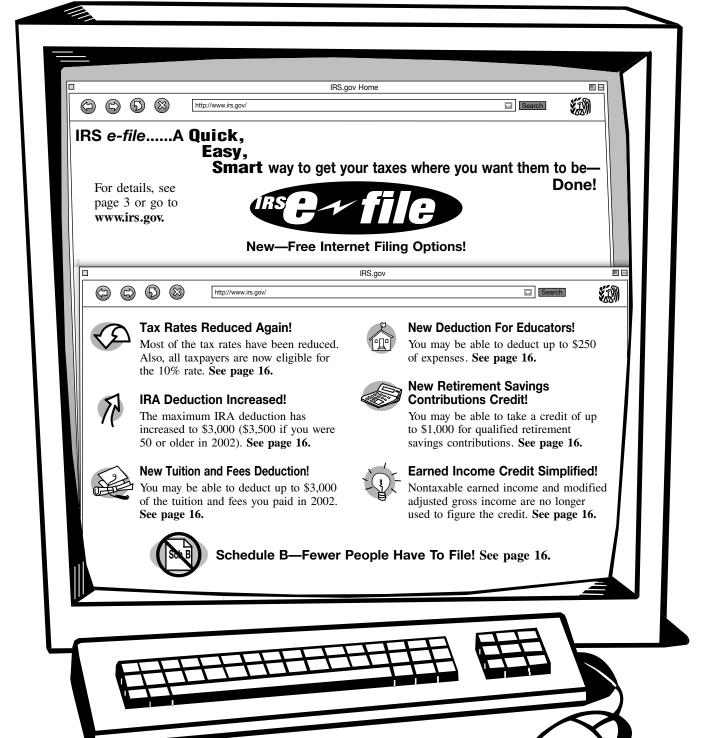


20021040

InstructionsIncluding Instructions C, D, E, F, J, and SE

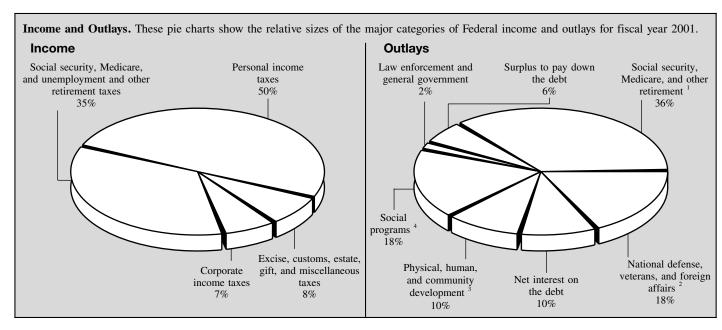
Including Instructions for Schedules A, B, C, D, E, F, J, and SE



Working to put service first

The Internal Revenue Service

Major Categories of Federal Income and Outlays for Fiscal Year 2001



On or before the first Monday in February of each year, the President is required by law to submit to the Congress a budget proposal for the fiscal year that begins the following October. The budget plan sets forth the President's proposed receipts, spending, and the surplus or deficit for the Federal Government. The plan includes recommendations for new legislation as well as recommendations to change, eliminate, and add programs. After receiving the President's proposal, the Congress reviews it and makes changes. It first passes a budget resolution setting its own targets for receipts, outlays, and the surplus or deficit. Next, individual spending and revenue bills that are consistent with the goals of the budget resolution are enacted.

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

Footnotes for Certain Federal Outlays

1. Social security, Medicare, and other retirement: These programs provide income support for the retired and disabled and medical care for the elderly.

- **2.** National defense, veterans, and foreign affairs: About 15% of outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities; about 2% were for veterans benefits and services; and about 1% were for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.
- **3. Physical, human, and community development:** These outlays were for agriculture; natural resources; environment; transportation; aid for elementary and secondary education and direct assistance to college students; job training; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.
- **4. Social programs:** About 12% of total outlays were for Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs; and 6% for health research and public health programs, unemployment compensation, assisted housing, and social services.

Note. The percentages on this page exclude undistributed offsetting receipts, which were \$55 billion in fiscal year 2001. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are for the U.S. Government's share of its employee retirement programs, rents and royalties on the Outer Continental Shelf, and proceeds from the sale of assets.

The IRS Mission

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



New—Free Internet Filing Options!

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

IRS e-file has:

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

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

So Easy, No Wonder 47 Million People Use It.



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

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

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

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



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

tions.

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

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

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

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

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

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

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

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

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



Use a Telephone. For millions of eligible taxpayers, TeleFile is the easiest way to file. TeleFile allows you to file your simple Federal

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

More About IRS e-file Benefits

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

DIRECT DEPOSIT Fast Simple. Safe. Secure. Refunds!

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

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

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

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

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

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

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

Electronic Payment Options!

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

- 1. Electronic Funds Withdrawal. You can e-file and e-pay in a single step by authorizing an electronic funds withdrawal from your checking or savings account. This option is available using tax professionals, tax preparation software, and TeleFile. If you select this payment option, you will be prompted to enter your financial institution's routing number, your account number, and the account type (checking or savings). You can schedule the payment for withdrawal on a future date up to and including the tax return due date (April 15, 2003). Check with your financial institution to make sure that an electronic funds withdrawal is allowed and to get the correct routing and account numbers.
- **2. Credit Card.** You can also *e-file* and *e-pay* your taxes in a single step by authorizing a credit card payment. This option is available through some tax preparation software and tax professionals. If you *e-file* and *e-pay* your taxes using your personal computer, your tax preparation software will prompt you to enter your credit card information. Two other ways to pay by credit card are by telephone or Internet. For more information or to make a payment, you may contact the following service providers.

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

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

Both service providers will accept all

major credit cards: American Express® Card, Discover® Card, MasterCard® card, or Visa® card. You may use your credit card to pay: (a) tax on Forms 1040, 1040A, 1040EZ; (b) estimated tax payments (Form 1040-ES); (c) tax you estimate as due on Form 4868; (d) installment agreement payments (for tax years 1999 and later); and (e)

any balance due shown on an individual

CAUTION

income tax return notice.

Service providers charge a convenience fee for credit card payments.



3.

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

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

Federal/State e-file!

File Federal and state tax returns together using *e-file* and double the benefits of *e-file!* The tax preparation software automatically transfers relevant data from the Federal income tax return to the state income tax return as the information is entered. Currently, 37 states and the District of Columbia participate in the Federal/State *e-file* program. To see a complete list of states, check the IRS Web Site at **www.irs.gov.**

Need More Time To File?

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

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

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

Tax Return Page Reference

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

1040		rtment of the Treasury—Internal Revenue . Individual Income Tax Re	u ////	N2		IDO 11 O	ala Da aas		-41- i- 4bi		
	_	the year Jan. 1-Dec. 31, 2002, or other tax year be		, 2002, e	nding				staple in this s		
Label	_	ir first name and initial	Last name	, 2002, 6	nung	, 2	· :		MB No. 1549 ocial securit		
(See L	100	in instrume and initial	Last Hame					1001 3	; ;	ty manna	21)
instructions A B	If a	joint return, spouse's first name and initial	Last name					Spouse	's social se	curity n	$\overline{}$
on page 21.)		OR REFERENCE			\mathbb{M}	T FM	F		1 1	,	(21)
Use the IRS		ne address (number and street). If you have	a P.O. box, see	page 21.		Apt. no.	<u> </u>	A		41	
Otherwise, E				-					Import		
please print R	City	, town or post office, state, and ZIP code. It	f you have a fore	ign address	s, see pag	e 21.			ou must er our SSN(s)		
or type. Presidential											
Election Campaign	Voi	Note. Checking "Yes" will not change	your tax or re	duce your	refund.			You	ı	Spous	e
(See page 21.)		Do you, or your spouse if filing a joint	t return, want \$	3 to go to	this fund	d?	, ▶	Yes	i ∐ No ∟	Yes	No
	1 [Single		4 [Head	of househo	ld (with q	ualifying	person). (Se	ee page	21.) If
Filing Status	2	Married filing jointly (even if only one	e had income)		the qu	ualifying per	son is a c	child but	not your de	pendent	t, enter
Check only	∖зL	☐ Married filing separately. Enter spou	use's SSN abov	/e	this cl	hild's name	here.				
one box. (21)	and full name here. ▶		5		, ,		•	ndent child	d (year	
						se died ►			page 21.) No. of box	200	
Exemptions	6a	Yourself. If your parent (or some or return, do not check be			s a depe	ndent on h	nis or hei	r tax	checked o		
Excliptions (2)) <u>b</u>	Spouse	ox oa					. (6a and 6b No. of chil	-	
	C	Dependents:	(2) Depe	ndent's	(3) De	pendent's	(4) if qual	ifying	on 6c who		
	_	(1) First name Last name	social secur		1		child for chil redit (see pa		lived with	-	
	_		1	1 1	1 ,	700	Tour (see pa	<u>gc 22/</u>	 did not liv you due to d 		$\overline{}$
If more than five _	-(22)			(22)				22	or separatio (see page 2		(22)
dependents, see page 22.	_			: 6				<u>~</u>	Dependents		
occ page			:	1					not entered	_	
									Add number on lines	rs	
	d	Total number of exemptions claimed						<u> </u>	above ▶		
1	7	Wages, salaries, tips, etc. Attach Forr	m(s) W-2					7	(23)		<u> </u>
Income 58	8a	Taxable interest. Attach Schedule B i	if required		. , .	(GO) ·		8a		(23)	<u> </u>
Attach /	b	$\textbf{Tax-exempt} \ \text{interest.} \ \textbf{Do} \ \textbf{not} \ \text{include}$	on line 8a .		3b	23)			(24)		
Forms W-2 and W-2G here.	9	Ordinary dividends. Attach Schedule I	B if required .	-(B-1) .				9	2-9	(24)	
Also attach	10	Taxable refunds, credits, or offsets of	state and loca	I income t	axes (se	e page 24) .	10	(25)	9	<u> </u>
Form(s) 1099-R	11	Alimony received						11		(25)	
if tax was withheld.	12	Business income or (loss). Attach Sch					· —	13	(25)	9	
\sim	13	Capital gain or (loss). Attach Schedule	•	If not req	uired, ch	eck here I		14		(25)	_
If you did not	14 15a	Other gains or (losses). Attach Form 4	⁴⁷⁹⁷ (25) · ·	 . .	· · ·			15b	(25)		
get a W-2,	16a	Pensions and annuities 16a 25				ount (see pa ount (see pa	• ,	16b		(25)	
see page 23.	17	Rental real estate, royalties, partnershi	ips. S corporati			, ,	,	17			
Enclose, but do	18	Farm income or (loss). Attach Schedu						18	_		
not attach, any	19	Unemployment compensation	_					19	(27)	\sim	
payment. Also, please use	20a	Social security benefits 20a	21)	b Ta	xable amo	unt (see pa	ige 27)	20b		(27)	
Form 1040-V (57)	21	Other income. List type and amount (29)		21			<u> </u>
	22	Add the amounts in the far right column	n for lines 7 thro					22			<u> </u>
Adjusted	23	Educator expenses (see page 29)		. –	23 (NE	$\overline{}$	<u>' </u>				1
Adjusted Gross	24	IRA deduction (see page 29)			24 (29	<u>(31)</u>	-				
	25	Student loan interest deduction (see p	,		25	_ ~	32)	/////////////////////////////////////			
Income	26	Tuition and fees deduction (see page	•		26 (NE 27	<u>w) (32)</u>	32				
	27	Archer MSA deduction. Attach Form 8		·	28 (32						1
	28	Moving expenses. Attach Form 3903			29	(32)	<u>, </u>				
	29	One-half of self-employment tax. Atta		- ·	30 (33						
	30 31	Self-employed health insurance deductions Self-employed SEP, SIMPLE, and qua	, , ,	, 55, —	31	(33))	\			
	32	Penalty on early withdrawal of savings			32 (33						
	33a	Alimony paid b Recipient's SSN ►		. –	3a	33)				
	34	Add lines 23 through 33a			-			34		(33)	L
	35	Subtract line 34 from line 22. This is y					▶	35	(33)		

Tax Return Page Reference

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

Form 1040 (2002)		(34)		F	Page 2
T	36	Amount from line 35 (adjusted gross income)	36		
Tax and	37a	Check if: You were 65 or older, Blind; Spouse was 65 or older, Blind.		(34)	
Credits		Add the number of boxes checked above and enter the total here > 37a			
Standard Deduction	h	If you are married filing separately and your spouse itemizes deductions, or			
for—	~	you were a dual-status alien, see page 34 and check here (A-1) ▶ 37b			
People who	38	Itemized deductions (from Schedule A) or your standard deduction (see left margin) .	38	(34)	
checked any box on line	39	Subtract line 38 from line 36	39		
37a or 37b or	40	If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on			
who can be claimed as a	40	line 6d. If line 36 is over \$103,000, see the worksheet on page 35	40	(35)	
dependent, see page 34.	41	Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-	41		
All others:	42	Tax (see page 36). Check if any tax is from: a Form(s) 8814 b Form 4972	42	(36)	
Single,	43	Alternative minimum tax (see page 37). Attach Form 6251	43	(37)	
\$4,700	44	Add lines 42 and 43	44		
Head of household,	45	Foreign tax credit. Attach Form 1116 if required			
\$6,900	46	Credit for child and dependent care expenses. Attach Form 2441 46 (38)			
Married filing	47	Credit for the elderly or the disabled. Attach Schedule R			
jointly or Qualifying	48	Education credits. Attach Form 8863	¬/////		
widow(er),	49	Retirement savings contributions credit. Attach Form 8880 49 (NEW)(38)			
\$7,850 Married	50	Child tax credit (see page 39)			
filing	51	Adoption credit. Attach Form 8839			
separately, \$3,925	52	Credits from: a \square Form 8396 b \square Form 8859	_\////		
	53	Other credits Check applicable boy(es): a Form 3800			
(34)		b ☐ Form 8801 c ☐ Specify	_\////.		
	54	Add lines 45 through 53. These are your total credits	54		
	55	Subtract line 54 from line 44. If line 54 is more than line 44, enter -0	55		
Other	56	Self-employment tax. Attach Schedule SE	56		
Taxes	57	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 .	57	(41)	<u> </u>
idaes	58	Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach Form 5329 if required.	58	(41)	<u> </u>
	59	Advance earned income credit payments from Form(s) W-2	59	(41)	_
	60	Household employment taxes. Attach Schedule H	60	(41)	_
	61	Add lines 55 through 60. This is your total tax	61	(41)	_
Payments Payments	62	Federal income tax withheld from Forms W-2 and 1099 62 (42)	-\////		
	63	2002 estimated tax payments and amount applied from 2001 return . 63 (42) Farmed income credit (FIC) 64 (43)	-\////		
If you have a gualifying	64	Zarried modific disease (210)	₹/////		
child, attach	65	Excess social security and tier i harra tax withheld (see page 50)	-\////		
Schedule EIC.	66	Additional child tax credit. Attach Form 6612	- <i>\\\\\\</i>		
	67 68	Amount paid with request for extension to file (see page 56) Other payments from: a Form 2439 b Form 4136 c Form 8885, 68 (56)	- {/////		
	69	Add lines 62 through 68. These are your total payments (NEW)	69		
Deferred		If line 69 is more than line 61, subtract line 61 from line 69. This is the amount you overpaid	70	(56)	
Refund	70 71a	Amount of line 70 you want refunded to you	71a		
Direct deposit? See page 56	- b	Routing number Savings			
and fill in 71b,	► d	Account number			
7 ic, and 7 id.	72	Amount of line 70 you want applied to your 2003 estimated tax 72 (57)			
Amount	73	Amount you owe. Subtract line 69 from line 61. For details on how to pay, see page 57	73	(57)	
You Owe	74	Estimated tax penalty (see page 57) 74 (57)			
Third Party	Do	you want to allow another person to discuss this return with the IRS (see page 58)? Yes.	Compl	lete the following.	☐ No
Designee	De	signee's Phone Personal identif	fication		
	nai Un	ne	nd to the	best of my knowledg	ie and
Sign Here	bel	lef, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of	which pre	parer has any knowled	dge.
Joint return?	Yo	ur signature Date Your occupation	Dayt	time phone number	
See page 21.		(58)) (58)	
Keep a copy	Sp	ouse's signature. If a joint return, both must sign. Date Spouse's occupation	1/////		
for your records.	7				
Paid		eparer's Date Check if	Prep	parer's SSN or PTIN	
Preparer's	sig	nature 58			
Use Only		n's name (or EIN ars if self-employed),			
OSC OIIIY	ad	dress, and ZIP code Phone no.	()	

IRS Customer Service Standards

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

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

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

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

Help With Unresolved Tax Issues

Office of the Taxpayer Advocate

Contacting Your Taxpayer Advocate

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

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

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

Handling Your Tax Problems

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

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

Information You Should Be Prepared To Provide

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

How To Contact Your Taxpayer Advocate

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

Quick and Easy Access to Tax Help and Forms

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



Personal Computer

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

- Access commercial tax preparation and e-file services available for FREE to eligible taxpayers
- Check the status of your 2002 refund
- Download forms, instructions, and publications
- Order IRS products on-line
- See answers to frequently asked tax questions
- Search publications on-line by topic or keyword
- Figure your withholding allowances using our W-4 calculator
- Send us comments or request help by e-mail
- Sign up to receive local and national tax news by e-mail

You can also reach us using File Transfer Protocol at ftp.irs.gov



Fax

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

See pages 10 and 11 for a list of the items available.

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

Long-distance charges may apply.



Mail

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



Walk-In

You can pick up some of the most requested forms, instructions, and publications at many IRS offices, post offices, and libraries. Some grocery stores, copy centers, city and county

government offices, credit unions, and office supply stores have a collection of reproducible tax forms available to photocopy or print from a CD-ROM.



Phone

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

Forms and Publications

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

TeleTax Topics

Call **1-800-829-4477** to listen to pre-recorded messages covering about 150 tax topics. See pages 13 and 14 for a list of the topics.

Refund Information

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



CD-ROM

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

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

Buy the CD-ROM on the Internet at **www.irs.gov/cdorders** from the National Technical Information Service (NTIS) for \$22 (no handling fee) or call **1-877-CDFORMS** (1-877-233-6767) toll free to buy the CD-ROM for \$22 (plus a \$5 handling fee).

You can also get help in other ways—See page 60 for information.

