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$3,050 of exemptions to negative taxable income (figured without regard to the NOLD) of \$1,950. John enters \$1,000 on line 4 and \$3,050 on line 5. He enters \$3,050 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$2,950 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2005, he will enter \$2,950 on his 2005 Schedule J as his 2003 taxable income for income averaging purposes.

Line 16

If line 15 is zero or less, enter -0- on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2003 Tax Rate Schedules on page J-7,
- The 2003 Qualified Dividends and Capital Gain Tax Worksheet on page J-8, or
- The Schedule D you filed for 2003 (but use the 2003 Tax Rate Schedules on page J-7 instead of the 2003 Tax Table when figuring the tax on Schedule D, lines 50 and 52, or on the Schedule D Tax Worksheet, lines 48 and 50).

2003 Taxable Income Worksheet—Line 13

Keep for Your Records



Complete this worksheet if your 2003 taxable income is zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2003 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2003, do not include any NOL carryovers or carrybacks to 2003. Enter the result as a positive amount	1.	<input type="text"/>
2. If there is a loss on your 2003 Schedule D, line 18, add that loss (as a positive amount) and your 2003 capital loss carryover to 2004. Subtract from that sum the amount of the loss on your 2003 Schedule D, line 17a, and enter the result	2.	<input type="text"/>
3. If you had an NOL for 2003, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2003 that were not used in 2003 and were carried to years after 2003	3.	<input type="text"/>
4. Add lines 2 and 3	4.	<input type="text"/>
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13	5.	<input type="text"/>

2003 Tax Rate Schedules—Line 16

Schedule X —Use if your 2003 filing status was Single					Schedule Y-2 —Use if your 2003 filing status was Married filing separately				
If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$7,000	.....	10%	\$0	\$0	\$7,000	.....	10%	\$0
7,000	28,400	\$700.00 +	15%	7,000	7,000	28,400	\$700.00 +	15%	7,000
28,400	68,800	3,910.00 +	25%	28,400	28,400	57,325	3,910.00 +	25%	28,400
68,800	143,500	14,010.00 +	28%	68,800	57,325	87,350	11,141.25 +	28%	57,325
143,500	311,950	34,926.00 +	33%	143,500	87,350	155,975	19,548.25 +	33%	87,350
311,950	.....	90,514.50 +	35%	311,950	155,975	.....	42,194.50 +	35%	155,975
Schedule Y-1 —Use if your 2003 filing status was Married filing jointly or Qualifying widow(er)					Schedule Z —Use if your 2003 filing status was Head of household				
If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$14,000	.....	10%	\$0	\$0	\$10,000	.....	10%	\$0
14,000	56,800	\$1,400.00 +	15%	14,000	10,000	38,050	\$1,000.00 +	15%	10,000
56,800	114,650	7,820.00 +	25%	56,800	38,050	98,250	5,207.50 +	25%	38,050
114,650	174,700	22,282.50 +	28%	114,650	98,250	159,100	20,257.50 +	28%	98,250
174,700	311,950	39,096.50 +	33%	174,700	159,100	311,950	37,295.50 +	33%	159,100
311,950	.....	84,389.00 +	35%	311,950	311,950	.....	87,736.00 +	35%	311,950

Lines 18, 19, and 20

If you filed your 2001, 2002, or 2003 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.

2003 Qualified Dividends and Capital Gain Tax Worksheet—Line 16

Keep for Your Records



Use this worksheet **only** if:

- You entered (a) qualified dividends on your 2003 Form 1040, line 9b (or your 2003 Form 1040A, line 9b) or (b) capital gain distributions directly on your 2003 Form 1040, line 13a (or your 2003 Form 1040A, line 10a) and checked the box on that line **and**
- Your elected farm income on Schedule J, line 2, does not include any net capital gain.