Forms by Fax

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

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	2	Instr. 990-EZ	Specific Instructions for Form 990-EZ	50003	9
Instr. SS-4		62736	6	Form 1040 Instr. 1040	U.S. Individual Income Tax Return Line Instructions for Form 1040	11320 11325	
Form SS-8	Determination of Worker Status for	16106	5	Instr. 1040	General Information for Form 1040	24811	26
	Purposes of Federal Employment Taxes and Income Tax Withholding			Tax Table and Tax Rate Sch.	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Schedules A&B (Form 1040)	Itemized Deductions & Interest and Ordinary Dividends	11330	2
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	4	Instr. Sch. A&B	•	24328	
Form W-5	Earned Income Credit Advance Payment Certificate	10227	3	Schedule C (Form 1040) Instr. Sch. C	Profit or Loss From Business (Sole Proprietorship)	11334 24329	
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	4	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Schedule D (Form 1040) Instr. Sch. D	Capital Gains and Losses	11338 24331	2
Form W-7P	Application for Preparer Tax	26781	1	Schedule D-1	Continuation Sheet for	10424	
Form W-9	Identification Number Request for Taxpayer Identification	10231	3	(Form 1040) Schedule E	Schedule D Supplemental Income and Loss	11344	2
Instr. W-9	Number and Certification	20479	4	(Form 1040) Instr. Sch. E		24332	
Form W-9S	Request for Student's or Borrower's Taxpayer Identification Number and	25240	2	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	
Form W-10	Certification Dependent Care Provider's	10437	1	Schedule F (Form 1040)	Profit or Loss From Farming	11346	2
F 700	Identification and Certification	17702	4	Instr. Sch. F		24333	6
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Schedule H (Form 1040)	Household Employment Taxes	12187	2
Instr. 709		16784	12	Instr. Sch. H		21451	8
Form 709A	U.S. Short Form Gift Tax Return	10171	3	Schedule J	Farm Income Averaging	25513	1
Form 843	Claim for Refund and Request for Abatement	10180	1	(Form 1040) Instr. Sch. J		25514	7
Instr. 843		11200	2	Schedule R	Credit for the Elderly or the Disabled	11359	2
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	2	(Form 1040) Instr. Sch. R	•	11357	4
Instr. 940		13660	6	Schedule SE	Self-Employment Tax	11358	2
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	2	(Form 1040) Instr. Sch. SE	•	24334	4
Instr. 940-EZ	Chemployment (101A) Tax Return	25947	5	Form 1040A	U.S. Individual Income Tax Return	11327	2
Form 941	Employer's Quarterly Federal Tax Return	17001	4	Schedule 1 (Form 1040A)	Interest and Ordinary Dividends for Form 1040A Filers	12075	1
Instr. 941		14625	4	Schedule 2	Child and Dependent Care Expenses	10749	2
Form 941c	Supporting Statement To Correct Information	11242	4	(Form 1040A) Instr. Sch. 2	for Form 1040A Filers	30139	
Form 990	Return of Organization Exempt From Income Tax	11282	6	Schedule 3 (Form 1040A)	Credit for the Elderly or the Disabled for Form 1040A Filers	12064	
Instr. 990 & 990-EZ	General Instructions for Forms 990 and 990-EZ	22386	15	Instr. Sch. 3		12059	
Instr. 990	Specific Instructions for Form 990	50002	19	Form 1040-ES	Estimated Tax for Individuals	11340	
Schedule A	Organization Exempt Under Section	11285	6	Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	11329	2
(Form 990 or 990-EZ)	501(c)(3)			Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5
Instr. Sch. A		11294	14	Instr. 1040NR		11368	40
Form 990-EZ	Short Form Return of Organization Exempt From Income Tax	10642	2	Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	2

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Instr. 1040NR-EZ		21718	15	Form 6252	Installment Sale Income	13601	4
Form 1040-V	Payment Voucher	20975	2	Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	3
Form 1040X	Amended U.S. Individual Income Tax Return	11360	2	Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Instr. 1040X		11362	6	Form 8283	Noncash Charitable Contributions	62299	2
Form 1116 Instr. 1116	Foreign Tax Credit	11440 11441	2 16	Instr. 8283		62730	4
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Form 8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	62133	4
Form 2106 Instr. 2106	Employee Business Expenses	11700 64188	2 8	Form 8332	Release of Claim to Exemption for Child of Divorced or Separated	13910	1
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2	Form 8379	Parents Injured Spouse Claim and Allocation	62474	2
Form 2120	Multiple Support Declaration	11712	1	Form 8582	Passive Activity Loss Limitations	63704	3
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	3	Instr. 8582 Form 8586	Low-Income Housing Credit	64294 63987	12 2
Instr. 2210		63610	6	Form 8606	Nondeductible IRAs	63966	2
Form 2290	Heavy Highway Vehicle Use Tax Return	11250	3	Instr. 8606	Nondeductible IRAS	25399	8
Instr. 2290		27231	8	Form 8615	Tax for Children Under Age 14 With	64113	1
Form 2441 Instr. 2441	Child and Dependent Care Expenses	11862 10842	2 3		Investment Income of More Than \$1,500	0.110	-
Form 2553	Election by a Small Business	18629	2	Instr. 8615		28914	2
Instr. 2553	Corporation	49978	4	Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Form 2555 Instr. 2555	Foreign Earned Income	11900 11901	3 4	Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	4
Form 2555-EZ Instr. 2555-EZ	Foreign Earned Income Exclusion	13272 14623	2 3	Form 8809	Request for Extension of Time To File Information Returns	10322	2
Form 2688	Application for Additional Extension	11958	2	Form 8812	Additional Child Tax Credit	10644	2
	of Time To File U.S. Individual Income Tax Return			Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Form 2848	Power of Attorney and Declaration of Representative	11980	2	Form 8815	Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued	10822	2
Instr. 2848	M · F	11981	4		After 1989		
Form 3903	Moving Expenses	12490	2	Form 8822	Change of Address	12081	2
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4	Form 8824	Like-Kind Exchanges	12311	4
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2	Form 8829	Expenses for Business Use of Your Home	13232	1
Form 4506	Request for Copy or Transcript of Tax Form	41721	2	Instr. 8829		15683	4
Form 4562	Depreciation and Amortization	12906	2	Form 8839 Instr. 8839	Qualified Adoption Expenses	22843 23077	2 4
Instr. 4562	•	12907	12	Form 8850	Pre-Screening Notice and	22851	2
Form 4684 Instr. 4684	Casualties and Thefts	12997 12998	2 4		Certification Request for the Work Opportunity and Welfare-to-Work Credits		
Form 4797 Instr. 4797	Sales of Business Property	13086	2	Instr. 8850		24833	2
Form 4835	Farm Rental Income and Expenses	13087 13117	7 2	Form 8853	Archer MSAs and Long-Term Care Insurance Contracts	24091	2
Form 4868	Application for Automatic Extension	13141	4	Instr. 8853		24188	8
	of Time To File U.S. Individual Income Tax Return			Form 8857	Request for Innocent Spouse Relief	24647	4
Form 4952	Investment Interest Expense Deduction	13177	2	Form 8859 Form 8862	District of Columbia First-Time Homebuyer Credit	24779 25145	2
Form 4972	Tax on Lump-Sum Distributions	13187	4	1.01111 0007	Information To Claim Earned Income Credit After Disallowance	4J14J	2
Form 5329	Additional Taxes on Qualified Plans	13329	2	Instr. 8862		25343	2
	(Including IRAs) and Other Tax-Favored Accounts			Form 8863	Education Credits	25379	3
Instr. 5329		13330	4	Form 8880	Credit For Qualified Retirement Savings Contributions	33394	2
Form 6198 Instr. 6198	At-Risk Limitations	50012 50013	1 8	Form 8885	Health Insurance Credit For Eligible Recipients	34641	2
Form 6251	Alternative Minimum Tax— Individuals	13600	2	Form 9465	Installment Agreement Request	14842	2
Instr. 6251	marriduais	64277	8				

Partial List of Publications

The following publications are available through the IRS Web Site 24 hours a day, 7 days a week, at **www.irs.gov.** You can also order publications by calling **1-800-TAX-FORM** (1-800-829-3676) or by completing the order blank on page 61. You should receive your order within 10 days after we receive your request. For a complete list of available publications, see **Pub. 910.**

Pub. No.	Title	Pub. No.	Title
1	Your Rights as a Taxpayer	570	Tax Guide for Individuals With Income From U.S.
3	Armed Forces' Tax Guide		Possessions
17	Your Federal Income Tax (For Individuals)	575	Pension and Annuity Income
225 334	Farmer's Tax Guide	584	Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
	Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)	587	Business Use of Your Home (Including Use by Day-Care Providers)
378	Fuel Tax Credits and Refunds	590	Individual Retirement Arrangements (IRAs)
463	Travel, Entertainment, Gift, and Car Expenses	593	Tax Highlights for U.S. Citizens and Residents Going
501	Exemptions, Standard Deduction, and Filing Information		Abroad
502	Medical and Dental Expenses	594 505	The IRS Collection Process
503	Child and Dependent Care Expenses	595 506	Tax Highlights for Commercial Fishermen
504	Divorced or Separated Individuals	596 721	Earned Income Credit (EIC) Tay Cuids to U.S. Civil Service Patients of Page 549
505	Tax Withholding and Estimated Tax	721	Tax Guide to U.S. Civil Service Retirement Benefits
508	Tax Benefits for Work-Related Education	901	U.S. Tax Treaties
509	Tax Calendars for 2003	907	Tax Highlights for Persons With Disabilities
514	Foreign Tax Credit for Individuals	908	Bankruptcy Tax Guide
516	U.S. Government Civilian Employees Stationed	910	Guide To Free Tax Services Direct Sellers
517	Abroad Social Security and Other Information for Members of	911 915	Social Security and Equivalent Railroad Retirement
	the Clergy and Religious Workers		Benefits
519	U.S. Tax Guide for Aliens	919	How Do I Adjust My Tax Withholding?
520	Scholarships and Fellowships	925	Passive Activity and At-Risk Rules
521	Moving Expenses	926	Household Employer's Tax Guide—For Wages Paid in
523	Selling Your Home		2003
524	Credit for the Elderly or the Disabled	929	Tax Rules for Children and Dependents
525	Taxable and Nontaxable Income	936	Home Mortgage Interest Deduction
526	Charitable Contributions	946	How To Depreciate Property
527	Residential Rental Property (Including Rental of	947	Practice Before the IRS and Power of Attorney
	Vacation Homes)	950	Introduction to Estate and Gift Taxes
529 530	Miscellaneous Deductions Tax Information for First-Time Homeowners	954	Tax Incentives for Empowerment Zones and Other Distressed Communities
531		967	The IRS Will Figure Your Tax
533	Reporting Tip Income Self-Employment Tax	968	Tax Benefits for Adoption
534	Depreciating Property Placed in Service Before 1987	970	Tax Benefits for Education
535	Business Expenses	971	Innocent Spouse Relief (And Separation of Liability and Equitable Relief)
537	Installment Sales	972	Child Tax Credit
541	Partnerships	1542	Per Diem Rates (For Travel Within the Continental
544	Sales and Other Dispositions of Assets	10.2	United States)
547	Casualties, Disasters, and Thefts	1544	Reporting Cash Payments of Over \$10,000
550	Investment Income and Expenses (Including Capital Gains and Losses)	1546	The Taxpayer Advocate Service of the IRS—How to Get Help With Unresolved Tax Problems
551	Basis of Assets		
552	Recordkeeping for Individuals		
553	Highlights of 2002 Tax Changes	Spanish La	inguage Publications
554	Older Americans' Tax Guide	1SP	Your Rights as a Taxpayer
555	Community Property	579SP	How To Prepare Your Federal Income Tax Return
556	Examination of Returns, Appeal Rights, and Claims	594SP	The IRS Collection Process
	for Refund	596SP	Earned Income Credit
559 561	Survivors, Executors, and Administrators Determining the Value of Donated Property	850	English-Spanish Glossary of Words and Phrases Used
564	Mutual Fund Distributions	1544SP	in Publications Issued by the Internal Revenue Service Reporting Cash Payments of Over \$10,000
		134431	Reporting Cash Fayinents of Over \$10,000

Refund Information

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

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

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



Refunds are sent out weekly on Fridays. If you call to check the status of your refund and are not given the date it will be issued,

please wait until the next week before calling back.

What Is TeleTax?

How Do You Use TeleTax?

Recorded Tax Information

Recorded tax information is available 24 hours a day, 7 days a week. Select the

number of the topic you want to hear. Then, call **1-800-829-4477.** Have paper and pencil handy to take notes.

Topics by Personal Computer

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

TeleTax Topics

All topics are available in Spanish.

Topic No.

Subject

IRS Help Available

- 101 IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
- 102 Tax assistance for individuals with disabilities and the hearing impaired
- 103 Intro. to Federal taxes for small businesses/self-employed
- 104 Taxpayer Advocate program—Help for problem situations
- 105 Public libraries—Tax information tapes and reproducible tax forms

IRS Procedures

- 151 Your appeal rights
- 152 Refunds—How long they should take
- 153 What to do if you haven't filed your tax return
- 154 2002 Forms W-2 and Form 1099-R—What to do if not received

Topic No. Subject

- 155 Forms and publications—How to order
- 156 Copy of your tax return—How to get one
- 157 Change of address—How to notify IRS
- 158 Ensuring proper credit of payments
- 159 Prior year(s) Form W-2—How to get a copy of

Collection

- 201 The collection process
- 202 What to do if you can't pay your tax
- 203 Failure to pay child support and Federal nontax and state income tax obligations
- 204 Offers in compromise
- 205 Innocent spouse relief (and separation of liability and equitable relief)

Alternative Filing Methods

- 251 Electronic signatures
- 252 Electronic filing
- 253 Substitute tax forms
- 254 How to choose a paid tax preparer
- 255 TeleFile

Topic No. Subject

General Information

- 301 When, where, and how to file
- 302 Highlights of tax changes
- 303 Checklist of common errors when preparing your tax return
- 304 Extensions of time to file your tax return
- 305 Recordkeeping
- 306 Penalty for underpayment of estimated tax
- 307 Backup withholding
- 308 Amended returns
- 309 Roth IRA contributions
- 310 Coverdell education savings accounts
- 311 Power of attorney information
- 312 Disclosure authorizations
- 313 Qualified tuition programs (QTPs)

Filing Requirements, Filing Status, and Exemptions

- 351 Who must file?
- 352 Which form—1040, 1040A, or 1040EZ?
- 353 What is your filing status?

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TeleTax Topics

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No. Subject Soft Dependents Soft Decedents Soft Tax information for parents of kidnapped children Soft Types of Income Soft Types of Income Soft Tips Soft T	Conti	inued)			753	Forn
No. Subject 506 Contributions 505 Contributions 505 Estimated tax 508 Miscellaneous expenses 507 Casualty and theft losses 755 Miscellaneous expenses 508 Miscellaneous expenses 509 Business use of home 756 Business use of car 511 Business travel expenses 757 Types of Income 512 Business entertainment 558 Educational expenses 513 Educational expenses 759 Employee business expenses 759 Employee business expenses 759 Casualty, disaster, and theft losses 760 Dividends 515 Casualty, disaster, and theft losses 760 Dividends 761 Dividends 761 Dividends 761 Dividends 762 Dividends 762 Dividends 762 Dividends 763 Dividends 764 Dividends 764 Dividends 765 Dividends 766 Divid	Γορί	ic			754	ing .
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Calling the IRS

If you cannot answer your question by using one of the methods listed on page 9, please call us for assistance at **1-800-829-1040**. You will not be charged for the call unless your phone company charges you for local calls. Our normal hours of operation are Monday through Friday from 7:00 a.m. to 10:00 p.m. local time. Beginning January 25, 2003, through April 12, 2003, assistance will also be available on Saturday from 10:00 a.m. to 3:00 p.m. local time. Assistance provided to callers from Alaska and Hawaii will be based on the hours of operation in the Pacific time zone.



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

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

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

Before You Call

IRS representatives care about the quality of the service we provide to you, our customer. You can help us provide accurate, complete answers to your questions by having the following information available.

- The tax form, schedule, or notice to which your question relates.
- The facts about your particular situation. The answer to the same question often varies from one taxpayer to another because of differences in their age, income, whether they can be claimed as a dependent, etc.
- The name of any IRS publication or other source of information that you used to look for the answer.

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

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

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

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

Making the Call

Call 1-800-829-1040 (for TTY/TDD help, call 1-800-829-4059). We have redesigned our menus to allow callers with pulse or rotary dial telephones to speak their responses when requested to do so. First, you will be provided a series of options that will request touch-tone responses. If a touch-tone response is not received, you will then hear a series of options and be asked to speak your selections. After your touch-tone or spoken response is received, the system will direct your call to the appropriate assistance. You can do the following within the system.

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

Before You Hang Up

If you do not fully understand the answer you receive, or you feel our representative may not fully understand your question, our representative needs to know this. He or she will be happy to take additional time to be sure your question is answered fully.

By law, you are responsible for paying your share of Federal income tax. If we should make an error in answering your question, you are still responsible for the payment of the correct tax. Should this occur, however, you will not be charged any penalty.

Before You Fill In Form 1040

See How To Avoid Common Mistakes on page 59.

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



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

What's New for 2002?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mailing Your Return. You may be mailing your return to a different address this year because the IRS has changed the filing location for several areas. If you received an envelope with your tax package, please use

it. Otherwise, see Where Do You File? on the back cover.

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

- You may be able to take the credit if:
 —A child lived with you and you earned less than \$33,178 (\$34,178 if married filing jointly) or
- —A child did not live with you and you earned less than \$11,060 (\$12,060 if married filing jointly).
- Nontaxable earned income and modified AGI are no longer taken into account. Instead, taxable earned income and AGI are used to determine if you can take the credit and the amount of the credit.
- New rules apply if a child meets the conditions to be a qualifying child of more than one person.
- The alternative minimum tax no longer reduces the amount of the credit.

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

What To Look for in 2003

IRA Deduction Allowed to More People Covered by Retirement Plans. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2003 modified AGI is less than \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)).

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

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

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

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

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

Filing Requirements

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

Do You Have To File?

Use **Chart A, B,** or **C** to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see **Pub. 570.** Residents of Puerto Rico can use TeleTax topic 901 (see page 13) to see if they must file.



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

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

Exception for Children Under Age 14. If you are planning to file a return for your child who was under age 14 at the end of 2002 and certain other conditions apply, you may elect to report your child's income on your return. But you must use Form 8814 to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 13) or see Form 8814.



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

Chart A—For Most People

Nonresident Aliens and Dual-Status Aliens. These rules also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 2002 and who have elected to be taxed as resident aliens. Other nonresident aliens and dual-status aliens have different filing requirements. They may have to file Form 1040NR or Form 1040NR-EZ. Specific rules apply to determine if you are a resident or nonresident alien. See Pub. 519 for details, including the rules for students and scholars who are aliens.

When Should You File?

Not later than **April 15, 2003.** If you file after this date, you may have to pay interest and penalties. See page 60.

What if You Cannot File on Time?

You can get an automatic 4-month extension if, no later than April 15, 2003, you either:

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



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

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

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

This extension gives you an extra 2 months to file and pay the tax, but interest will be charged from the original due date of the return on any unpaid tax. You must attach a statement to your return showing that you meet the requirements.

Where Do You File?

See the back cover of this booklet for filing instructions and addresses. For details on using a private delivery service to mail your return or payment, see page 20.

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

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

^{**} Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax including any income from sources outside the United States (even if you may exclude part or all of it). Do not include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 2002.

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

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 22 to find out if someone can claim you as a dependent.)

If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return. In this chart, unearned income includes taxable interest, ordinary dividends, and capital gain distributions, Earned income includes wages, tips, and taxable scholarship and fellowship grants. Gross income is the total of your unearned and earned income. If your gross income was \$3,000 or more, you usually cannot be claimed as a dependent unless you were under age 19 or a student under age 24. For details, see Pub. 501. Single dependents. Were you either age 65 or older or blind? No. You must file a return if any of the following apply. • Your **unearned income** was over \$750. • Your earned income was over \$4,700. • Your gross income was more than the larger of— • \$750 or • Your earned income (up to \$4,450) plus \$250. Yes. You must file a return if any of the following apply. • Your unearned income was over \$1,900 (\$3,050 if 65 or older and blind). • Your earned income was over \$5,850 (\$7,000 if 65 or older and blind). • Your gross income was more than— The larger of: Plus This amount: • \$750 or \$1,150 (\$2,300 if 65 • Your earned income (up to \$4,450) plus \$250 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 \$750. • Your earned income was over \$3,925. • Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions. • Your gross income was more than the larger of-• \$750 or • Your earned income (up to \$3,675) plus \$250. Yes. You must file a return if any of the following apply. • Your unearned income was over \$1,650 (\$2,550 if 65 or older **and** blind). • Your earned income was over \$4,825 (\$5,725 if 65 or older **and** blind). • Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions. • Your gross income was more than— The larger of: Plus This amount: • \$750 or \$900 (\$1,800 if 65 or older and blind) • Your earned income (up to \$3,675) plus \$250

Chart C—Other Situations When You Must File

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

- 1. You owe any special taxes, such as:
 - Social security and Medicare tax on tips you did not report to your employer,
 - Uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance,
 - Alternative minimum tax,
 - Recapture taxes (see the instructions for lines 42 and 61 that begin on pages 36 and 41), or
 - Tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
- 2. You received any advance earned income credit (EIC) payments from your employer. These payments are shown in box 9 of your W-2 form.
- **3.** You had net earnings from self-employment of at least \$400.
- **4.** You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

Where To Report Certain Items From 2002 Forms W-2, 1098, and 1099

Report on Form 1040, line 62, any amounts shown on these forms as **Federal income tax withheld.** If you itemize your deductions, report on Schedule A, line 5, any amounts shown on these forms as **state or local income tax withheld.**

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1)	Form 1040, line 7
	Allocated tips (box 8)	See Tip income on page 23
	Advance EIC payment (box 9)	Form 1040, line 59
	Dependent care benefits (box 10)	Form 2441, line 12
	Adoption benefits (box 12, code T)	Form 8839, line 22
	Employer contributions to an Archer MSA (box 12, code R)	Form 8853, line 3b
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1) Points (box 2)	Schedule A, line 10*
	Refund of overpaid interest (box 3)	Form 1040, line 21, but first see the instructions on Form 1098*
1098-E	Student loan interest (box 1)	See the instructions for Form 1040, line 25, that begin on page 31*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2)	Schedule D
	Bartering (box 3)	See Pub. 525
	Aggregate profit or (loss) on futures contracts (box 9)	Form 6781
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Ordinary dividends (box 1)	Form 1040, line 9
	Total capital gain distributions (box 2a)	Form 1040, line 13, or, if required, Schedule D, line 13, column (f)
	28% rate gain (box 2b)	Schedule D, line 13, column (g)
	Qualified 5-year gain (box 2c)	See the worksheet for Schedule D, line 29, on page D-8
	Unrecaptured section 1250 gain (box 2d)	See the worksheet for Schedule D, line 19, on page D-7
	Section 1202 gain (box 2e)	See the instructions for Schedule D
	Nontaxable distributions (box 3)	See the instructions for Form 1040, line 9, on page 24
	Investment expenses (box 5)	Schedule A, line 22
	Foreign tax paid (box 6)	Form 1040, line 45, or Schedule A, line 8
1099-G	Unemployment compensation (box 1)	Form 1040, line 19. But if you repaid any unemployment compensation in 2002, see the instructions for line 19 on page 27
	State or local income tax refunds (box 2)	See the instructions for Form 1040, line 10, that begin on page 24*
	Taxable grants (box 6)	Form 1040, line 21*
	Agriculture payments (box 7)	See the Schedule F instructions or Pub. 225
	elates to an activity for which you are required to file Scho the activity on that schedule or form instead.	edule C, C-EZ, E, or F or Form 4835, report the taxable or deductible amount

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1)	Form 1040, line 8a
	Early withdrawal penalty (box 2)	Form 1040, line 32
	Interest on U.S. savings bonds and Treasury obligations (box 3)	See the instructions for Form 1040, line 8a, on page 23
	Investment expenses (box 5)	Schedule A, line 22
	Foreign tax paid (box 6)	Form 1040, line 45, or Schedule A, line 8
1099-LTC	Long-term care and accelerated death benefits	See Pub. 502 and the instructions for Form 8853
1099-MISC	Rents (box 1)	See the instructions for Schedule E
	Royalties (box 2)	Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544)
	Other income (box 3)	Form 1040, line 21*
	Nonemployee compensation (box 7)	Schedule C, C-EZ, or F. But if you were not self-employed, see the instructions on Form 1099-MISC.
	Other (boxes 5, 6, 8, 9, 10, 13, and 14)	See the instructions on Form 1099-MISC
1099-MSA	Distributions from MSAs**	Form 8853
1099-OID	Original issue discount (box 1)	See the instructions on Form 1099-OID
	Other periodic interest (box 2)	E 1040 E 22
	Early withdrawal penalty (box 3)	Form 1040, line 32
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5)	Schedule C, C-EZ, or F or Form 4835, but first see the instructions on Form 1099-PATR
	Credits (boxes 6, 7, and 8)	Form 3468, 5884, 8844, 8845, 8861, or 8884
	Patron's AMT adjustment (box 9)	Form 6251, line 26
1099-Q	Qualified tuition program earnings (box 2)	See the instructions for Form 1040, line 21, on page 29
1099-R	Distributions from IRAs***	See the instructions for Form 1040, lines 15a and 15b, on page 25
	Distributions from pensions, annuities, etc.	See the instructions for Form 1040, lines 16a and 16b, that begin on page 25
	Distributions from Coverdell education savings accounts (ESAs)	See the instructions for Form 1040, line 21, on page 29
	Capital gain (box 3)	See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2)	Form 4797, Form 6252, or Schedule D. But if the property was your home, see the instructions for Schedule D to find out if you must report the sale or exchange.
	Buyer's part of real estate tax (box 5)	See the instructions for Schedule A, line 6, on page A-2*

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

Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The most recent list of designated private delivery services was published by the IRS in September 2002. The list includes only the following:

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

- DHL Worldwide Express (DHL): DHL "Same Day" Service, and DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

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



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

box address.

^{**} This includes distributions from Archer and Medicare+Choice MSAs.

^{***} This includes distributions from Roth, SEP, and SIMPLE IRAs.

Line Instructions for Form 1040

Name and Address

Use the Peel-Off Label

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

Address Change

If the address on your peel-off label is not your current address, cross out your old address and print your new address. If you plan to move after filing your return, see page 59.

Name Change

If you changed your name, be sure to report the change to your local Social Security Administration office **before** filing your return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. See page 59 for more details. If you received a peel-off label, cross out your former name and print your new name.

What If You Do Not Have a Label?

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



If you filed a joint return for 2001 and you are filing a joint return for 2002 with the same spouse, be sure to enter your names and

SSNs in the same order as on your 2001 return.

P.O. Box

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

Foreign Address

Enter the information in the following order: City, province or state, and country. Follow the country's practice for entering the postal code. **Do not** abbreviate the country name.

Death of a Taxpayer

See page 60.

Social Security Number (SSN)

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

Check that your SSN is correct on your Forms W-2 and 1099. If not, see page 59 for more details.

IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

The IRS will issue you an ITIN if you are a nonresident or resident alien and you do not have and are not eligible to get an SSN. To apply for an ITIN, file Form W-7 with the IRS. It usually takes about 4-6 weeks to get an ITIN. Enter your ITIN wherever your SSN is requested on your tax return.

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

Nonresident Alien Spouse

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

Presidential Election Campaign Fund

This fund helps pay for Presidential election campaigns. The fund reduces candidates' dependence on large contributions from individuals and groups and places candidates on an equal financial footing in the general election. If you want \$3 to go to this fund, check the "Yes" box. If you are filing a joint return, your spouse may also have \$3 go to the fund. If you check "Yes," your tax or refund will not change.

Filing Status

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

- Married filing separately.
- Single.
- Head of household. This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child who lived with you or your parent whom you can claim as a dependent. Certain married people who lived apart from their spouse for the last 6 months of 2002 may also be able to use this status.
- Married filing jointly or Qualifying widow(er) with dependent child. The **Qualifying widow(er)** status is for certain people whose spouse died in 2000 or 2001 and who had a child living with them whom they can claim as a dependent.

Joint and Several Tax Liability. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, see **Innocent Spouse Relief** on page 59.



More than one filing status may apply to you. Choose the one that will give you the lowest tax. If you are not sure about your filing

status, use TeleTax topic 353 (see page 13) or see **Pub. 501.**

Exemptions

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

Line 6b

Spouse

Check the box on line 6b if you file either (a) a joint return or (b) a separate return and your spouse had no income and is not filing a return. However, **do not** check the box if your spouse can be claimed as a dependent on another person's return.

Line 6c

Dependents

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

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

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

Citizen or Resident Test. The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children. To find out who is a **resident alien**, use TeleTax topic 851 (see page 13) or see **Pub. 519**.

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

Support Test. You must have provided over half of the person's total support in 2002. But there are two exceptions to this test: One for children of divorced or separated parents and one for persons supported by two or more taxpayers.



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

Line 6c, Column (2)

You must enter each dependent's social security number (SSN). Be sure the name and SSN entered agree with the dependent's social security card. Otherwise, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit and the earned income credit) based on that dependent. If the name or SSN on the dependent's social security card is not correct, call the Social Security Administration at 1-800-772-1213.



For details on how your dependent can get an SSN, see page 21. If your dependent will not have a number by April 15, 2003,

see What if You Cannot File on Time? on page 17.

If your dependent child was born and died in 2002 and you do not have an SSN for the child, you may attach a copy of the child's birth certificate instead and enter "Died" in column (2).

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

Line 6c, Column (4)

Check the box in this column if your dependent is a qualifying child for the child tax credit (defined below). If you have a qualifying child, you may be able to take the child tax credit on line 50 and the additional child tax credit on line 66.

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

- Is claimed as your dependent on line 6c, **and**
- Was **under age 17** at the end of 2002, **and**
- Is (a) your son, daughter, adopted child, stepchild, grandchild; (b) your brother, sister, stepbrother, stepsister, or a decendant of your brother, sister, stepbrother, or stepsister (for example, your niece or nephew), whom you cared for as your own child; or (c) a foster child (that is, any child placed with you by an authorized placement agency whom you cared for as your own child), and
 - Is a U.S. citizen or resident alien.

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

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

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

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

If you are claiming a child who did not live with you under the rules explained in **Pub. 501** for children of divorced or separated parents, attach **Form 8332** or similar statement to your return. But see **Exception** below.

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

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

Attach the following pages from the decree or agreement:

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

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

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

Other Dependent Children

Include the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "Dependents on 6c not entered above." Include dependent children who lived in Canada or Mexico during 2002.

Income

Foreign-Source Income

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

(Continued on page 23)

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

Community Property States

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

Rounding Off to Whole Dollars

To round off cents to the nearest whole dollar on your forms and schedules, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. If you do round off, do so for all amounts. But if you have to add two or more amounts to figure the amount to enter on a line, include cents when adding and only round off the total.

Line 7

Wages, Salaries, Tips, etc.

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

- Wages received as a **household employee** for which you did not receive a W-2 form because your employer paid you less than \$1,300 in 2002. Also, enter "HSH" and the amount not reported on a W-2 form on the dotted line next to line 7.
- **Tip income** you did not report to your employer. Also include **allocated tips** shown on your W-2 form(s) unless you can prove that you received less. Allocated tips should be shown in box 8 of your W-2 form(s). They are not included as income in box 1. See **Pub. 531** for more details.



You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 57 on page 41.

- Dependent care benefits, which should be shown in box 10 of your W-2 form(s). But first complete Form 2441 to see if you may exclude part or all of the benefits.
- Employer-provided adoption benefits, which should be shown in box 12 of

your W-2 form(s) with code **T.** But first complete **Form 8839** to see if you may exclude part or all of the benefits.

- Scholarship and fellowship grants not reported on a W-2 form. Also, enter "SCH" and the amount on the dotted line next to line 7. Exception. If you were a degree candidate, include on line 7 only the amounts you used for expenses other than tuition and course-related expenses. For example, amounts used for room, board, and travel must be reported on line 7.
- Excess salary deferrals. The amount deferred should be shown in box 12 of your W-2 form and the "Retirement plan" box in box 13 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 2002 under all plans was more than \$11,000, include the excess on line 7. This limit is increased to \$14,000 for section 403(b) plans, if you qualify for the 15-year rule in **Pub. 571.**

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

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



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

- Disability pensions shown on Form 1099-R if you have not reached the minimum retirement age set by your employer. Disability pensions received after you reach that age and other payments shown on Form 1099-R (other than payments from an IRA* or a Coverdell education savings account (ESA)) are reported on lines 16a and 16b. Payments from an IRA are reported on lines 15a and 15b. Taxable distributions from a Coverdell ESA are reported on line 21.
- Corrective distributions shown on Form 1099-R of (a) excess salary deferrals plus earnings and (b) excess contributions plus earnings to a retirement plan. But do not include distributions from an IRA* or a Coverdell ESA on line 7. Instead, report distributions from an IRA on lines 15a and 15b and taxable distributions from a Coverdell ESA on line 21.

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

Were You a Statutory Employee?

If you were, the "Statutory employee" box in box 13 of your W-2 form should be checked. Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers. If you have related business expenses to deduct, report the amount shown in box 1 of your W-2 form on **Schedule C** or **C-EZ** along with your expenses.

Missing or Incorrect Form W-2?

Your employer is required to provide or send Form W-2 to you no later than January 31, 2003. If you do not receive it by early February, use TeleTax topic 154 (see page 13) to find out what to do. Even if you do not get a Form W-2, you must still report your earnings on line 7. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

Line 8a

Taxable Interest

Each payer should send you a **Form 1099-INT** or **Form 1099-OID**. Enter your total taxable interest income on line 8a. But you must fill in and attach **Schedule B** if the total is over \$1,500 or any of the other conditions listed at the beginning of the Schedule B instructions (see page B-1) apply to you.

Interest credited in 2002 on deposits that you could not withdraw because of the bank-ruptcy or insolvency of the financial institution may not have to be included in your 2002 income. For details, see **Pub. 550.**



If you get a 2002 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2002, see Pub. 550.

Line 8b

Tax-Exempt Interest

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

Line 9

Ordinary Dividends

Each payer should send you a **Form 1099-DIV.** Enter your total ordinary dividends on line 9. But you must fill in and attach **Schedule B** if the total is over \$1,500 or you received, as a nominee, ordinary dividends that actually belong to someone else.

Capital Gain Distributions

If you received any capital gain distributions, see the instructions for line 13 on page 25.

Nontaxable Distributions

Some distributions are nontaxable because they are a return of your cost (or other basis). They will not be taxed until you recover your cost (or other basis). You must reduce your cost (or other basis) by these distributions. After you get back all of your cost (or other basis), you must report these distributions as capital gains on **Schedule D.** For details, see **Pub. 550.**



Dividends on insurance policies are a partial return of the premiums you paid. **Do not** report them as dividends. Include them

in income only if they exceed the total of all net premiums you paid for the contract.

Line 10

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



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

If you received a refund, credit, or offset of state or local income taxes in 2002, you may receive a **Form 1099-G.** If you chose to apply part or all of the refund to your 2002 estimated state or local income tax, the amount applied is treated as received in 2002. If the refund was for a tax you paid in 2001 and you itemized deductions for 2001, use the worksheet below to see if any of your refund is taxable.

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

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

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

(Continued on page 25)

State and Local Income Tax Refund Worksheet—Line 10

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	1 0
1.	Enter the income tax refund from Form(s) 1099-G (or similar statement). But do not enter more than the amount on your 2001 Schedule A (Form 1040), line 5
2.	Enter your total allowable itemized deductions from your 2001 Schedule A (Form 1040), line 28
	Note. If the filing status on your 2001 Form 1040 was married filing separately and your spouse itemized deductions in 2001, skip lines 3, 4, and 5, and enter the amount from line 2 on line 6.
3.	Enter the amount shown below for the filing status claimed on your 2001 Form 1040.
	• Single—\$4,550
	Married filing jointly or
	qualifying widow(er)—\$7,600 \\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \
	• Married filing separately—\$3,800
	• Head of household—\$6,650
4	Did you fill in line 35a on your 2001 Form 1040?
	No. Enter -0
	Yes. Multiply the number on line 35a of your 2001
	Form 1040 by: \$900 if your 2001 filing status 4.
	was married filing jointly or separately or
	qualifying widow(er); \$1,100 if your 2001
	filing status was single or head of household
5.	Add lines 3 and 4
6.	Is the amount on line 5 less than the amount on line 2?
	STOP) N. C. C. L. C. L.
	No. Stop None of your refund is taxable.
	Yes. Subtract line 5 from line 2
7.	Taxable part of your refund. Enter the smaller of line 1 or line 6 here and on Form 1040,
	line 10

- 1. You had to use the Itemized Deductions Worksheet in the 2001 Schedule A instructions because your 2001 adjusted gross income was over: \$132,950 (\$66,475 if married filing separately).
- **2.** You could not deduct all of the amount on line 1 of the 2001 Itemized Deductions Worksheet.
- **3.** The amount on line 8 of that 2001 worksheet would be more than the amount on line 4 of that worksheet if the amount on line 4 were reduced by 80% of the refund you received in 2002.

Line 11

Alimony Received

Enter amounts received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you do not, you may have to pay a \$50 penalty. For more details, use TeleTax topic 406 (see page 13) or see **Pub. 504.**

Line 12

Business Income or (Loss)

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

Line 13

Capital Gain or (Loss)

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

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

- 1. The only amounts you have to report on Schedule D are capital gain distributions from box 2a of Forms 1099-DIV or substitute statements.
- 2. None of the Forms 1099-DIV or substitute statements have an amount in box 2b (28% rate gain), box 2c (qualified 5-year gain), box 2d (unrecaptured section 1250 gain), or box 2e (section 1202 gain).
- **3.** You are not filing **Form 4952** (relating to investment interest expense deduction) **or** the amount on line 4e of that form is zero or blank.

If all three of the above apply, enter your total capital gain distributions on line 13 and

check the box on that line. Also, be sure you use the **Capital Gain Tax Worksheet** on page 36 to figure your tax. Your tax may be less if you use this worksheet.

Line 14

Other Gains or (Losses)

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

Lines 15a and 15b

IRA Distributions

You should receive a **Form 1099-R** showing the amount of any distribution from your individual retirement arrangement (IRA). Unless otherwise noted in the line 15a and 15b instructions, an IRA includes a traditional IRA, Roth IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Except as provided below, leave line 15a blank and enter the total distribution on line 15b.

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

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

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

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

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

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

- You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2002
- You had a 2001 or 2002 IRA contribution returned to you, with the related earnings or less any loss, by the due date (including extensions) of your tax return for that year.
- You made excess contributions to your IRA for an earlier year and had them returned to you in 2002.
- You recharacterized part or all of a contribution to a Roth IRA as a traditional IRA contribution, or vice versa.

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



You may have to pay an additional tax if (a) you received an early distribution from your IRA and the total was not rolled over

or **(b)** you were born before July 2, 1931, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 58 on page 41 for details.

Lines 16a and 16b

Pensions and Annuities

You should receive a **Form 1099-R** showing the amount of your pension and annuity payments. See page 27 for details on rollovers and lump-sum distributions. **Do not** include the following payments on lines 16a and 16b. Instead, report them on line 7.

- Disability pensions received before you reach the minimum retirement age set by your employer.
- Corrective distributions of excess salary deferrals or excess contributions to retirement plans.

(Continued on page 26)



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

Fully Taxable Pensions and Annuities

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

• You did not contribute to the cost (see page 27) of your pension or annuity or

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

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

Partially Taxable Pensions and Annuities

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

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

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

(Continued on page 27)

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records

b o be	you are the beneficiary of a deceased employee of efore August 21, 1996, see Pub. 939 to find out if enefit exclusion of up to \$5,000. If you are, include a tered on line 2 below.	you are entitled to a death
	ially taxable pension or annuity, figure the taxable b. Enter the total pension or annuity payments rece	
 line 16a	ty payments received in 2002. Also, enter this a annuity starting date In Table 1 below. But if your annuity starting date that are for your life and that of your beneficiary, in Table 2 below In Table 2 below In Table 3 below In Table 4 below In Table 5 below In Table 6 below In Table 6 below In Table 7 below In Table 8 below In Table 9 below In Table 9 below In Table 1 below. But if your annuity starting date that are for your beneficiary, and that of your beneficiary	1
	Table 1 for Line 3 Above	
	AND your an	nuity starting date was—
IF the age at annuity starting d (see page 27) was	before November 19, 1996, enter on line 3	after November 18, 1996, enter on line 3
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160
	Table 2 for Line 3 Above	
IF the combined ages at annuit date (see page 27) were	•	N enter on line 3
110 or under		410
111–120		360
121–130		310
131–140		260

141 or older

210

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

Annuity Starting Date

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

Simplified Method

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

- 1. The payments are for (a) your life or (b) your life and that of your beneficiary.
- **2.** The payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.
- **3.** On your annuity starting date, either you were under age 75 or the number of years of guaranteed payments was fewer than 5. See Pub. 575 for the definition of guaranteed payments.

If you must use the Simplified Method, complete the worksheet on page 26 to figure the taxable part of your pension or annuity. For more details on the Simplified Method, see Pub. 575 or **Pub. 721** for U.S. Civil Service retirement.



If you received U.S. Civil Service retirement benefits and you chose the alternative annuity option, see Pub. 721 to figure the

taxable part of your annuity. **Do not** use the worksheet on page 26.

Age (or Combined Ages) at Annuity Starting Date

If you are the retiree, use your age on the annuity starting date. If you are the survivor of a retiree, use the retiree's age on his or her annuity starting date. **But** if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, use your combined ages on the annuity starting date.

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

Cost

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

Rollovers

A rollover is a tax-free distribution of cash or other assets from one retirement plan that is contributed to another plan. Use lines 16a and 16b to report a rollover, including a direct rollover, from one qualified employer's plan to another or to an IRA or SEP.

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

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

Lump-Sum Distributions

If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in box 2b checked. You may owe an additional tax if you received an early distribution from a qualified retirement plan and the total amount was not rolled over. For details, see the instructions for line 58 on page 41.

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



You may be able to pay less tax on the distribution if you were born before January 2, 1936, you meet certain other conditions,

and you choose to use **Form 4972** to figure the tax on any part of the distribution. You may also be able to use Form 4972 if you are the beneficiary of a deceased employee who was born before January 2, 1936. For details, see Form 4972.

Line 19

Unemployment Compensation

You should receive a **Form 1099-G** showing the total unemployment compensation paid to you in 2002.

If you received an overpayment of unemployment compensation in 2002 and you repaid any of it in 2002, subtract the amount

you repaid from the total amount you received. Enter the result on line 19. Also, enter "Repaid" and the amount you repaid on the dotted line next to line 19. If, in 2002, you repaid unemployment compensation that you included in gross income in an earlier year, you may deduct the amount repaid on **Schedule A**, line 22. But if you repaid more than \$3,000, see **Repayments** in **Pub. 525** for details on how to report the repayment.

Lines 20a and 20b Social Security Benefits

You should receive a **Form SSA-1099** showing in box 3 the total social security benefits paid to you. Box 4 will show the amount of any benefits you repaid in 2002. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**.

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

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

- You made contributions to a traditional IRA for 2002 and you were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in **Pub. 590** to see if any of your social security benefits are taxable and to figure your IRA deduction.
- You repaid any benefits in 2002 and your total repayments (box 4) were more than your total benefits for 2002 (box 3). **None** of your benefits are taxable for 2002. In addition, you may be able to take an itemized deduction for part of the excess repayments if they were for benefits you included in gross income in an earlier year. For more details, see **Pub. 915.**
- You file **Form 2555, 2555-EZ, 4563,** or **8815,** or you exclude employer-provided adoption benefits or income from sources within Puerto Rico. Instead, use the worksheet in Pub. 915.