1. Amount from Schedule J, line 15	1.	
2. Enter the total of the amounts from your 2003 Form 1040, lines 9b and 13a (or Form 1040A, lines 9b and 10a)	2.	
3. Amount, if any, from your 2003 Form 4952, line 4g	3.	
4. Subtract line 3 from 2. If zero or less, enter -0-	4.	
5. Enter the smaller of:		
• The amount on line 1 above or		
• \$56,800 if married filing jointly or qualifying widow(er) for 2003,		
\$28,400 if single or married filing separately, or		
\$38,050 if head of household.		
6. Subtract line 4 from line 1. If zero or less, enter -0-	6.	
7. Subtract line 6 from line 5. If zero or less, enter -0- and go to line 13	7.	
8. Enter the total of the amounts from your 2003 Form 1040, lines 9b and 13b (or Form 1040A, lines 9b and 10b)	8.	
9. Enter the smaller of line 7 or 8	9.	
10. Multiply line 8 by 5% (.05)	10.	
11. Subtract line 9 from line 7. If zero, go to line 13	11.	
12. Multiply line 11 by 10% (.10)	12.	
13. Enter the smaller of line 1 or line 4	13.	
14. Enter the amount from line 7	14.	
15. Subtract line 14 from line 13. If zero or less, enter -0- and go to line 23	15.	
16. Enter the total of the amounts from your 2003 Form 1040, lines 9b and 13b (or Form 1040A, lines 9b and 10b)	16.	
17. Enter the amount from line 9 (if line 9 is blank, enter -0-)	17.	
18. Subtract line 17 from line 16	18.	
19. Enter the smaller of line 15 or line 18	19.	
20. Multiply line 19 by 15% (.15)	20.	
21. Subtract line 19 from line 15. If zero, go to line 23	21.	
22. Multiply line 21 by 20% (.20)	22.	
23. Figure the tax on the amount on line 6. Use the 2003 Tax Rate Schedules on page J-7	23.	
24. Add lines 10, 12, 20, 22, and 23	24.	
25. Figure the tax on the amount on line 1. Use the 2003 Tax Rate Schedules on page J-7	25.	
26. Tax. Enter the smaller of line 24 or line 25 here and on Schedule J, line 16	26.	



2004 Instructions for Schedule SE (Form 1040)

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.

Section references are to the Internal Revenue Code.

General Instructions

What's New

For 2004, the maximum amount of self-employment income subject to social security tax is \$87,900.

Who Must File Schedule SE

You must file Schedule SE if:

- Your net earnings from self-employment (see page SE-2) from other than church employee income were \$400 or more, or
- 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) of 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, enter "Exempt—Form 4361" on Form 1040, line 57. However, if you had other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.



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 either Short or Long Schedule SE, line 2. But do not report it on Long Schedule SE, line 5a; 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 cannot 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, enter "Exempt—Form 4029" on Form 1040, line 57. 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 either Short or Long Schedule SE, line 2. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, in most cases you must pay SE tax. You cannot 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) website at www.socialsecurity.gov/international.
- Call the SSA Office of International Programs at (410) 965-4538 or (410) 965-0377 (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 57.

More Than One Business

If 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 57.

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 Schedule SE, line 3, 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 Schedule SE, line 3, "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 57; 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 Schedule SE, line 3, "Exempt Community Income" and the amount of 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 either Short or Long Schedule SE, lines 1 and 2. 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 of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, with code A, and Schedule K-1 (Form 1065-B), box 9. 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 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

1. 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.

2. Cash or a payment-in-kind from the Department of Agriculture for participating in a land diversion program.

3. 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.

4. Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.

5. Amounts received by current or former self-employed insurance agents and salespersons that are:

a. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement,

b. Renewal commissions, or

c. 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 in item 9 under *Income and Losses Not Included in Net Earnings From Self-Employment* on this page).

6. Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See Pub. 595 for details.

7. 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.

8. Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

9. Fees and other payments received by you for services as a director of a corporation.

10. 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.

11. 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.