Before you begin:	 ✓ Complete Form 1040, lines 21, 23, 24, and 27 through 33a, if they to you. ✓ Figure any amount to be entered on the dotted line next to line 34 page 33). ✓ If you are married filing separately and you lived apart from your for all of 2002, enter "D" to the right of the word "benefits" on lin ✓ Be sure you have read the Exception on page 27 to see if you can worksheet instead of a publication to find out if any of your benefit taxable. 	(see r spouse the 20a. use this
	t from box 5 of all your Forms SSA-1099 and	
	1	2.
3. Add the amounts on F	Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. ats from box 5 of Forms SSA-1099 or RRB-1099	3.
4. Enter the amount, if a	ny, from Form 1040, line 8b	4.
5. Add lines 2, 3, and 4		5
on the dotted line next		6
7. Is the amount on line	6 less than the amount on line 5?	
No. (STOP) None of	f your social security benefits are taxable.	
8. Enter: \$25,000 if single and you lived apart for if married filing separates the separates of the separates are separates as a separate separates of the separates are separates as a separate separate separates are separates as a separate separate separates are separates as a separate separate separates are separates as a separate separate separate separates are separates as a separate separate separate separate separate separates are separates as a separate separate separate separates are separates as a separate separate separate separate separate separates are separates as a separate separate separate separates are separates as a separate separate separate separate separate separates are separates as a separate separate separate separate separate separate separates are separates as a separate sepa	6 from line 5	8.
amounts separate	f your social security benefits are taxable. You do not have to enter any son lines 20a or 20b of Form 1040. But if you are married filing ely and you lived apart from your spouse for all of 2002, enter -0- on b. Be sure you entered "D" to the right of the word "benefits" on a.	
☐ Yes. Subtract line	8 from line 7	9
and you lived apart f	e, head of household, qualifying widow(er), or married filing separately from your spouse for all of 2002; \$12,000 if married filing jointly; -0-ately and you lived with your spouse at any time in 2002	10
	line 9. If zero or less, enter -0	11.
	ine 9 or line 10	12.
13. Enter one-half of line	12	13
14. Enter the smaller of 1	ine 2 or line 13	14
15. Multiply line 11 by 85	5% (.85). If line 11 is zero, enter -0	15
16. Add lines 14 and 15.		16
17. Multiply line 1 by 859	% (.85)	17
18. Taxable social securit	ty benefits. Enter the smaller of line 16 or line 17	18.
	om line 1 above on Form 1040, line 20a.	
• Enter the amount fr	om line 18 above on Form 1040, line 20b.	

Line 21

Other Income



Do not report on this line any income from **self-employment** or fees received as a notary public. Instead, you **must** use

Schedule C, C-EZ, or **F,** even if you do not have any business expenses. Also, **do not** report on line 21 any nonemployee compensation shown on **Form 1099-MISC.** Instead, see the chart on page 20 to find out where to report that income.

Use line 21 to report any other income not reported on your return or other schedules. See examples below. List the type and amount of income. If necessary, show the required information on an attached statement. For more details, see **Miscellaneous Income** in **Pub. 525.**



Do not report any nontaxable income on line 21, such as child support; money or property that was inherited, willed to you, or

received as a gift; or life insurance proceeds received because of a person's death.

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

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



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

Form 5329.

- Prizes and awards.
- Gambling winnings, including lotteries, raffles, a lump-sum payment from the sale of a right to receive future lottery payments, etc. For details on gambling losses, see the instructions for **Schedule A**, line 27, on page A-6.
- Jury duty fees. Also, see the instructions for line 34 on page 33.
 - Alaska Permanent Fund dividends.
- Qualified tuition program earnings. However, you may be able to exclude part or all of the earnings from income if (a) the qualified tuition program was established and maintained by a state (or agency or instrumentality of the state) and (b) any part

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



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

Instructions for Form 5329.

- Reimbursements or other amounts received for items deducted in an earlier year, such as medical expenses, real estate taxes, or home mortgage interest. See **Recoveries** in Pub. 525 for details on how to figure the amount to report.
- Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property. Also, see the instructions for line 34 on page 33.
- Income from an activity not engaged in for profit. See **Pub. 535.**
- Loss on certain corrective distributions of excess deferrals. See **Retirement Plan Contributions** in Pub. 525.

Adjusted Gross Income

Line 23

Educator Expenses

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

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

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

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

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

Line 24

IRA Deduction



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

them on Form 8606.

If you made contributions to a traditional IRA for 2002, you may be able to take an IRA deduction. But you, or your spouse if filing a joint return, must have had earned income to do so. For IRA purposes, earned income includes certain alimony received. See **Pub. 590** for details. A statement should be sent to you by June 2, 2003, that shows all contributions to your traditional IRA for 2002.

Use the worksheet on page 30 to figure the amount, if any, of your IRA deduction. But read the following list before you fill in the worksheet.

- If you were age 70½ or older at the end of 2002, you **cannot** deduct any contributions made to your traditional IRA for 2002 or treat them as nondeductible contributions.
- You cannot deduct contributions to a Roth IRA.



If you made contributions to both a traditional IRA and a Roth IRA for 2002, **do not** use the worksheet on page 30. Instead, use the

worksheet in **Pub. 590** to figure the amount, if any, of your IRA deduction.

- You cannot deduct elective deferrals to a 401(k) plan, section 457 plan, SIMPLE plan, or the Federal Thrift Savings Plan. These amounts are not included as income in box 1 of your W-2 form.
- If you made contributions to your IRA in 2002 that you deducted for 2001, **do not** include them in the worksheet.
- If you received a distribution from a nonqualified deferred compensation plan or

nongovernmental section 457 plan that is included in box 1 of your W-2 form, **do not** include that distribution on line 8 of the worksheet. The distribution should be shown in box 11 of your W-2 form. If it is not, contact your employer for the amount of the distribution.

• You must file a joint return to deduct contributions to your spouse's IRA. Enter

the total IRA deduction for you and your spouse on line 24.

- Do not include rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 25.
- Do not include trustees' fees that were billed separately and paid by you for your

IRA. These fees can be deducted only as an itemized deduction on **Schedule A.**

• If the total of your IRA deduction on line 24 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2002, see Pub. 590 for special rules.

IRA Deduction Worksheet—Line 24

Bef	ore you begin: √ Complete Form 1040, lines 27 through 33a, if they ap √ Figure any amount to be entered on the dotted line no √ Be sure you have read the list beginning on page 29.		33).
		Your IRA	Spouse's IRA
	Were you covered by a retirement plan (see page 31)?		1b. □Yes □No
2.	 Enter the amount shown below that applies to you. Single, head of household, or married filing separately and you lived apart from your spouse for all of 2002, enter \$44,000 Qualifying widow(er), enter \$64,000 Married filing jointly, enter \$64,000 in both columns. But if you checked "No" on either line 1a or 1b, enter \$160,000 for the person who was not covered by a plan Married filing separately and you lived with your spouse at any time in 2002, enter \$10,000 	2a	2b.
3. 4.	Enter the amount from Form 1040, line 22		
5. 6.	Subtract line 4 from line 3. Enter the result in both columns Is the amount on line 5 less than the amount on line 2? No. Stop None of your IRA contributions are deductible. For details on nondeductible IRA contributions, see Form 8606. Yes. Subtract line 5 from line 2 in each column. If the result is \$10,000 or	•	5b
7.	more, enter \$3,000 (\$3,500 if age 50 or older at the end of 2002) on line 7 for that column and go to line 8	6a	6b
8.	to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200	7a	7ь
	If married filing jointly and line 8 is less than \$6,000 (\$6,500 if one spouse is 50 or older at the end of 2002; \$7,000 if both spouses are 50 or older at the end of 2002), stop here and see Pub. 590 to figure your IRA deduction.)	
9. 10.	Enter traditional IRA contributions made, or that will be made by April 15, 2003, for 2002 to your IRA on line 9a and to your spouse's IRA on line 9b 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	9a	9b
	and 10b and enter the total on Form 1040, line 24. Or, if you want, you may deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)		10b



By April 1 of the year after the year in which you turn age 70½, you must start taking minimum required distributions from your

traditional IRA. If you do not, you may have to pay a 50% additional tax on the amount that should have been distributed. For details, including how to figure the minimum required distribution, see Pub. 590.

Were You Covered by a Retirement Plan?

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

The "Retirement plan" box in box 13 of your W-2 form should be checked if you were covered by a plan at work even if you were not vested in the plan. You are also covered by a plan if you were self-employed and had a SEP, SIMPLE, or qualified retirement plan.

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

Married Persons Filing Separately. If you were not covered by a retirement plan but your spouse was, you are considered covered by a plan unless you lived apart from your spouse for all of 2002.

Line 25

Student Loan Interest Deduction

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

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

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

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

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

Qualified Student Loan. This is any loan you took out to pay the qualified higher education expenses for yourself, your spouse, or anyone who was your dependent when the loan was taken out. The person for whom the expenses were paid must have been an eligible student (defined on page 32). However, a loan is not a qualified student loan if (a) any of the proceeds were used for other purposes or (b) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see Pub. 970.

Qualified higher education expenses generally include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution. An eligible educational institution includes most colleges, universities, and certain vocational schools. You must reduce the expenses by the following benefits.

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

(Continued on page 32)

Student Loan Interest Deduction Worksheet—Line 25

 ✓ Figure any amount ✓ See the instruction ✓ Be sure you have notes 	040, lines 27 through 33a, if they apply to you. It to be entered on the dotted line next to line 34 (see page 33). In some for line 25 that begin on this page. The read the Exception above to see if you can use this worksheet to to figure your deduction.	
	ified student loans (defined above). Do not enter more	
2. Enter the amount from Form 1040, line 22	2.	
3. Enter the total of the amounts from Form 1040 through 33a, plus any amount you entered on th	0, line 23, line 24, lines 27	
4. Subtract line 3 from line 2	4.	
 5. Enter the amount shown below for your filing states a Single, head of household, or qualifying widow. Married filing jointly—\$100,000 6. Is the amount on line 4 more than the amount or	on line 5?	
Yes. Subtract line 5 from line 4	-	
7. Divide line 6 by \$15,000 (\$30,000 if married fili	ling jointly). Enter the result as a decimal (rounded to ore, enter 1.000	
8. Multiply line 1 by line 7		
line 25. Do not include this amount in figuring	8 from line 1. Enter the result here and on Form 1040, ng any other deduction on your return (such as on	

- Excludable U.S. series EE and I savings bond interest from **Form 8815.**
- Nontaxable qualified state tuition program earnings.
- Nontaxable earnings from Coverdell education savings accounts.
- Any scholarship, educational assistance allowance, or other payment (but **not** gifts, inheritances, etc.) excluded from income.

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

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

- Was enrolled in a degree, certificate, or other program (including a program of study abroad that was approved for credit by the institution at which the student was enrolled) leading to a recognized educational credential at an eligible educational institution and
- Carried at least half the normal fulltime workload for the course of study he or she was pursuing.

Line 26

Tuition and Fees Deduction

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

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

- **4.** You cannot be claimed as a dependent on someone's (such as your parent's) 2002 tax return.
- **5.** You are not claiming an education credit on line 48 for the same student.

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

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

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

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

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

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

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

- Nontaxable qualified state tuition program earnings.
- Nontaxable earnings from Coverdell education savings accounts.
- Any scholarship, educational assistance allowance, or other payment (but **not** gifts, inheritances, etc.) excluded from income.

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

Line 27

Archer MSA Deduction

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

Line 28

Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 50 miles from your old home. Use TeleTax topic 455 (see page 13) or see **Form 3903.**

Line 29

One-Half of Self-Employment Tax

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

Tuition and Fees Deduction Worksheet—Line 26

Before you begin:	\ \ \ \	Complete Form 1040, lines 27 through 33a, if they apply to you. Figure any amount to be entered on the dotted line next to line 34 (see page 5). See the instructions for line 26 above. Be sure you have read the Exception above to see if you can use this wor instead of Pub. 970 to figure your deduction.	,
1. Enter the amount from 1	Form	1040, line 22	1.
		ts from Form 1040, lines 23 through 25, lines 27 through 33a, plus any otted line next to line 34	2
		If the result is more than \$65,000 (\$130,000 if married filing jointly),	
You cannot take the	ne de	duction for tuition and fees	3
		Enter the total qualified tuition and fees (defined above) you paid in 2002. 000. Also, enter this amount on Form 1040, line 26. Do not include this	
		deduction on your return (such as on Schedule A, C, E, etc.)	4

Line 30

Self-Employed Health Insurance Deduction

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

- You were self-employed and had a net profit for the year or
- You received wages in 2002 from an S corporation in which you were a more-than-2% shareholder. Health insurance benefits paid for you may be shown in box 14 of your W-2 form.

The insurance plan must be established under your business. But if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 2002, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. For example, if you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction. For more details, see Pub. 535.

If you qualify to take the deduction, use the worksheet below to figure the amount you can deduct.

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

• You had more than one source of income subject to self-employment tax.

- You file Form 2555 or 2555-EZ.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.

Line 31

Self-Employed SEP, SIMPLE, and Qualified Plans

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

Line 32

Penalty on Early Withdrawal of Savings

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

Lines 33a and 33b

Alimony Paid

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take this deduction. Use TeleTax topic 452 (see page 13) or see **Pub. 504.**

Line 34

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

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

- Deduction for clean-fuel vehicles (see **Pub. 535**). Identify as "Clean-Fuel."
- Performing-arts-related expenses (see Form 2106 or 2106-EZ). Identify as "OPA."
- Jury duty pay given to your employer (see **Pub. 525**). Identify as "Jury Pay."
- Deductible expenses related to income reported on line 21 from the rental of personal property engaged in for profit. Identify as "PPR."
- Reforestation amortization (see **Pub. 535**). Identify as "RFST."
- Repayment of supplemental unemployment benefits under the Trade Act of 1974 (see **Pub. 525**). Identify as "Sub-Pay TRA."
- Contributions to section 501(c)(18) pension plans (see **Pub. 525**). Identify as "501(c)(18)."
- Contributions by certain chaplains to section 403(b) plans (see **Pub. 517**). Identify as "403(b)."
- Employee business expenses of feebasis state or local government officials (see **Form 2106** or **2106-EZ**). Identify as "FBO."

Line 35

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

Self-Employed Health Insurance Deduction Worksheet—Line 30

Keep for Your Records

В	efore you begin:	√ √ √	Complete Form 1040, line 31, if it applies to you. If you are claiming the health insurance credit for eligible recipients (see 16), complete Form 8885. Be sure you have read the Exception above to see if you can use this wor instead of Pub. 535 to figure your deduction.	1 0	
1.	2002 for you, your spouse	, and	2002 for health insurance coverage established under your business for dependents. But do not include amounts for any month you were eligible consored health plan or any amount on Form 8885, line 11	1.	
2.	Multiply line 1 by 70% (.	70) .		2.	
3.			ther earned income* from the business under which the insurance plan is ons you claim on Form 1040, lines 29 and 31	3.	
4.	- v	not	nce deduction. Enter the smaller of line 2 or line 3 here and on include this amount in figuring any medical expense deduction on	4.	
* Earned income includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income. If					

Need more information or forms? See page 9.

Tax and Credits

Line 37a

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

Age

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

Blindness

If you were partially blind as of December 31, 2002, you must get a statement certified by your eye doctor or registered optometrist that:

- You cannot see better than 20/200 in your better eye with glasses or contact lenses or
- Your field of vision is 20 degrees or less.

If your eye condition is not likely to improve beyond the conditions listed above, you can get a statement certified by your eye doctor or registered optometrist to this effect instead.

You must keep the statement for your records.

Line 37b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 37b. But if you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident at the end of 2002 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

Line 38

Itemized Deductions or Standard Deduction

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

- Your itemized deductions or
- Your standard deduction.



If you checked the box on **line 37b**, your standard deduction is zero.

Itemized Deductions

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

Standard Deduction

Most people can find their standard deduction by looking at the amounts listed under "All others" to the left of line 38 of Form 1040. But if you, or your spouse if filing jointly, can be claimed as a dependent on someone's 2002 return or you checked any box on line 37a, use the worksheet below or the chart on page 35, whichever applies, to figure your standard deduction. Also, if you checked the box on line 37b, your standard deduction is zero, even if you were age 65 or older or blind.

Electing To Itemize for State Tax or Other Purposes

If you itemize even though your itemized deductions are less than your standard deduction, enter "IE" on the dotted line next to line 38.

Standard Deduction Worksheet for Dependents—Line 38

Keep for Your Records

Use	this worksheet only if someone can claim you, or your spouse if filing jointly, as a dependent.		
1. 2. 3.	Add \$250 to your earned income*. Enter the total	1. 2. 3.	750.00
4.	 Enter the amount shown below for your filing status. Single—\$4,700 Married filing separately—\$3,925 Married filing jointly or qualifying widow(er)—\$7,850 Head of household—\$6,900 	4.	
5.	Standard deduction.		
a.	Enter the smaller of line 3 or line 4. If under age 65 and not blind, stop here and enter this amount on Form 1040, line 38. Otherwise , go to line 5b	5a.	
b.	If age 65 or older or blind, multiply the number on Form 1040, line 37a, by: \$1,150 if single or head of household; \$900 if married filing jointly or separately, or qualifying widow(er)	5b.	
c.	Add lines 5a and 5b. Enter the total here and on Form 1040, line 38	5c.	
417			<i>c</i> 1

*Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 29.

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

Do not use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead use the worksheet on page 34. Do not use the number of exemptions from Enter the number from the box on line 37a of Form 1040 AND the number in the THEN your standard IF your filing status is . . . box above is . . . deduction is . . . \$5,850 Single 2 7,000 1 \$8,750 Married filing jointly 2 9,650 3 10,550 Qualifying widow(er) 4 11,450 \$4,825 2 5,725 Married filing separately 3 6,625 4 7,525 1 \$8,050

2

Head of household

9,200

)e	duction for Exemptions Worksheet—Line 40 Keep for	Your Records
1.	g status?	
	No. STOP Multiply \$3,000 by the total number of exemptions claimed on Form 1040, line 60 the result on line 40.	d, and enter
	Yes. Continue	
2.	Multiply \$3,000 by the total number of exemptions claimed on Form 1040, line 6d	2.
3.	Enter the amount from Form 1040, line 36	
4.	Enter the amount shown below for your filing status.	
	• Single—\$137,300	
	• Married filing jointly or qualifying widow(er)—\$206,000	
	• Married filing separately—\$103,000	
	• Head of household—\$171,650	
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.	
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)	
7.	Multiply line 6 by 2% (.02) and enter the result as a decimal	7. <u> </u>
8.	Multiply line 2 by line 7	8.
9.	Deduction for exemptions. Subtract line 8 from line 2. Enter the result here and on Form 1040,	line 40 9.

Line 42

Tax

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

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

No. Use one of the following methods to figure your tax. Also include in the total on line 42 any of the following taxes.

- Tax from **Forms 8814** and **4972.** Be sure to check the appropriate box(es).
- Tax from recapture of an education credit. You may owe this tax if (a) you claimed an education credit in an earlier year and (b) you, your spouse if filing jointly, or your dependent received in 2002 either tax-free educational assistance or a refund of qualified expenses. See Form 8863 for more details. If you owe this tax, enter the amount and "ECR" on the dotted line next to line 42.

Tax Table or Tax Rate Schedules. If your taxable income is less than \$100,000, you must use the Tax Table, which starts on page 63, to figure your tax. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Rate Schedules on page 75.

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

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

Form 8615. Form 8615 must generally be used to figure the tax for any child who was under age 14 at the end of 2002, and who had more than \$1,500 of investment income, such as taxable interest, ordinary dividends, or capital gains (including capital gain distributions). But if neither of the child's parents was alive on December 31, 2002, do not use Form 8615 to figure the child's tax.



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

Schedule D. If you had a net capital gain on Schedule D (both lines 16 and 17 of Schedule D are gains) and the amount on Form 1040, line 41, is more than zero, use Part IV of Schedule D to figure your tax.

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

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

Capital Gain Tax Worksheet—Line 42

Оцр	Rai Gail lax Worksheet Elle 42	Reep joi tout Records
Be	fore you begin: ✓ Be sure you do not have to file Schedule D (see the instructions for Form 1040, line 13, on page 25). ✓ Be sure you checked the box on line 13 of Form 1040.	%
1.	Enter the amount from Form 1040, line 41	
2.	Enter the amount from Form 1040, line 13	
3.	Subtract line 2 from line 1. If zero or less, enter -0	
4.	Figure the tax on the amount on line 3. Use the Tax Table or Tax Rate Schedules, whichever applies	4
5.	Enter the smaller of:	
	• The amount on line 1 or	
	• \$27,950 if single; \$46,700 if married filing jointly or qualifying widow(er); \$23,350 if married filing separately; or \$37,450 if head of household.	
6.	Is the amount on line 3 equal to or more than the amount on line 5?	
	☐ Yes. Leave lines 6 through 8 blank; go to line 9 and check the "No" box.	
	□ No. Enter the amount from line 3	
7.	Subtract line 6 from line 5	
8.	Multiply line 7 by 10% (.10)	8
9.	Are the amounts on lines 2 and 7 the same?	
	☐ Yes. Leave lines 9 through 12 blank; go to line 13.	
	No. Enter the smaller of line 1 or line 2	
10.	Enter the amount, if any, from line 7	
11.	Subtract line 10 from line 9. If zero or less, enter -0	
12.	Multiply line 11 by 20% (.20)	12
13.	Add lines 4, 8, and 12	13
14.	Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies	14
15.	Tax on all taxable income (including capital gain distributions). Enter the smaller of line 13 or line 14 here and on Form 1040, line 42	15

Line 43

Alternative Minimum Tax

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

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

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

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

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



Form 6251 should be filled in for a child who was under age 14 at the end of 2002 if the child's adjusted gross income from Form

1040, line 36, exceeds the child's earned income by more than \$5,500.

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

Keep for Your Records

Before you begin: $\sqrt{}$ Be sure you have read the Exception above to see if you must fill in Form 6251 instead of using this worksheet.		
If you are claiming the foreign tax credit (see the inspect Form 1040, line 45, on page 38), enter that credit or		
1. Are you filing Schedule A?		
Yes. Enter the amount from Form 1040, line 39.		
No. Enter the amount from Form 1040, line 36, and go to line 4		
2. Enter the smaller of the amount on Schedule A, line 4, or 2.5% (.025) of the amount of 1 ine 36		
3. Add lines 9 and 26 of Schedule A and enter the total		
4. Add lines 1 through 3 above		
5. Enter the amount shown below for your filing status.		
• Single or head of household—\$35,750		
Married filing jointly or qualifying widow(er)—\$49,000	5.	
Married filing separately—\$24,500		
6. Is the amount on line 4 more than the amount on line 5?		
□ No. (STOP) You do not need to fill in Form 6251.		
☐ Yes. Subtract line 5 from line 4	6.	
7. Enter the amount shown below for your filing status.		
• Single or head of household—\$112.500		
- Married Hing Johns of qualifying widow (er) \$4150,000	7.	
• Married filing separately—\$75,000		
8. Is the amount on line 4 more than the amount on line 7? No. Enter the amount from line 6 on line 10 and go		
to line 11.		
	8.	
9. Multiply line 8 by 25% (.25) and enter the result but do not enter more than line 5	6 above 9	
10. Add lines 6 and 9		
11. Is the amount on line 10 more than \$175,000 (\$87,500 if married filing separately)?	
☐ Yes. STOP Fill in Form 6251 to see if you owe the alternative minimum tax.		
\square No. Multiply line 10 by 26% (.26)		
12. Enter the amount from Form 1040, line 42, minus the total of any tax from Form 49 on Form 1040, line 45		
Next. Is the amount on line 11 more than the amount on line 12?		
Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.		
☐ No. You do not need to fill in Form 6251.		

Line 45

Foreign Tax Credit

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

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

- 1. All of your gross foreign-source income is from interest and dividends and all of that income and the foreign tax paid on it is reported to you on Form 1099-INT or Form 1099-DIV (or substitute statement).
- **2.** If you have dividend income from shares of stock, you held those shares for at least 16 days.
- **3.** You are not filing **Form 4563** or excluding income from sources within Puerto Rico.
- **4.** The total of your foreign taxes is not more than \$300 (not more than \$600 if married filing jointly).
 - **5.** All of your foreign taxes were:
- Legally owed and not eligible for a efund and
- Paid to countries that are recognized by the United States and do not support terrorism

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

Do you meet all five requirements above?

	Yes. Enter on line 45 the smaller of
	total foreign taxes or the amount on
Forn	1 1040, line 42.
П	
ш	No. See Form 1116 to find out if you
can	take the credit and, if you can, if you
have	to file Form 1116.

Line 46

Credit for Child and Dependent Care Expenses

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

Line 47

Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 2002 (a) you were age 65 or older or (b) you retired on **permanent and total disability** and you had taxable disability income. But you usually **cannot** take the credit if the amount on Form 1040, line 36, is \$17,500 or more (\$20,000 or more if married filing jointly and only one spouse is eligible for the credit; \$25,000 or more if married filing jointly and both spouses are eligible; \$12,500 or more if married filing separately). See **Schedule R** and its instructions for details.

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

Line 48

Education Credits

If you (or your dependent) paid qualified expenses in 2002 for yourself, your spouse, or your dependent to enroll in or attend an eligible educational institution, you may be able to take an education credit. See **Form 8863** for details. However, you **cannot** take an education credit if **any** of the following apply.

- You are claimed as a dependent on someone's (such as your parent's) 2002 tax
- Your filing status is married filing separately.
- The amount on Form 1040, line 36, is \$51,000 or more (\$102,000 or more if married filing jointly).
- You are taking a deduction for tuition and fees on Form 1040, line 26, for the same student.
- You (or your spouse) were a nonresident alien for any part of 2002 unless your filing status is married filing jointly.

Line 49

Retirement Savings Contributions Credit

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

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

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

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

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

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

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

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

Line 50—Child Tax Credit

What Is the Child Tax Credit?

This credit is for people who have a qualifying child as defined in the instructions for line 6c, column (4), on page 22. It is in addition to the credit for child and dependent care expenses on Form 1040, line 46, and the earned income credit on Form 1040, line 64.

Three Steps To Take the Child Tax Credit!

- **Step 1.** Make sure you have a qualifying child for the child tax credit. See the instructions for line 6c, column (4), on page 22.
- **Step 2.** Make sure you checked the box in column (4) of line 6c on Form 1040 for each qualifying child.
- **Step 3.** Answer the questions on this page to see if you may use the worksheet on page 40 to figure your credit or if you must use Pub. 972, Child Tax Credit. If you need Pub. 972, see page 9.

Questions

Who Must Use Pub. 972



- 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	,
--	-----	----------	---

You must use Pub. 972 to figure your credit.

- **2.** Is the amount on Form 1040, line 36, more than the amount shown below for your filing status?
 - Married filing jointly \$110,000
 - Single, head of household, or qualifying widow(er) \$75,000
 - Married filing separately \$55,000

☐ No.	Continue	f
-------	----------	---

Yes. STOP

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 51, on page 41)
 - Mortgage interest credit, Form 8396 (see the instructions for Form 1040, line 52, on page 41)
 - District of Columbia first-time homebuyer credit, Form 8859

\square No. Use the
worksheet on
page 40 to figure
vour child tax credit

☐ **Yes.** You must use
Pub. 972 to figure your
child tax credit. You will
also need the form(s)
listed above for any
credit(s) you are claiming.

Child Tax Credit Worksheet—Line 50

Keep for Your Records



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



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

1.	Number of qualifying children: \times \$600. Enter the result.	1
2.	Enter the amount from Form 1040, line 44.	
3.	Add the amounts from Form 1040:	
	Line 45	
	Line 46 +	
	Line 47 +	
	Line 48 +	
	Line 49 + Enter the total. 3	
	Are the amounts on lines 2 and 3 the same? Yes. STOP You cannot take this credit because there is no tax to reduce. However, yo may be able to take the additional child tax credit. See the TIP below before completing the rest of your Form 1040. No. Subtract line 3 from line 2.	u 4
5.	Is the amount on line 1 more than the amount on line 4?	
	Yes. Enter the amount from line 4. Also, you may be able to take the	
	additional child tax credit. See the TIP below. This is your child tax credit.	5
	No. Enter the amount from line 1.	Enter this amount on Form 1040, line 50.
		1040
	You may be able to take the additional child tax credit on Form 1040, line 66, if you answered "Yes" on line 4 or line 5 above.	-
	• First, complete your Form 1040 through line 65.	
	 Then, use Form 8812 to figure any additional child tax credit. 	

Line 51

Adoption Credit

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

Line 52

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

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

Line 53

Other Credits

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

- Credit for prior year minimum tax. If you paid alternative minimum tax in a prior year, see **Form 8801.**
- Qualified electric vehicle credit. If you placed a new electric vehicle in service in 2002, see **Form 8834.**
- General business credit. This credit consists of a number of credits that usually apply only to individuals who are partners, shareholders in an S corporation, self-employed, or who have rental property. See Form 3800 or Pub. 334.
- Empowerment zone and renewal community employment credit. See **Form 8844.**
- New York Liberty Zone business employee credit. See **Form 8884.**
- Nonconventional source fuel credit. If you sold fuel produced from a nonconventional source, see Internal Revenue Code section 29 to find out if you can take this credit. Attach a schedule showing how you figured the credit. Check box c and enter "FNS" on the line to the right of box c.
- Qualified zone academy bond credit. This credit applies only to S corporation shareholders. See **Form 8860**.

Other Taxes

Line 57

Social Security and Medicare Tax on Tip Income Not Reported to Employer

If you received tips of \$20 or more in any month and you did not report the full amount to your employer, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. You must also pay this tax if your W-2 form(s) shows allocated tips that you are including in your income on Form 1040, line 7.

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



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

to your employer.

Line 58

Tax on Qualified Plans, Including IRAs, and Other Tax-Favored Accounts

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

- 1. You received any early distributions from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.
- **2.** Excess contributions were made to your IRAs, Coverdell education savings accounts (ESAs), or Archer MSAs.
- **3.** You received taxable distributions from Coverdell ESAs or qualified tuition programs.
- **4.** You were born before July 2, 1931, and did not take the minimum required distribution from your IRA or other qualified retirement plan.

Exception. If **only** item **1** applies to you **and** distribution code 1 is correctly shown in box 7 of your **Form 1099-R**, you do not have to file Form 5329. Instead, multiply the taxable amount of the distribution by 10% (.10) and enter the result on line 58. The taxable amount of the distribution is the part of the distribution you reported on line 15b or line 16b of Form 1040 or on

Form 4972. Also, put "No" under the heading "Other Taxes" to the left of line 58 to indicate that you do not have to file Form 5329. But if distribution code 1 is incorrectly shown in box 7 of Form 1099-R, you must file Form 5329.

Line 59

Advance Earned Income Credit Payments

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

Line 60

Household Employment Taxes

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

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



For item **1**, **do not** count amounts paid to an employee who was under age 18 at any time in 2002 and was a student.

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

Line 61

Total Tax

Include in the total on line 61 any of the following taxes. To find out if you owe the tax, see the form or publication indicated. On the dotted line next to line 61, enter the amount of the tax and identify it as indicated.

(Continued on page 42)

Recapture of the Following Credits.

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

Recapture of Federal Mortgage Subsidy. If you sold your home in 2002 and it was financed (in whole or in part) from the proceeds of any tax-exempt qualified mortgage bond or you claimed the mortgage interest credit, see **Form 8828.** Identify as "FMSR."

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

Uncollected Social Security and Medicare or RRTA Tax on Tips or Group-Term Life Insurance. This tax should be shown in box 12 of your Form W-2 with codes A and B or M and N. Identify as "UT."

Golden Parachute Payments. If you received an excess parachute payment (EPP), you must pay a 20% tax on it. This tax should be shown in box 12 of your W-2 form with code K. If you received a Form 1099-MISC, the tax is 20% of the EPP shown in box 13. Identify as "EPP."

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

Payments

Line 62

Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G,** and **1099-R.** Enter the total on line 62. The amount withheld should be shown in box 2 of Form W-2 or W-2G, and in box 4 of Form 1099-R. If line 62 includes amounts withheld as shown on Form 1099-R, attach the Form 1099-R to the front of your return.

If you received a 2002 Form 1099 showing Federal income tax withheld on dividends, interest income, unemployment compensation, social security benefits, or other income you received, include the amount withheld in the total on line 62. This should be shown in box 4 of the 1099 form or box 6 of **Form SSA-1099**.

Line 63

2002 Estimated Tax Payments

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

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, you can divide the amount paid in any way you choose as long as you both agree. If you cannot agree, you must divide the payments in proportion to each spouse's individual tax as shown on your separate returns for 2002. For an example of how to do this, see Pub. 505. Be sure to show both social security numbers (SSNs) in the space provided on the separate returns. If you or your spouse paid separate estimated tax but you are now filing a joint return, add the amounts you each paid. Follow these instructions even if your spouse died in 2002 or in 2003 before filing a 2002 return.

Divorced Taxpayers

If you got divorced in 2002 and you made joint estimated tax payments with your former spouse, put your former spouse's SSN in the space provided on the front of Form 1040. If you were divorced and remarried in 2002, put your present spouse's SSN in the space provided on the front of Form 1040. Also, under the heading "Payments" to the left of line 63, put your former spouse's SSN, followed by "DIV."

Name Change

If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040. On the statement, explain all the payments you and your spouse made in 2002 and the name(s) and SSN(s) under which you made them.

Line 64 Earned Income Credit (EIC)

What Is the EIC?

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

To Take the EIC:

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



If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you

are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

Step 1 All Filers

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

	STOP a cannot take the credit.
--	--------------------------------

2. Do you, and your spouse if filing a joint return, have a social security number that allows you to work or is valid for EIC purposes (see page 46)?

Yes. Continue	No. (STOP) You cannot take the credit.
	Put "No" on the dotted

3. Is your filing status married filing separately?

☐ Yes. STOP	☐ No.	Continue _
You cannot take the credit.		•

4. Are you filing Form 2555 or 2555-EZ (relating to foreign earned income)?

Yes. You cannot take the credit.	☐ No. Continue
----------------------------------	-----------------------

5. Were you a nonresident alien for any part of 2002?

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

\$	Step 2	Investmen	t Income	
1.	Add the amo	ounts from	Line 8a	
	10IIII 1040.		Line 8b +	
			Line 9 +	
			Line 13* +	
		Investment	Income =	
	*Do not inc	lude if line 13	is a loss.	
2.	Is your inves	stment income	more than \$2,55	0?
	☐ Yes.	Continue 🕇	No. Skip question;	the next go to Step 3.
3.	Are you filing property)?	ng Form 4797	(relating to sales	of business
		See Form 4797 on page 45.	$\overline{}$) ot take the credit.
if 1	they can take		96, Earned Incom see if you must us.	
1.	Are you filin	ng Schedule E	?	
	□ No.	Continue 🚡	☐ Yes. →)
		•		You must use Pub. 596
2.	from the ren	orting income tal of persona a trade or busi	l property	to see if you can take the credit.
	☐ No. (Continue \	☐ Yes. →	Pub. 596
3.	1040, line 2	orting income 1, from Form election to rep- dividends)?	8814	To get Pub. 596, see page 9.
	☐ No.	Continue \	☐ Yes. →	J
4.	Did a child	live with you	in 2002?	
		Go to Step 4 ge 44.	□ No. Go to page 44.	Step 5 on

Continued from page 43

Form 1040-Line 64 Step 4

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2002?

> **Yes.** *See Qualifying* □ Child of More Than One Person on page 46.

□ **No.** This child is your qualifying child. The child must have a valid social security number as defined on page 46 unless the child was born and died in 2002. Skip Step 5; go to Step 6 on page 45.

Step 5

Filers Without a Qualifying Child

1. Look at the qualifying child conditions in Step 4. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2002?

☐ Yes.

🗌 No. Continue 🤰



You cannot take the credit. Put "No" on or the dotted line next

to line 64.

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

☐ Yes. (STOP)

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 2002?

> > ☐ **Yes.** Continue

J No. ^(STOP)

You cannot take the credit. Put "No" on the dotted line next to line 64.

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

☐ **Yes.** Go to Step 6 on page 45.

STOP No.

You cannot take the credit. Put "No" on the dotted line next to line 64.

Qualifying Child

A qualifying child is a child who is...

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

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

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



was at the end of 2002...

Under age 19

Under age 24 and a student (see page 46)

or

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



who...

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

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

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

1. Look at the qualifying child conditions above. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2002?

STOP Yes.

No. *Continue*

You cannot take the credit. Put "No" on the dotted line next to line 64.

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

> Yes. Go to question 3.

No. Skip the next two questions; go to Step 5, question 2.

S	Earned Income
	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 ☐ No. Continue → Church Employees, whichever applies, on this page.
2.	Figure earned income: Form 1040, line 7
	Subtract, if included on line 7, any: Taxable scholarship or fellowship grant not reported on a W-2 form
	Amount paid to an inmate in a penal institution for work (put "PRI" and the amount subtracted on the dotted line next to line 7 of Form 1040)
	Amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (put "DFC" and the amount subtracted on the dotted line next to line 7 of Form 1040). This amount may be shown in box 11 of your W-2 form. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity.
	Earned Income =
3.	Were you self-employed, or are you filing Schedule SE because you were a member of the clergy or you had church employee income, or are you filing Schedule C or C-EZ as a statutory employee?
	☐ Yes. Skip question 4 ☐ No. Continue → and Step 7; go to Worksheet B on page 48.
4.	If you have:
	• 2 or more qualifying children, is your earned income less than \$33,178 (\$34,178 if married filing jointly)?
	• 1 qualifying child, is your earned income less than \$29,201 (\$30,201 if married filing jointly)?
	• No qualifying children, is your earned income less than \$11,060 (\$12,060 if married filing jointly)?

 \square **Yes.** Go to Step 7.

Step 7

How To Figure the Credit

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

Yes. See Credit
Figured by the IRS on on page 47.
this page.

Definitions and Special Rules (listed in alphabetical order)

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

Church Employees. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 5a. Subtract that amount from the amount on Form 1040, line 7, and enter the result in the first space of Step 6, line 2. Be sure to answer "Yes" on line 3 of Step 6.

Clergy. The following instructions apply to ministers, members of religious orders who have not taken a vow of poverty, and Christian Science practitioners. If you are filing Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7:

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

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

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

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

Form 4797 Filers. If the amount on Form 1040, line 13, includes an amount from Form 4797, you must use Pub. 596 to see if you can take the EIC. To get Pub. 596, see page 9. Otherwise, stop; you cannot take the EIC.

(Continued on page 46)

You cannot take the credit.

Continued from page 45

Form 8862, Who Must File. You must file Form 8862 if your EIC for a year after 1996 was reduced or disallowed for any reason other than a math or clerical error. But do not file Form 8862 if, after your EIC was reduced or disallowed in an earlier year:

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

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

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

Married Child. A child who was married at the end of 2002 is a qualifying child only if (a) you can claim him or her as your dependent on Form 1040, line 6c, or (b) this child's other parent claims him or her as a dependent under the rules in Pub. 501 for children of divorced or separated parents.

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

Nonresident Aliens. If your filing status is married filing jointly, go to Step 2 on page 43. Otherwise, stop; you cannot take the EIC.

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

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

Qualifying Child of More Than One Person. If the child meets the conditions to be a qualifying child of more than one person, only one person can take the EIC based on that child. The other person(s) cannot take the EIC for people without a qualifying child, but may take the EIC based on a different qualifying child. If you and the other person(s) cannot agree who will take the EIC, then the following rules apply.

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

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

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

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

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

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

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

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

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

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

Welfare Benefits, Effect of Credit on. Any refund you receive as a result of taking the EIC will not be used to determine if you are eligible for the following programs or how much you can receive from them. But if the refund you receive because of the EIC is not spent within a certain period of time, it may count as an asset (or resource) and affect your eligibility.

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

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

Keep for Your Records

Before you begin: $\sqrt{\ }$ Be sure you are using the correct worksheet. **Do not** use this worksheet if you were self-employed, or you are filing Schedule SE because you were a member of the clergy or you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee. Instead, use Worksheet B that begins on page 48.



1 Part 1 1. Enter your earned income from Step 6 on page 45. **All Filers Using** 2. Look up the amount on line 1 above in the EIC Table on pages 50–55 Worksheet A 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. You cannot take the credit. If line 2 is zero, Put "No" on the dotted line next to line 64. 3 Enter the amount from Form 1040, line 36. **4.** Are the amounts on lines 3 and 1 the same? **Yes.** Skip line 5; enter the amount from line 2 on line 6. \square **No.** Go to line 5. 5. If you have: Part 2 • No qualifying children, is the amount on line 3 less than \$6,150 (\$7,150 if married filing jointly)? **Filers Who** • 1 or more qualifying children, is the amount on line 3 less than \$13,550 (\$14,550 if married filing jointly)? **Answered** "No" on ☐ **Yes.** Leave line 5 blank; enter the amount from line 2 on line 6. Line 4 **No.** Look up the amount on line 3 in the EIC Table on pages 50-55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. Look at the amounts on lines 5 and 2. Then, enter the **smaller** amount on line 6.