12. 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

1. 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 in item 7 under *Other Income and Losses Included in Net*

Earnings From Self-Employment) or as an employee or employee representative under the railroad retirement system.

2. 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 57. 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 Schedule SE, line 3. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.

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.

4. 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.

5. 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.

6. 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.

7. Gain or loss from:

a. The sale or exchange of a capital asset;

b. 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

c. Certain transactions in timber, coal, or domestic iron ore.

8. Net operating losses from other years.

9. Termination payments you received as a former insurance salesperson if all of the following conditions are met.

a. The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

b. The payment was received after termination of your agreement to perform services for the company.

c. You did not perform any services for the company after termination and before the end of the year in which you received the payment.

d. You entered into a covenant not to compete against the company for at least a 1-year period beginning on the date of termination.

e. 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.

f. 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 Schedule C or C-EZ, line 1, because you were a statutory employee, do not include the net profit or (loss) from that Schedule C, line 31 (or the net profit from Schedule C-EZ, line 3), on Short or Long Schedule SE, line 2. 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 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.

Self-employed health insurance deduction. The optional methods of computing net earnings from self-employment may be used to figure your self-employed health insurance deduction.



Using the optional methods may give you the benefits described on page SE-3, 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 were less than \$1,733. Net farm profits is the total of the amounts from:

- Schedule F (Form 1040), line 36, and
- Schedule K-1 (Form 1065), box 14, with code A (from farm partnerships).

There is no limit on how many years you can use this method.

Under this method, you report on Part II, line 15, 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 can 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.

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 were less than \$1,733 and also less than 72.189% of your gross nonfarm income. Net nonfarm profits is the total of the amounts from:

- Schedule C (Form 1040), line 31,
- Schedule C-EZ (Form 1040), line 3,
- Schedule K-1 (Form 1065), box 14, with code A (from other than farm partnerships), and
- Schedule K-1 (Form 1065-B), box 9.

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 Part II, line 17, two-thirds of your gross nonfarm income, up to \$1,600, as your net earnings. But you cannot report less than your actual net earnings from nonfarm self-employment.

You can 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.

Using Both Optional Methods

If you can use both methods, you can 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.

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* These items may not be included in this package. To reduce printing costs, we have sent you only the forms you may need based on what you filed last year.



Where Do You File?

If an envelope addressed to "Internal Revenue Service Center" came with this booklet, please use it. If you do not have one or if you moved during the year, mail your return to the Internal Revenue Service Center shown that applies to you.



TIP 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...
Alabama, Florida, Georgia, Mississippi, North Carolina, Rhode Island, South Carolina, West Virginia	Internal Revenue Service Center Atlanta, GA 39901-0002	Internal Revenue Service Center Atlanta, GA 39901-0102
Maine, Massachusetts, New Hampshire, New York, Vermont	Internal Revenue Service Center Andover, MA 05501-0002	Internal Revenue Service Center Andover, MA 05501-0102
Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999-0002	Internal Revenue Service Center Kansas City, MO 64999-0102
District of Columbia, Maryland, New Jersey, Pennsylvania	Internal Revenue Service Center Philadelphia, PA 19255-0002	Internal Revenue Service Center Philadelphia, PA 19255-0102
Arkansas, Colorado, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, Texas	Internal Revenue Service Center Austin, TX 73301-0002	Internal Revenue Service Center Austin, TX 73301-0102
Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Virginia, Washington, Wyoming	Internal Revenue Service Center Fresno, CA 93888-0002	Internal Revenue Service Center Fresno, CA 93888-0102
Ohio*	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 (or if excluding income under Internal Revenue Code section 933), 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

* If you live in Ohio and file your return after June 30, 2005, use: Internal Revenue Service Center, Fresno, CA 93888-0002 (if you are not enclosing a check or money order); or Internal Revenue Service Center, Fresno, CA 93888-0102 (if you are enclosing a check or money order).

** 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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