Part 3

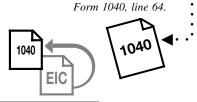
Your Earned Income Credit

6. This is your earned income credit.

Enter this amount on

Reminder—

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





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

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

Keep for Your Records

(Continued on page 49)

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 1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.	
Self-Employed, Members of the b. Enter any amount from Schedule SE, Section B, line 4b, and line 5a.	,
Clergy, and c. Combine lines 1a and 1b.	:
People With Church Employee d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.	ł
Income Filing Schedule SE e. Subtract line 1d from 1c. = 1e	
2. Do not include on these lines any statutory employee income or any amount exempt self-employment tax as the result of the filing and approval of Form 4029 or Form 4029.	
Self-Employed NOT Required a. Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a*.	
To File Schedule SE For example, your b. Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9*.)
1 ,	
net elamings from self-employment were less than \$400. c. Combine lines 2a and 2b. = 2c	
net earnings from self-employment	ale SE, Section A.
net earnings from self-employment were less than \$400. c. Combine lines 2a and 2b. *If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule to th	ale SE, Section A.
net earnings from self-employment were less than \$400. c. Combine lines 2a and 2b. *If you have any Schedule K-l amounts, complete the appropriate line(s) of Schedul Put your name and social security number on Schedule SE and attach it to your return to the self-employment were less than \$400.	ale SE, Section A. turn.
net earnings from self-employment were less than \$400. c. Combine lines 2a and 2b. *If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule Put your name and social security number on Schedule SE and attach it to your return to the statutory Employees Filing Schedule 3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.	ale SE, Section A. turn.
ret earnings from self-employment were less than \$400. *If you have any Schedule K-I amounts, complete the appropriate line(s) of Schedule Put your name and social security number on Schedule SE and attach it to your return to a schedule Statutory Employees *If you have any Schedule K-I amounts, complete the appropriate line(s) of Schedule Put your name and social security number on Schedule SE and attach it to your return to schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee. *If you have any Schedule K-I amounts, complete the appropriate line(s) of Schedule Put your name and social security number on Schedule SE and attach it to your return to schedule C. EZ, line 1, that you are filing as a statutory employee.	ale SE, Section A. turn.
net earnings from self-employment were less than \$400. c. Combine lines 2a and 2b. *If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedul Put your name and social security number on Schedule SE and attach it to your return to your return to the security security number on Schedule C. Ez, line 1, that you are filing as a statutory employee. Part 4 4a. Enter your earned income from Step 6 on page 45. All Filers Using	ale SE, Section A. turn.
ret earnings from self-employment were less than \$400. c. Combine lines 2a and 2b. *If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule Put your name and social security number on Schedule SE and attach it to your return statutory Employees Filing Schedule C or C-EZ Part 4 All Filers Using Worksheet B b. Combine lines 1e, 2c, 3, and 4a. This is your total earned income. *If line 4b is zero or less. *If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule Put your return schedule SE and attach it to your return schedule C. line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee. 4a. Enter your earned income from Step 6 on page 45. 4b. *If line 4b is zero or less.	lile SE, Section A. turn. line next to line 64. filing jointly)?
ret earnings from self-employment were less than \$400. c. Combine lines 2a and 2b. *If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedul Put your name and social security number on Schedule SE and attach it to your return schedule C or G-EZ Part 4 All Filers Using Worksheet B Note. If line 4b includes income on which you should have paid self-employment tax but did not, we may reduce your credit by you have: **If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule Year II you have: **If you have in your	line next to line 64. filing jointly)? (2)? (2)

Worksheet B—Continued from page 48

Keep for Your Records

Part 5

All Filers Using Worksheet B

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

6

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



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

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

8

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

Part 6

Filers Who Answered "No" on Line 9

10. If you have:

- No qualifying children, is the amount on line 8 less than \$6,150 (\$7,150 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 8 less than \$13,550 (\$14,550 if married filing jointly)?
- ☐ **Yes.** Leave line 10 blank; enter the amount from line 7 on line 11.
- **No.** Look up the amount on line 8 in the EIC Table on pages 50–55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

 Look at the amounts on lines 10 and 7.



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.

Then, enter the smaller amount on line 11.





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

2002 Earned Income Credit (EIC) Table

Caution. This is not a tax table.

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

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

Example. If your filing that includes your filing status 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.

And your filing status is-Single, head of household, If the amount you are looking up from the or qualifying widow(er) and worksheet isyou have-No One Two children At least But less than Your credit is-2,400 2,450 186 825 970 2,450 2,500 189 842 990

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

		1	And	d your filir	ng status	is—					And	d your fili	ng status	is—	
If the amou	from the	or quali	head of ho	,	Marrie you ha	d filing joi	ntly and	If the amou looking up	from the	or qualit	head of ho		Married you ha	d filing joir	ntly and
worksheet	is—	you hav	One	Two	No	One	Two	worksheet i	is—	you hav	One	Two	No	One	Two
At least	But less than	children Yo	child our credit i	children	children Yo	child ur credit i	children	At least	But less than	children Y	child	children		child	childre
4,800	4,850	369	1,641	1,930	369	1,641	1,930	7,600	7,650	263	2,506	3,050	339	2,506	3,050
4,850	4,900	373	1,658	1,950	373	1,658	1,950	7,650	7,700	259	2,506	3,070	335	2,506	3,070
4,900	4,950	376	1,675	1,970	376	1,675	1,970	7,700	7,750	255	2,506	3,090	332	2,506	3,09
4,950	5,000	376	1,692	1,990	376	1,692	1,990	7,750	7,800	251	2,506	3,110	328	2,506	3,11
5,000	5,050	376	1,709	2,010	376	1,709	2,010	7,800	7,850 7,000	247	2,506	3,130	324	2,506	3,13
5,050 5,100	5,100 5,150	376 376	1,726 1,743	2,030 2,050	376 376	1,726 1,743	2,030 2,050	7,850 7,900	7,900 7,950	244 240	2,506 2,506	3,150 3,170	320 316	2,506 2,506	3,15 3,17
5,150	5,200	376	1,760	2,070	376	1,760	2,070	7,950	8,000	236	2,506	3,190	313	2,506	3,19
5,200	5,250	376	1,777	2,090	376	1,777	2,090	8,000	8,050	232	2,506	3,210	309	2,506	3,21
5,250	5,300	376	1,794	2,110	376	1,794	2,110	8,050	8,100	228	2,506	3,230	305	2,506	3,23
5,300	5,350	376	1,811	2,130	376	1,811	2,130	8,100	8,150	225	2,506	3,250	301	2,506	3,25
5,350	5,400	376	1,828	2,150	376	1,828	2,150	8,150	8,200	221	2,506	3,270	297	2,506	3,27
5,400	5,450	376	1,845	2,170	376	1,845	2,170	8,200 8,250	8,250 8,300	217 213	2,506 2,506	3,290 3,310	293 290	2,506 2,506	3,29 3,31
5,450 5,500	5,500 5,550	376 376	1,862 1,879	2,190 2,210	376 376	1,862 1,879	2,190 2,210	8,300	8,350	209	2,506	3,330	286	2,506	3,33
5,550	5,600	376	1,896	2,230	376	1,896	2,230	8,350	8,400	205	2,506	3,350	282	2,506	3,35
5,600	5,650	376	1,913	2,250	376	1,913	2,250	8,400	8,450	202	2,506	3,370	278	2,506	3,37
5,650	5,700	376	1,930	2,270	376	1,930	2,270	8,450	8,500	198	2,506	3,390	274	2,506	3,39
5,700	5,750	376	1,947	2,290	376	1,947	2,290	8,500	8,550	194	2,506	3,410	270	2,506	3,41
5,750	5,800	376	1,964	2,310	376	1,964	2,310	8,550	8,600	190	2,506	3,430	267	2,506	3,43
5,800	5,850	376	1,981	2,330	376	1,981	2,330	8,600	8,650	186	2,506	3,450	263	2,506	3,45
5,850 5,900	5,900 5,950	376 376	1,998 2,015	2,350 2,370	376 376	1,998 2,015	2,350 2,370	8,650 8,700	8,700 8,750	182 179	2,506 2,506	3,470 3,490	259 255	2,506 2,506	3,47 3,49
5,950	6,000	376	2,013	2,370	376	2,013	2,390	8,750	8,800	175	2,506	3,510	251	2,506	3,51
6,000	6,050	376	2,049	2,410	376	2,049	2,410	8,800	8,850	171	2,506	3,530	247	2,506	3,53
6,050	6,100	376	2,066	2,430	376	2,066	2,430	8,850	8,900	167	2,506	3,550	244	2,506	3,55
6,100	6,150	376	2,083	2,450	376	2,083	2,450	8,900	8,950	163	2,506	3,570	240	2,506	3,57
6,150	6,200	374	2,100	2,470	376	2,100	2,470	8,950	9,000	160	2,506	3,590	236	2,506	3,59
6,200	6,250	370	2,117	2,490	376	2,117	2,490	9,000	9,050	156 152	2,506	3,610 3,630	232 228	2,506 2,506	3,61
6,250	6,300 6,350	366	2,134	2,510	376 376	2,134	2,510 2,530	9,050 9,100	9,100 9,150	148	2,506 2,506	3,650	225	2,506	3,63 3,65
6,300 6,350	6,350 6,400	362 358	2,151 2,168	2,530 2,550	376	2,151 2.168	2,550	9,150	9,200	144	2,506	3,670	221	2,506	3,67
6,400	6,450	355	2,185	2,570	376	2,185	2,570	9,200	9,250	140	2,506	3,690	217	2,506	3,69
6,450	6,500	351	2,202	2,590	376	2,202	2,590	9,250	9,300	137	2,506	3,710	213	2,506	3,71
6,500	6,550	347	2,219	2,610	376	2,219	2,610	9,300	9,350	133	2,506	3,730	209	2,506	3,73
6,550	6,600	343	2,236	2,630	376	2,236	2,630	9,350	9,400	129	2,506	3,750	205	2,506	3,75
6,600	6,650	339	2,253	2,650	376	2,253	2,650	9,400	9,450	125	2,506	3,770	202	2,506	3,77
6,650	6,700 6,750	335	2,270	2,670	376	2,270	2,670	9,450 9,500	9,500 9,550	121 117	2,506 2,506	3,790 3,810	198 194	2,506 2,506	3,79 3,81
6,700 6,750	6,750 6,800	332 328	2,287 2,304	2,690 2,710	376 376	2,287 2,304	2,690 2,710	9,550	9,600	114	2,506	3,830	190	2,506	3,83
6,800	6,850	324	2,321	2,730	376	2,321	2,730	9,600	9,650	110	2,506	3,850	186	2,506	3,85
6,850	6,900	320	2,338	2,750	376	2,338	2,750	9,650	9,700	106	2,506	3,870	182	2,506	3,87
6,900	6,950	316	2,355	2,770	376	2,355	2,770	9,700	9,750	102	2,506	3,890	179	2,506	3,89
6,950	7,000	313	2,372	2,790	376	2,372	2,790	9,750	9,800	98	2,506	3,910	175	2,506	3,91
7,000	7,050	309	2,389	2,810	376	2,389	2,810	9,800	9,850	94	2,506	3,930	171	2,506	3,93
7,050	7,100	305	2,406	2,830	376	2,406	2,830	9,850	9,900	91	2,506	3,950	167	2,506	3,95
7,100 7,150	7,150 7,200	301 297	2,423 2,440	2,850 2,870	376 374	2,423 2,440	2,850 2,870	9,900 9,950	9,950 10,000	87 83	2,506 2,506	3,970 3,990	163 160	2,506 2,506	3,97 3,99
7,130	7,250	293	2,457	2,890	370	2,440	2,890		10,050	79	2,506	4,010	156	2,506	4,01
7,250	7,230	290	2,474	2,910	366	2,474	2,910		10,100	75	2,506	4,030	152	2,506	4,03
7,300	7,350	286	2,491	2,930	362	2,491	2,930		10,150	72	2,506	4,050	148	2,506	4,05
7,350	7,400	282	2,506	2,950	358	2,506	2,950	10,150	10,200	68	2,506	4,070	144	2,506	4,07
7,400	7,450	278	2,506	2,970	355	2,506	2,970		10,250	64	2,506	4,090	140	2,506	4,09
7,450	7,500	274	2,506	2,990	351	2,506	2,990		10,300	60	2,506	4,110	137	2,506	4,11
7,500 7,550	7,550 7,600	270 267	2,506 2,506	3,010 3,030	347 343	2,506 2,506	3,010 3,030		10,350 10,400	56 52	2,506 2,506	4,130	133 129	2,506 2,506	4,13 4,14
1,550	1,000	201	۷,500	5,030	1 343	۷,500	5,030	10,350	10,400	J 32	۷,500	4,140	128	۷,500	÷, 14

2002 Earned Incor	me Cre	edit (E	IC) Tab	ole—Co	ontinue	ed	(Caution.	This is n	ot a ta	ax table	e.)			
		An	d your filir	ng status	is—					And	d your filiı	ng status	is—	
If the amount you are looking up from the worksheet is—		head of ho fying wido e—	,	Married you ha	d filing joir ve—	ntly and	If the amour looking up f worksheet is	rom the	- 5 - ,	head of ho fying wido re—	,	Married you ha	d filing joir ve—	ntly and
	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	Yo	ur credit	is—	You	ır credit i	is—	At least	But less than	Y	our credit	is—	Yo	ur credit	is—
10,400 10,450	49	2,506	4,140	125	2,506	4,140	14,600	14,650	0	2,329	3,907	0	2,489	4,118
10,450 10,500	45	2,506	4,140	121	2,506	4,140		14,700	0	2,321	3,897	0	2,481	4,107
10,500 10,550 10,550 10,600	41 37	2,506 2,506	4,140 4,140	117	2,506 2,506	4,140 4,140	,	14,750 14,800	0	2,313 2,305	3,886 3,876	0	2,473 2,465	4,097 4,086
, ,	1	-	4,140		2,506	•	•			-	3,865	0	2,403	-
10,600 10,650 10,650 10,700	33 29	2,506 2,506	4,140	110 106	2,506	4,140 4,140		14,850 14,900	0	2,297 2,289	3,855		2,437	4,076 4,065
10,700 10,750	26	2,506	4,140	102	2,506	4,140		14,950	Ö	2,281	3,844	Ö	2,441	4,055
10,750 10,800	22	2,506	4,140	98	2,506	4,140	14,950	15,000	0	2,273	3,834	0	2,433	4,044
10,800 10,850	18	2,506	4,140	94	2,506	4,140		15,050	0	2,265	3,823	0	2,425	4,034
10,850 10,900 10,900 10,950	14	2,506 2,506	4,140 4,140	91 87	2,506 2,506	4,140 4,140		15,100 15,150	0	2,257 2,249	3,813 3,802	0	2,417 2,409	4,023 4,013
10,950 10,950	7	2,506	4,140	83	2,506	4,140		15,200	0	2,249	3,791	0	2,403	4,002
11,000 11,050	3	2,506	4,140	79	2,506	4,140	15,200	15,250	0	2,233	3,781	0	2,393	3,992
11,050 11,100	*	2,506	4,140	75	2,506	4,140	15,250	15,300	0	2,225	3,770	0	2,385	3,981
11,100 11,150	0	2,506	4,140	72	2,506	4,140		15,350	0	2,217	3,760	0	2,377	3,970
11,150 11,200	0	2,506	4,140	68	2,506	4,140		15,400	0	2,209	3,749	0	2,369	3,960
11,200 11,250 11,250 11,300	0	2,506 2,506	4,140 4,140	64 60	2,506 2,506	4,140 4,140		15,450 15,500	0	2,201 2,193	3,739 3,728	0	2,361 2,353	3,949 3,939
11,300 11,350		2,506	4,140	56	2,506	4,140		15,550	0	2,185	3,718	0	2,345	3,928
11,350 11,400	0	2,506	4,140	52	2,506	4,140	15,550	15,600	0	2,177	3,707	0	2,337	3,918
11,400 11,450	0	2,506	4,140	49	2,506	4,140	,	15,650	0	2,169	3,697	0	2,329	3,907
11,450 11,500	0	2,506	4,140	45	2,506	4,140		15,700	0	2,161	3,686	0	2,321	3,897
11,500 11,550 11,550 11,600	0	2,506 2,506	4,140 4,140	41 37	2,506 2,506	4,140 4,140		15,750 15,800	0	2,153 2,145	3,676 3,665	0	2,313 2,305	3,886 3,876
11,600 11,650	0	2,506	4,140	33	2,506	4,140	,	15,850	0	2,137	3,655	0	2,297	3,865
11,650 11,700	0	2,506	4,140	29	2,506	4,140		15,900	0	2,129	3,644	0	2,289	3,855
11,700 11,750	0	2,506	4,140	26	2,506	4,140		15,950	0	2,121	3,634	0	2,281	3,844
11,750 11,800	0	2,506	4,140	22	2,506	4,140	15,950	16,000	0	2,113	3,623	0	2,273	3,834
11,800 11,850 11,850 11,900	0	2,506	4,140	18 14	2,506 2,506	4,140 4,140		16,050 16,100	0	2,106 2,098	3,612 3,602	0	2,265 2,257	3,823
11,900 11,950	0	2,506 2,506	4,140 4,140	10	2,506	4,140	,	16,150	0	2,090	3,591	0	2,237	3,813 3,802
11,950 12,000	0	2,506	4,140	7	2,506	4,140		16,200	0	2,082	3,581	0	2,241	3,791
12,000 12,050	0	2,506	4,140	3	2,506	4,140	16,200	16,250	0	2,074	3,570	0	2,233	3,781
12,050 12,100	0	2,506	,	*	2,506	4,140	,	16,300	0	2,066	3,560	0	2,225	3,770
12,100 13,550 13,550 13,600	0	2,506 2,497	4,140 4,128	0	2,506 2,506	4,140 4,140		16,350 16,400	0	2,058 2,050	3,549 3,539	0	2,217 2,209	3,760 3,749
13,600 13,650	0	2,489	4,118	0	2,506	4,140	,	16,450	0	2,042	3,528	0	2,201	3,739
13,650 13,700	0	2,481	4,110	0	2,506	4,140		16,500	0	2,034	3,518	0	2,193	3,728
13,700 13,750	0	2,473	4,097	0	2,506	4,140		16,550	0	2,026	3,507	0	2,185	3,718
13,750 13,800	0	2,465	4,086	0	2,506	4,140	16,550	16,600	0	2,018	3,497	0	2,177	3,707
13,800 13,850	0	2,457	4,076	0	2,506	4,140		16,650	0	2,010	3,486	0	2,169	3,697
13,850 13,900 13,900 13,950	0	2,449 2,441	4,065 4,055	0	2,506 2,506	4,140 4,140		16,700 16,750	0	2,002 1,994	3,476 3,465	0	2,161 2,153	3,686 3,676
13,950 14,000	ő	2,433	4,044	o o	2,506	4,140		16,800	0	1,986	3,454	ő	2,145	3,665
14,000 14,050	0	2,425	4,034	0	2,506	4,140	16,800	16,850	0	1,978	3,444	0	2,137	3,655
14,050 14,100	0	2,417	4,023	0	2,506	4,140		16,900	0	1,970	3,433	0	2,129	3,644
14,100 14,150 14,150 14,200	0	2,409 2,401	4,013 4,002	0	2,506 2,506	4,140		16,950	0	1,962 1,954	3,423	0	2,121	3,634 3,623
14,150 14,200	0	2,393	3,992	0	2,506	4,140 4,140		17,000 17,050	0	1,954	3,412	0	2,113	3,623
14,250 14,250	0	2,385	3,981	0	2,506	4,140		17,050	0	1,938	3,391	0	2,106	3,602
14,300 14,350	0	2,377	3,970	ő	2,506	4,140	17,100	17,150	0	1,930	3,381	0	2,090	3,591
14,350 14,400	0	2,369	3,960	0	2,506	4,140	17,150	17,200	0	1,922	3,370	0	2,082	3,581
14,400 14,450	0	2,361	3,949	0	2,506	4,140		17,250	0	1,914	3,360	0	2,074	3,570
14,450 14,500 14,500 14,550	0	2,353 2,345	3,939 3,928	0	2,506 2,506	4,140 4,140		17,300 17,350	0	1,906 1,898	3,349 3,339	0	2,066 2,058	3,560 3,549
14,550 14,600	0	2,337	3,918	0	2,497	4,128		17,400	0	1,890	3,328	0	2,050	3,539
						/¢10.050					010 000 H	l		

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

*Need more information or forms? See page 9.

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		And	l your filir	ng status	is—					And	d your fili	ng status	is—	
f the amount you are ooking up from the worksheet is—		ead of ho ring widov	,	Marrie you ha	d filing joi ve—	ntly and	If the amoun looking up fr worksheet is	om the		nead of ho		Married you ha	l filing joir ve—	ntly and
worksneet is—	No	One	Two	No	One	Two	worksneet is	, -	No	One	Two	No	One	Two
At least But less than	children You	child Ir credit i		children Yo	child	children is-	At least 6	But less than	children Yo	child		children Yo	child ur credit	childre is—
17,400 17,450	0	1,882	3,318	0	2,042	3,528	20,200	20,250	0	1,434	2,728	0	1,594	2,93
17,450 17,500	0	1,874	3,307	0	2,034	3,518	20,250		0	1,426	2,717	0	1,586	2,92
17,500 17,550	0	1,866	3,297	0	2,026	3,507	20,300		0	1,418	2,707	0	1,578	2,91
17,550 17,600	0	1,858	3,286	0	2,018	3,497	20,350		0	1,410	2,696	0	1,570	2,90
17,600 17,650 17,650 17,700	0	1,850 1,842	3,275 3,265	0	2,010 2,002	3,486 3,476	20,400 20,450		0	1,402 1,394	2,686 2,675	0	1,562 1,554	2,89 2,88
17,700 17,750		1,834	3,254	0	1,994	3,465	20,500		ő	1,386	2,665	ő	1,546	2,87
17,750 17,800	0	1,826	3,244	0	1,986	3,454	20,550	20,600	0	1,378	2,654	0	1,538	2,86
17,800 17,850	0	1,818	3,233	0	1,978	3,444	20,600		0	1,370	2,644	0	1,530	2,85
17,850 17,900 17,900 17,950	0	1,810	3,223 3,212	0	1,970 1,962	3,433 3,423	20,650 20,700		0	1,362 1,354	2,633 2,623	0	1,522 1,514	2,84 2,83
17,950 17,950	0	1,802 1,794	3,202	0	1,954	3,412	20,750		0	1,346	2,612	0	1,506	2,82
18.000 18.050	0	1,786	3,191	0	1,946	3,402	20,800		0	1,338	2,602	0	1,498	2,81
18,050 18,100	ő	1,778	3,181	Ö	1,938	3,391	20,850		Ö	1,330	2,591	ō	1,490	2,80
18,100 18,150	0	1,770	3,170	0	1,930	3,381	20,900	•	0	1,322	2,581	0	1,482	2,79
18,150 18,200	0	1,762	3,160	0	1,922	3,370	20,950		0	1,314	2,570	0	1,474	2,78
18,200 18,250 18,250 18,300	0	1,754 1,746	3,149 3,139	0	1,914 1,906	3,360 3,349	21,000 21,050		0	1,307 1,299	2,559 2,549	0	1,466 1,458	2,77 2,76
18,300 18,350	0	1,738	3,128	0	1,898	3,339	21,100		0	1,291	2,538	0	1,450	2,74
18,350 18,400	0	1,730	3,118	0	1,890	3,328	21,150		0	1,283	2,528	0	1,442	2,73
18,400 18,450	0	1,722	3,107	0	1,882	3,318	21,200	21,250	0	1,275	2,517	0	1,434	2,72
18,450 18,500	0	1,714	3,096	0	1,874	3,307	21,250	•	0	1,267	2,507	0	1,426	2,71
18,500 18,550 18,550 18,600	0	1,706 1,698	3,086 3,075	0	1,866 1,858	3,297 3,286	21,300 21,350		0	1,259 1,251	2,496 2,486	0	1,418 1,410	2,70
<u> </u>		-				3,275	,	<u> </u>	0		2,475	0	•	2,68
18,600 18,650 18,650 18,700	0	1,690 1,682	3,065 3,054	0	1,850 1,842	3,265	21,400 21,450		0	1,243 1,235	2,475	0	1,402 1,394	2,67
18,700 18,750	0	1,674	3,044	0	1,834	3,254	21,500		0	1,227	2,454	0	1,386	2,66
18,750 18,800	0	1,666	3,033	0	1,826	3,244	21,550	21,600	0	1,219	2,444	0	1,378	2,65
18,800 18,850	0	1,658	3,023	0	1,818	3,233	21,600	•	0	1,211	2,433	0	1,370	2,64
18,850 18,900 18,900 18,950	0	1,650 1,642	3,012 3,002	0	1,810 1,802	3,223 3,212	21,650 21,700	•	0	1,203 1,195	2,423 2,412	0	1,362 1,354	2,63 2,62
18,950 19,000	0	1,634	2,991	0	1,794	3,202			ő	1,187	2,401	0	1,346	2,61
19,000 19,050	0	1,626	2,981	0	1,786	3,191	21,800	21.850	0	1,179	2,391	0	1,338	2,60
19,050 19,100	0	1,618	2,970	0	1,778	3,181	21,850		0	1,171	2,380	0	1,330	2,59
19,100 19,150	0	1,610	2,960	0	1,770	3,170	21,900		0	1,163	2,370	0	1,322	2,58
19,150 19,200	0	1,602	2,949	0	1,762	3,160	21,950		0	1,155	2,359	0	1,314	2,57
19,200 19,250 19,250 19,300	0	1,594 1,586	2,939 2,928	0	1,754 1,746	3,149 3,139	22,000 22,050		0	1,147 1,139	2,349 2,338	0	1,307 1,299	2,55 2,54
19,300 19,350	ő	1,578	2,917	0	1,738	3,128	22,100		0	1,131	2,328	o	1,291	2,53
19,350 19,400	0	1,570	2,907	0	1,730	3,118	22,150	22,200	0	1,123	2,317	0	1,283	2,52
19,400 19,450	0	1,562	2,896	0	1,722	3,107	22,200		0	1,115	2,307	0	1,275	2,51
19,450 19,500	0	1,554 1,546	2,886 2,875	0	1,714 1,706	3,096 3,086	22,250 22,300		0	1,107 1,099	2,296 2,286	0	1,267 1,259	2,50
19,500 19,550 19,550 19,600	0	1,538	2,865	0	1,698	3,086	22,350		0	1,099	2,275	0	1,259	2,49 2,48
19,600 19,650	0	1,530	2,854	0	1,690	3,065	22,400	22.450	0	1,083	2,265	0	1,243	2,47
19,650 19,700	0	1,522	2,844	0	1,682	3,054	22,450	22,500	0	1,075	2,254	0	1,235	2,46
19,700 19,750	0	1,514	2,833	0	1,674	3,044	22,500		0	1,067	2,244	0	1,227	2,45
19,750 19,800	0	1,506	2,823	0	1,666	3,033	22,550		0	1,059	2,233	0	1,219	2,44
19,800 19,850 19,850 19,900	0	1,498 1,490	2,812 2,802	0	1,658 1,650	3,023 3,012	22,600 22,650		0	1,051 1,043	2,222 2,212	0	1,211 1,203	2,43 2,42
19,900 19,950	0	1,482	2,791	0	1,642	3,002	22,700		0	1,045	2,201	0	1,195	2,42
19,950 20,000	0	1,474	2,781	0	1,634	2,991	22,750		0	1,027	2,191	0	1,187	2,40
20,000 20,050	0	1,466	2,770	0	1,626	2,981	22,800	22,850	0	1,019	2,180	0	1,179	2,39
20,050 20,100	0	1,458	2,760	0	1,618	2,970	22,850		0	1,011	2,170	0	1,171	2,38
20,100 20,150	0	1,450 1,442	2,749 2,738	0	1,610 1,602	2,960 2,949	22,900 22,950		0	1,003 995	2,159 2,149	0	1,163 1,155	2,37 2,35

2002 Earned Incor	ne Credit (E	IC) Tab	ole—Co	ontinue	ed	(Caution.	This is n	ot a tax	tabl	e.)			
	A	nd your filir	ng status	is—					An	d your filir	ng status is	_	
If the amount you are looking up from the worksheet is—	Single, head of h or qualifying wid you have—	,	Married you ha	d filing joir ve—	ntly and	If the amour looking up fi worksheet is	rom the	Single, he or qualifyi you have-	ng wido		Married you have		ntly and
	No One children 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 credi			ır credit i	•	At least	But less than		ır credi			r credit	
23,000 23,050 23,050 23,100 23,100 23,150	0 987 0 979 0 971 0 963	2,138 2,128 2,117 2,107	0 0 0 0	1,147 1,139 1,131 1,123	2,349 2,338 2,328 2,317	25,850 25,900	25,850 25,900 25,950 26,000	0 0 0	539 531 523	1,549 1,538 1,528	0 0 0	699 691 683	1,759 1,749 1,738 1,728
23,150 23,200 23,200 23,250 23,250 23,300	0 963 0 955 0 947	2,096 2,086	0	1,123 1,115 1,107	2,307 2,296	26,000	26,050 26,100	0 0	515 508 500	1,517 1,506 1,496	0 0	675 667 659	1,728 1,717 1,707
23,300 23,350 23,350 23,400	0 939 0 931	2,075 2,065	0	1,099 1,091	2,286 2,275	26,100	26,150 26,200	0	492 484	1,485 1,475	0	651 643	1,696 1,685
23,400 23,450 23,450 23,500 23,500 23,550 23,550 23,600	0 923 0 915 0 907 0 899	2,054 2,043 2,033 2,022	0 0 0 0	1,083 1,075 1,067 1,059	2,265 2,254 2,244 2,233	26,250 26,300	26,250 26,300 26,350 26,400	0 0 0	476 468 460 452	1,464 1,454 1,443 1,433	0 0 0 0	635 627 619 611	1,675 1,664 1,654 1,643
23,600 23,650 23,650 23,700 23,700 23,750 23,750 23,800	0 891 0 883 0 875 0 867	2,012 2,001 1,991 1,980	0 0 0 0	1,051 1,043 1,035 1,027	2,222 2,212 2,201 2,191	26,450 26,500	26,450 26,500 26,550 26,600	0 0 0 0	444 436 428 420	1,422 1,412 1,401 1,391	0 0 0 0	603 595 587 579	1,633 1,622 1,612 1,601
23,800 23,850 23,850 23,900 23,900 23,950 23,950 24,000	0 859 0 851 0 843 0 835	1,970 1,959 1,949 1,938	0 0 0 0	1,019 1,011 1,003 995	2,180 2,170 2,159 2,149	26,650 26,700	26,650 26,700 26,750 26,800	0 0 0 0	412 404 396 388	1,380 1,370 1,359 1,348	0 0 0 0	571 563 555 547	1,591 1,580 1,570 1,559
24,000 24,050 24,050 24,100 24,100 24,150 24,150 24,200	0 827 0 819 0 811 0 803	1,928 1,917 1,907 1,896	0 0 0 0	987 979 971 963	2,138 2,128 2,117 2,107	26,850 26,900	26,850 26,900 26,950 27,000	0 0 0 0	380 372 364 356	1,338 1,327 1,317 1,306	0 0 0 0	539 531 523 515	1,549 1,538 1,528 1,517
24,200 24,250 24,250 24,300 24,300 24,350 24,350 24,400	0 795 0 787 0 779 0 771	1,886 1,875 1,864 1,854	0 0 0 0	955 947 939 931	2,096 2,086 2,075 2,065	27,050 27,100	27,050 27,100 27,150 27,200	0 0 0 0	348 340 332 324	1,296 1,285 1,275 1,264	0 0 0 0	508 500 492 484	1,506 1,496 1,485 1,475
24,400 24,450 24,450 24,500 24,500 24,550 24,550 24,600	0 763 0 755 0 747 0 739	1,843 1,833 1,822 1,812	0 0 0 0	923 915 907 899	2,054 2,043 2,033 2,022			0 0 0	316 308 300 292	1,254 1,243 1,233 1,222	0 0 0 0	476 468 460 452	1,464 1,454 1,443 1,433
24,600 24,650 24,650 24,700 24,700 24,750 24,750 24,800	0 731 0 723 0 715 0 707	1,801 1,791 1,780 1,770	0 0 0	891 883 875 867	2,012 2,001 1,991 1,980	27,450 27,500	27,450 27,500 27,550 27,600	0 0 0	284 276 268 260	1,212 1,201 1,191 1,180	0 0 0	444 436 428 420	1,422 1,412 1,401 1,391
24,800 24,850 24,850 24,900 24,900 24,950 24,950 25,000	0 699 0 691 0 683 0 675	1,759 1,749 1,738 1,728	0 0 0	859 851 843 835	1,970 1,959 1,949 1,938	27,650 27,700	27,650 27,700 27,750 27,800	0 0 0	252 244 236 228	1,169 1,159 1,148 1,138	0 0 0	412 404 396 388	1,380 1,370 1,359 1,348
25,000 25,050 25,050 25,100 25,100 25,150 25,150 25,200	0 667 0 659 0 651 0 643	1,717 1,707 1,696 1,685	0 0 0 0	827 819 811 803	1,928 1,917 1,907 1,896	27,850 27,900	27,850 27,900 27,950 28,000	0 0 0	220 212 204 196	1,127 1,117 1,106 1,096	0 0 0	380 372 364 356	1,338 1,327 1,317 1,306
25,200 25,250 25,250 25,300 25,300 25,350 25,350 25,400	0 635 0 627 0 619 0 611	1,675 1,664 1,654 1,643	0 0 0 0	795 787 779 771	1,886 1,875 1,864 1,854	28,050 28,100	28,050 28,100 28,150 28,200	0 0 0 0	188 180 172 164	1,085 1,075 1,064 1,054	0 0 0 0	348 340 332 324	1,296 1,285 1,275 1,264
25,400 25,450 25,450 25,500 25,500 25,550 25,550 25,600	0 603 0 595 0 587 0 579	1,633 1,622 1,612 1,601	0 0 0 0	763 755 747 739	1,843 1,833 1,822 1,812	28,200 28,250 28,300 28,350	28,300 28,350	0 0 0	156 148 140 132	1,043 1,033 1,022 1,012	0 0 0 0	316 308 300 292	1,254 1,243 1,233 1,222
25,600 25,650 25,650 25,700 25,700 25,750 25,750 25,800	0 571 0 563 0 555 0 547	1,591 1,580 1,570 1,559	0 0 0 0	731 723 715 707	1,801 1,791 1,780 1,770	28,400 28,450 28,500 28,550	28,500 28,550	0 0 0 0	124 116 108 100	1,001 990 980 969	0 0 0 0	284 276 268 260	1,212 1,201 1,191 1,180

2002 Earned Incor	ne Cre	dit (E	IC) Tab	le—Co	ontinu	ed	(Caution	. This is n	ot a tax	table	e.)			
If the amount you are	Single, h		d your filir ousehold,		is— I filing joi	ntly and	If the amou	nt you are	Single, he			ng status is Married		ntly and
looking up from the worksheet is—		ying wido	w(er) and	you ha		Í	looking up worksheet i	from the		ng wido	w(er) and	you hav		,
	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	You	ır credit	is—	You	ır credit	is—	At least	But less than	You	ır credi	t is—	You	ır credit	is—
28,600 28,650 28,650 28,700	0	92 84	959 948	0	252 244	1,169 1,159	,	31,450 31,500	0	0	369 359	0	0	580 569
28,700 28,750 28,750 28,800	0	76 68	938 927	0	236 228	1,148 1,138	,	31,550 31,600	0	0 0	348 338	0	0	559 548
28,800 28,850	0	60	917	0	220	1,127		31,650	0	0	327	0	0	538
28,850 28,900 28,900 28,950	0	52 44	906 896	0	212 204	1,117 1,106	,	31,700 31,750	0	0 0	317 306	0	0 0	527 517
28,950 29,000	Ö	36	885	Ö	196	1,096	31,750	31,800	0	0	295	0	0	506
29,000 29,050 29,050 29,100	0	28 20	875 864	0	188 180	1,085 1,075	,	31,850 31,900	0	0	285 274	0	0	496 485
29,100 29,150 29,150 29,200	0	12 4	854 843	0	172 164	1,064 1,054	. ,	31,950 32,000	0	0 0	264 253	0	0 0	475 464
29,200 29,250	0	**	833	0	156	1,043	,	32,050	0	0	243	0	0	453
29,250 29,300 29,300 29,350	0	0	822 811	0	148 140	1,033 1,022	32,050	32,100 32,150	0	0 0	232 222	0	0 0	443 432
29,350 29,400	Ö	0	801	Ö	132	1,012		32,200	ŏ	ő	211	Ö	0	422
29,400 29,450 29,450 29,500	0	0	790 780	0	124 116	1,001 990		32,250 32,300	0	0 0	201 190	0	0 0	411 401
29,500 29,550 29,550 29,600	0	0	769 759	Ö O	108 100	980 969	32,300	32,350 32,400	Ö O	0 0	180 169	0	0	390 380
29,600 29,650	0	0	748	0	92	959	,	32,450	0	0	159	0	0	369
29,650 29,700 29,700 29,750	0	0	738 727	0	84 76	948 938	32,450	32,500 32,550	0	0	148 138	0	0	359 348
29,750 29,800	ő	ő	717	0	68	927		32,600	ő	0	127	ő	ő	338
29,800 29,850 29,850 29,900	0	0	706 696	0	60 52	917 906		32,650 32,700	0	0 0	116 106	0	0 0	327 317
29,900 29,950	0	0	685 675	0	44 36	896 885	32,700	32,750 32,800	0	0	95 85	0	0	306 295
29,950 30,000 30,000 30,050	0	0	664	0	28	875	,	32,850	0	0	74	0	0	285
30,050 30,100 30,100 30,150	0	0	654 643	o O	20 12	864 854	32,850	32,900 32,950	0	0	64 53	0	0	274 264
30,150 30,150	0	0	632	0	4	843		33,000	0	0	43	0	0	253
30,200 30,250	0	0	622	0	**	833		33,050 33,100	0	0	32 22	0	0	243 232
30,250 30,300 30,300 30,350	Ō	0	611 601	0	0	822 811	33,100	33,150	0	0	11	0	0	222
30,350 30,400 30,400 30,450	0	0	590 580	0	0	790	,	33,200	0	0	0	0	0	211
30,450 30,500	0	0	569	0	0	780	33,250	33,300	0	0	0	0	0	190
30,500 30,550 30,550 30,600	0	0 0	559 548	0	0 0	769 759		33,350 33,400	0 0	0 0	0 0	0 0	0	180 169
30,600 30,650 30,650 30,700	0	0	538 527	0	0	748 738	,	33,450 33,500	0	0	0	0	0	159 148
30,700 30,750	0	0	517	0	0	727	33,500	33,550	0	0 0	0 0	0	0	138
30,750 30,800	0	0	506	0	0	717		33,600 33,650	0	0	0	0	0	127 116
30,800 30,850 30,850 30,900	0	0 0	496 485	0	0 0	706 696	33,650	33,700	0	0	0	0	0	106
30,900 30,950 30,950 31,000	0	0 0	475 464	0	0 0	685 675		33,750 33,800	0	0 0	0 0	0	0 0	95 85
31,000 31,050	0	0	453	0	0	664	33,800	33,850	0	0	0	0	0	74
31,050 31,100 31,100 31,150	0	0 0	443 432	0	0 0	654 643	33,900	33,900 33,950	0	0	0 0	0	0 0	64 53
31,150 31,200 31,200 31,250	0	0	422 411	0	0	632 622		34,000 34,050	0	0	0	0	0	43 32
31,250 31,300	0	0	401	0	0	611	34,050	34,100	0	0	0	0	0	22
31,300 31,350 31,350 31,400	0	0 0	390 380	0	0 0	601 590	34,150	34,150 34,178	0	0	0	0	0	11 3
	<u> </u>						34,178	or more	0	0	0	0	0	0

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

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

Line 65

Excess Social Security and Tier 1 RRTA Tax Withheld

If you, or your spouse if filing a joint return, had more than one employer for 2002 and total wages of more than \$84,900, too much social security or tier 1 railroad retirement (RRTA) tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$5,263.80. But if any one employer withheld more than \$5,263.80, you must ask that employer to refund the excess to you. You cannot claim it on your return. Figure this amount separately for you and your spouse.

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

For more details, see Pub. 505.

Line 66

Additional Child Tax Credit

What Is the Additional Child Tax Credit?

This credit is for certain people who have at least one qualifying child as defined in the instructions for line 6c, column (4), on page 22. The additional child tax credit may give you a refund even if you do not owe any tax.

Two Steps To Take the Additional Child Tax Credit!

Step 1. Be sure you figured the amount, if any, of your child tax credit. See the instructions for line 50 that begin on page 39.

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

Line 67

Amount Paid With Request for Extension To File

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

Line 68

Other Payments

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

Refund

Line 70

Amount Overpaid

If line 70 is under \$1, we will send a refund only on written request.

If you want to check the status of your refund, please wait at least 4 weeks (3 weeks if you filed electronically) from the date you filed your return to do so. See page 13 for details.



If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay by filing a

new Form W-4. See Income Tax Withholding and Estimated Tax Payments for 2003 on page 59.

Refund Offset

If you owe past-due Federal tax, state income tax, child support, spousal support, or certain Federal nontax debts, such as student loans, all or part of the overpayment on line 70 may be used (offset) to pay the past-due amount. Offsets for Federal taxes are made by the IRS. All other offsets are made by the Treasury Department's Financial Management Service (FMS). You will receive a notice from FMS showing the amount of the offset and the agency receiving it. To find out if you may have an offset or if you have any questions about it, contact the agency(ies) you owe the debt to.

Injured Spouse Claim

If you file a joint return and your spouse has not paid past-due Federal tax, state income tax, child support, spousal support, or a Federal nontax debt, such as a student loan, part or all of the overpayment on line 70 may be used (offset) to pay the past-due amount. But your part of the overpayment may be refunded to you after the offset occurs if certain conditions apply and you complete Form 8379. For details, use TeleTax topic 203 (see page 13) or see Form 8379.

Lines 71b Through 71d

Direct Deposit of Refund

Complete lines 71b through 71d if you want us to directly deposit the amount shown on line 71a into your checking or savings account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

Why Use Direct Deposit?

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



You can check with your financial institution to make sure your deposit will be accepted and to get the correct routing and ac-

count numbers. The IRS is not responsible for a lost refund if you enter the wrong account information.

If you file a joint return and fill in lines 71b through 71d, you are appointing your spouse as an agent to receive the refund. This appointment cannot be changed later.

Line 71b

The routing number **must** be **nine** digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check on page 57, the routing number is 250250025.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on line 71b.

Line 71d

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check on page 57, the account number is 20202086. Be sure **not** to include the check number.

(Continued on page 57)



Some financial institutions will not allow a joint refund to be deposited into an individual account. If the direct deposit is re-

jected, a check will be sent instead. The IRS is not responsible if a financial institution rejects a direct deposit.

Line 72

Applied to Your 2003 Estimated Tax

Enter on line 72 the amount, if any, of the overpayment on line 70 you want applied to your 2003 estimated tax. We will apply this amount to your account unless you attach a statement requesting us to apply it to your spouse's account. Include your spouse's social security number in the attached statement.



This election to apply part or all of the amount overpaid to your 2003 estimated tax cannot be changed later.

Amount You Owe

Line 73

Amount You Owe



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

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

You can pay by check, money order, or credit card. **Do not** include any estimated tax payment for 2003 in your check, money order, or amount you charge. Instead, make the estimated tax payment separately.

To Pay by Check or Money Order. Make your check or money order payable to the "United States Treasury" for the full amount due. Do not send cash. Do not attach the payment to your return. Write "2002 Form 1040" and your name, address, daytime phone number, and social security number (SSN) on your payment. If you are filing a joint return, enter the SSN shown first on your tax return.

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

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

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

provider's web site shown below. **If you pay by credit card** before filing your return, please enter on page 1 of Form 1040 in the upper left corner the confirmation number you were given at the end of the transaction and the amount you charged (not including the convenience fee).

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

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



You may need to (a) increase the amount of income tax withheld from your pay by filing a new Form W-4 or (b) make estimated

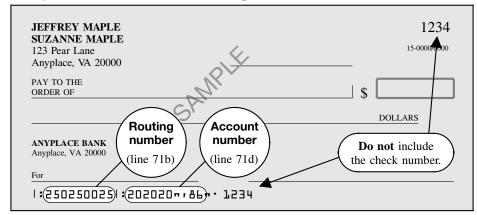
tax payments for 2003. See Income Tax Withholding and Estimated Tax Payments for 2003 on page 59.

What if You Cannot Pay?

If you cannot pay the full amount shown on line 73 when you file, you may ask to make monthly **installment payments.** You may have up to 60 months to pay. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2003, even if your request to pay in installments is granted. You must also pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan.

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

Sample Check—Lines 71b Through 71d



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

Line 74

Estimated Tax Penalty

You may owe this penalty if:

- Line 73 is at least \$1,000 and it is more than 10% of the tax shown on your return or
- You did not pay enough estimated tax by any of the due dates. This is true even if you are due a refund.

For most people, the "tax shown on your return" is the amount on line 61 minus the total of any amounts shown on lines 64 and

66 and Forms 8828, 4137, 4136, 5329 (Parts III, IV, V, VI, and VII only), and 8885. When figuring the amount on line 61, include the amount on line 60 only if line 62 is more than zero **or** you would owe the penalty even if you did not include those taxes. But if you entered an amount on Schedule H, line 7, include the total of that amount plus the amount on Form 1040, line 60.

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

- 1. You had no tax liability for 2001 and you were a U.S. citizen or resident for all of 2001 or
- 2. The total of lines 62, 63, and 65 on your 2002 return is at least as much as the tax liability shown on your 2001 return. Your estimated tax payments for 2002 must have been made on time and for the required amount.



If your 2001 adjusted gross income was over \$150,000 (over \$75,000 if your 2002 filing status is married filing separately), item

2 above applies only if the total of lines 62, 63, and 65 on your 2002 return is at least 112% of the tax liability shown on your 2001 return. This rule does not apply to farmers and fishermen.

Figuring the Penalty

If the **Exception** above does not apply and you choose to figure the penalty yourself, see **Form 2210** (or **2210-F** for farmers and fishermen) to find out if you owe the penalty. If you do, you can use the form to figure the amount.

Enter the penalty on line 74. Add the penalty to any tax due and enter the total on line 73. If you are due a refund, subtract the penalty from the overpayment you show on line 70. **Do not** file Form 2210 with your return unless Form 2210 indicates that you must do so. Instead, keep it for your records.



Because Form 2210 is complicated, if you want to, you can leave line 74 blank and the IRS will figure the penalty and send you

a bill. We will not charge you interest on the penalty if you pay by the date specified on the bill. In certain situations, you may be able to lower your penalty, but only by filing Form 2210. For details, see the Instructions for Form 2210.

Third Party Designee

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

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

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

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

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing your 2003 tax return. This is April 15, 2004, for most people.

Sign Your Return

Form 1040 is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. If your spouse cannot sign the return, see **Pub. 501.** If you have someone prepare your return, you are still responsible for the correctness of the return. If you are filing a joint return as a surviving spouse, see **Death of a Taxpayer** on page 60.

Child's Return

If your child cannot sign the return, either parent may sign the child's name in the

space provided. Then, add "By (your signature), parent for minor child."

Daytime Phone Number

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

Paid Preparer Must Sign Your Return

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

Assemble Your Return

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

General Information

How To Avoid Common Mistakes

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

- 1. Make sure you entered the correct name and social security number (SSN) for each dependent you claim on line 6c. Also, make sure you check the box in column (4) of line 6c for each dependent under age 17 who is also a qualifying child for the child tax credit
- 2. Check your math, especially for the child tax credit, earned income credit (EIC), taxable social security benefits, total income, itemized deductions or standard deduction, deduction for exemptions, taxable income, total tax, Federal income tax withheld, and refund or amount you owe.
- **3.** Be sure you use the correct method to figure your tax. See the instructions for line 42 on page 36.
- **4.** Be sure to enter your SSN in the space provided on page 1 of Form 1040. If you are married filing a joint or separate return, also enter your spouse's SSN. Be sure to enter your SSN in the space next to your name.
- **5.** Make sure your name and address are correct on the peel-off label. If not, enter the correct information. If you did not get a peel-off label, enter your (and your spouse's) name in the same order as shown on your last return.
- **6.** If you are taking the standard deduction and you checked any box on line 37a or you (or your spouse if filing jointly) can be claimed as a dependent on someone else's 2002 return, see page 34 to be sure you entered the correct amount on line 38.
- **7.** If you received capital gain distributions but were not required to file Schedule D, make sure you check the box on line 13.
- **8.** If you are taking the EIC, be sure you used the correct column of the EIC Table for your filing status and the number of children you have.
- **9.** Remember to **sign** and date Form 1040 and enter your occupation.
- **10.** Attach your W-2 form(s) and other required forms and schedules. Put all forms and schedules in the proper order. See **Assemble Your Return** on page 58.
- 11. If you owe tax and are paying by check or money order, be sure to include all the required information on your payment. See the instructions for line 73 on page 57 for details.

What Are Your Rights as a Taxpayer?

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

Innocent Spouse Relief

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

Income Tax Withholding and Estimated Tax Payments for 2003

If the amount you owe or the amount you overpaid is large, you may want to file a new **Form W-4** with your employer to change the amount of income tax withheld from your 2003 pay. For details on how to complete Form W-4, see **Pub. 919.**

In general, you do not have to make estimated tax payments if you expect that your 2003 Form 1040 will show a tax refund **or** a tax balance due the IRS of less than \$1,000. If your total estimated tax (including any household employment taxes or alternative minimum tax) for 2003 is \$1,000 or more, see **Form 1040-ES.** It has a worksheet you can use to see if you have to make estimated tax payments. For more details, see **Pub. 505.**

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

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

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

If you wish to do so, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, P.O. Box 2188, Parkersburg, WV 26106-2188. Or you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. See page 57 for details on how to pay any tax you owe.



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

Address Change

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

How Long Should Records Be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as Forms W-2 and 1099) until the statute of limitations runs out for that return. Usually, this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property. For more details, see **Pub. 552.**

Amended Return

File Form 1040X to change a return you already filed. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or within 2 years after the date the tax was paid, whichever is later. But you may have more time to file Form 1040X if you are physically or mentally unable to manage your financial affairs. See Pub. 556 for details.

Need a Copy of Your Tax Return?

If you need a copy of your tax return, use **Form 4506.** If you want a free printed copy of your account, call us. See page 15 for the number.

Death of a Taxpayer

If a taxpayer died before filing a return for 2002, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return must enter "DE-CEASED," the deceased taxpayer's name, and the date of death across the top of the return. If this information is not provided, it may delay the processing of the return.

If your spouse died in 2002 and you did not remarry in 2002, you can file a joint return. You can also file a joint return if your spouse died in 2003 before filing a return for 2002. A joint return should show your spouse's 2002 income before death and your income for all of 2002. Enter "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

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

Claiming a Refund for a Deceased Taxpayer

If you are filing a joint return as a surviving spouse, you only need to file the tax return to claim the refund. If you are a court-appointed representative, file the return and attach a copy of the certificate that shows your appointment. All other filers requesting the deceased taxpayer's refund must file the return and attach **Form 1310.**

For more details, use TeleTax topic 356 (see page 13) or see **Pub. 559.**

Parent of a Kidnapped Child

The parent of a child who is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member may be able to take the child into account in determining his or her eligibility for the head of household or qualifying widow(er) filing status, deduction for dependents, child tax credit, and the earned income credit (EIC). For details, use Tele-Tax topic 357 (see page 13) or see **Pub. 501** (**Pub. 596** for the EIC).

Other Ways To Get Help

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

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

Free Help With Your Return

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

On-Line Services

If you subscribe to an on-line service, ask about on-line filing or tax information.

Large-Print Forms and Instructions

Pub. 1614 has large-print copies of Form 1040, Schedules A, B, D, E, EIC, and R, and Forms 1040-V and 8812, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file them. You can get Pub. 1614 by phone or mail. See pages 9 and 61.

Help for People With Disabilities

Telephone help is available using TTY/TDD equipment. See page 15 for the number. Braille materials are available at libraries that have special services for people with disabilities.

Interest and Penalties

You do not have to figure the amount of any interest or penalties you may owe. Because figuring these amounts can be complicated, we will do it for you if you want. We will send you a bill for any amount due.

If you include interest or penalties (other than the estimated tax penalty) with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. **Do not** include interest or penalties (other than the estimated tax penalty) in the **amount you owe** on line 73.

Interest

We will charge you interest on taxes not paid by their due date, even if an extension of time to file is granted. We will also charge you interest on penalties imposed for failure to file, negligence, fraud, substantial valuation misstatements, and substantial understatements of tax. Interest is charged on the penalty from the due date of the return (including extensions).

Penalties

Late Filing. If you do not file your return by the due date (including extensions), the penalty is usually 5% of the amount due for each month or part of a month your return is late, unless you have a reasonable explanation. If you do, attach it to your return. The penalty can be as much as 25% (more in some cases) of the tax due. If your return is more than 60 days late, the minimum penalty will be \$100 or the amount of any tax you owe, whichever is smaller.

Late Payment of Tax. If you pay your taxes late, the penalty is usually ½ of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty can be as much as 25% of the unpaid amount. It applies to any unpaid tax on the return. This penalty is in addition to interest charges on late payments.

Frivolous Return. In addition to any other penalties, the law imposes a penalty of \$500 for filing a frivolous return. A frivolous return is one that does not contain information needed to figure the correct tax or shows a substantially incorrect tax because you take a frivolous position or desire to delay or interfere with the tax laws. This includes altering or striking out the preprinted language above the space where you sign.

Other. Other penalties can be imposed for negligence, substantial understatement of tax, and fraud. Criminal penalties may be imposed for willful failure to file, tax evasion, or making a false statement. See **Pub.** 17 for details on some of these penalties.

Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. See pages 10 through 12 for the titles of the forms and publications. We will mail you two copies of each form and one copy of each publication you order. To help reduce waste, please order only the items you need to prepare your return.



For faster ways of getting the items you need, such as by computer or fax, see page 9.

How To Use the Order Blank

Circle the items you need on the order blank below. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper. Print or type your name and address accurately in the space provided below. An accurate address will ensure delivery of your order. Cut the order blank on the dotted line. Enclose the order blank in your own envelope and send it to the IRS address shown below that applies to you. You should

receive your order within 10 days after we receive your request.

Do not send your tax return to any of the addresses listed on this page. Instead, see the back cover.



Where To Mail Your Order Blank for Free Forms and Publications

IF you live in the	THEN mail to	AT this address
Western United States	Western Area Distribution Center	Rancho Cordova, CA 95743-0001
Central United States	Central Area Distribution Center	P.O. Box 8903 Bloomington, IL 61702-8903
Eastern United States or a foreign country	Eastern Area Distribution Center	P.O. Box 85074 Richmond, VA 23261-5074

Order Blank

Fill in your name and address.

▲ Cut here	A	
Name		
Postal mailing address		Apt./Suite/Room
City	State	ZIP code
Foreign country		International postal code
Daytime phone number		

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

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

1040	Schedule F (1040)	Schedule 3 (1040A)	2441	8812	Pub. 463	Pub. 527	Pub. 910
Schedules A&B (1040)	Schedule H (1040)	1040EZ	3903	8822	Pub. 501	Pub. 529	Pub. 926
Schedule C (1040)	Schedule J (1040)	1040-ES (2003)	4562	8829	Pub. 502	Pub. 535	Pub. 929
Schedule C-EZ (1040)	Schedule R (1040)	1040-V	4868	8863	Pub. 505	Pub. 550	Pub. 936
Schedule D (1040)	Schedule SE (1040)	1040X	5329	9465	Pub. 508	Pub. 554	Pub. 970
Schedule D-1 (1040)	1040A	2106	8283	Pub. 1	Pub. 521	Pub. 575	Pub. 972
Schedule E (1040)	Schedule 1 (1040A)	2106-EZ	8582	Pub. 17	Pub. 523	Pub. 590	
Schedule EIC (1040A or 1040)	Schedule 2 (1040A)	2210	8606	Pub. 334	Pub. 525	Pub. 596	

2002 Tax Table

Use if your taxable income is less than \$100,000. If \$100,000 or more, use the Tax Rate Schedules.

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 41 of Form 1040 is \$25,300. First, they find the \$25,300–25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$3,199. This is the tax amount they should enter on line 42 of their Form 1040.

Sample Table

At But least less than	Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold
		Your ta	ax is—	
25,200 25,250 25,250 25,300 25,300 25,350 25,350 25,400		3,184 3,191 3,199 3,206	3,709 3,722 3,736 3,749	3,284 3,291 3,299 3,306

If line (taxabl	lę		And yo	u are—	-	If line (taxab incom	le		And yo	u are—		If line 4 (taxabl	e		And yo	u are—	
At least	But less than	Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold
			Your to	ax is—					Your ta	ax is—				Y	our tax	is—	
0 5	5	0	0	0	0	1,300	1,325	131	131	131	131	2,700	2,725 2,750	271 274	271	271	271
15	15 25	1 2	1 2	1 2	1 2	1,325 1,350	1,350 1,375	134 136	134 136	134 136	134 136	2,725 2,750	2,775	276	274 276	274 276	274 276
25	50	4	4	4	4	1,375	1,400	139	139	139	139	2,775	2,800	279	279	279	279
50 75	75 100	6 9	6 9	6 9	6 9	1,400 1,425	1,425 1,450	141 144	141 144	141 144	141 144	2,800 2,825	2,825 2,850	281 284	281 284	281 284	281 284
100	125	11	11	11	11	1,450 1,475	1,475 1,500	146 149	146 149	146 149	146 149	2,850 2,875	2,875 2,900	286 289	286 289	286 289	286 289
125 150	150 175	14 16	14 16	14 16	14 16	1,500	1,525	151	151	151	151	2,900	2,925	291	291	291	291
175	200	19	19	19	19	1,525 1,550	1,550 1,575	154 156	154 156	154 156	154 156	2,925 2,950	2,950 2,975	294 296	294 296	294 296	294 296
200 225	225 250	21 24	21 24	21 24	21 24	1,575	1,600	159	159	159	159	2,975	3,000	299	299	299	299
250 275	275 300	26 29	26 29	26 29	26 29	1,600 1,625	1,625 1,650	161 164	161 164	161 164	161 164	3,0	00				
300	325	31	31	31	31	1,650	1,675	166	166	166	166	3,000	3,050	303	303	303	303
325	350	34 36	34 36	34 36	34 36	1,675 1,700	1,700 1,725	169 171	169 171	169 171	169 171	3,050	3,100	308	308	308	308
350 375	375 400	39	39	39	39	1,725 1,750	1,750	174 176	174 176	174 176	174 176	3,100 3,150	3,150 3,200	313 318	313 318	313 318	313 318
400	425	41	41	41	41	1,775	1,775 1,800	179	179	179	179	3,200 3,250	3,250 3,300	323 328	323 328	323 328	323 328
425 450	450 475	44 46	44 46	44 46	44 46	1,800 1,825	1,825 1,850	181 184	181 184	181 184	181 184	3,300	3,350	333	333	333	333
475	500	49	49	49	49	1,850	1,875	186	186	186	186	3,350	3,400 3,450	338 343	338 343	338 343	338 343
500 525	525 550	51 54	51 54	51 54	51 54	1,875 1,900	1,900 1,925	189 191	189 191	189 191	189 191	3,450	3,500	348	348	348	348
550 575	575 600	56 59	56 59	56 59	56 59	1,925	1,950	194	194	194	194	3,500 3,550	3,550 3,600	353 358	353 358	353 358	353 358
600	625	61	61	61	61	1,950 1,975	1,975 2,000	196 199	196 199	196 199	196 199	3,600	3,650	363	363	363	363
625 650	650 675	64 66	64 66	64 66	64 66	<u> </u>	000	l				3,650 3,700	3,700 3,750	368 373	368 373	368 373	368 373
675	700	69	69	69	69	2,000	2,025	201	201	201	201	3,750	3,800	378	378	378	378
700 725	725 750	71 74	71 74	71 74	71 74	2,025	2,050	204	204	204	204	3,800 3,850	3,850 3,900	383 388	383 388	383 388	383 388
750	775	76	76	76	76	2,050 2,075	2,075 2,100	206 209	206 209	206 209	206 209	3,900 3,950	3,950 4,000	393 398	393 398	393 398	393 398
775 800	800 825	79 81	79 81	79 81	79 81	2,100	2,125	211	211	211	211	4,0	-	000	000	000	000
825	850	84	84 86	84 86	84	2,125 2,150	2,150 2,175	214 216	214 216	214 216	214 216			l			
850 875	875 900	86 89	89	89	86 89	2,175	2,200	219	219	219	219	4,000 4,050	4,050 4,100	403 408	403 408	403 408	403 408
900	925	91	91 94	91 94	91 94	2,200 2,225	2,225 2,250	221 224	221 224	221 224	221 224	4,100 4,150	4,150 4,200	413 418	413 418	413 418	413 418
925 950	950 975	94 96	96	96	96	2,250 2,275	2,275 2,300	226 229	226 229	226 229	226 229	4,200	4,250	423	423	423	423
975	1,000	99	99	99	99		2.325	231	231	231	231	4,250 4,300	4,300 4,350	428 433	428 433	428 433	428 433
1,0	000					2,300 2,325 2,350 2,375	2,350 2,375	234 236	234 236	234 236	234 236	4,350	4,400	438	438	438	438
1,000	1,025	101	101	101	101		2,400	239	239	239	239	4,400 4,450	4,450 4,500	443 448	443 448	443 448	443 448
1,025	1,050	104	104	104	104	2,400 2,425	2,425 2,450	241 244	241 244	241 244	241 244	4,500	4,550	453	453	453	453
1,025 1,050 1,075	1,075 1,100	106 109	106 109	106 109	106 109	l 2.450	2,475	246	246	246	246	4,550 4,600	4,600 4,650	458 463	458 463	458 463	458 463
		111	111	111	111	2,475 2,500	2,500 2,525	249 251	249 251	249 251	249 251	4.650	4,700	468	468	468	468
1,100 1,125 1,150 1,175	1,150 1,175	114 116	114 116	114 116	114 116	2,525 2,550	2,550	254	254	254	254	4,700 4,750	4,750 4,800	473 478	473 478	473 478	473 478
1,175	1,200	119	119	119	119	2,550	2,575 2,600	256 259	256 259	256 259	256 259	4.800	4,850	483	483	483	483
1,200	1,225 1,250	121 124	121 124	121 124	121 124	2,600 2,625	2,625	261	261	261	261	4,850 4,900	4,900 4,950	488 493	488 493	488 493	488 493
1,225 1,250 1,275	1,250	126	126	126	126	2,650	2,650 2,675	264 266	264 266	264 266	264 266	4,950	5,000	498	498	498	498
1,275	1,300	129	129	129	129	2,675	2,700	269	269	269	269				(Contin	nued on	page 64)

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

2002 Tax Table—Continued

If line 4 (taxable income)	1		And yo	ou are—		If line (taxab incom			And yo	ou are—	-	If line (taxal incon			And yo	u are—	
At least	But less than	Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house- hold	At least	But less than	Single	Married filing jointly	Married filing sepa-rately tax is—	Head of a house- hold
5,0	00		1001 0	ux 10		8,0	00		1001	ux 10		11.	,000		Tour	iux io	
5,000	5,050	503	503	503	503	8,000	8,050	904	803	904	803	<u> </u>	11,050	1,354	1,103	1,354	1,154
5,050 5,100	5,100 5,150	508 513	508 513	508 513	508 513	8,050 8,100	8,100 8,150	911 919	808 813	911 919	808 813	11,050	11,100 11,150	1,361 1,369	1,108 1,113	1,361 1,369	1,161 1,169
5,150	5,200	518	518	518	518	8,150	8,200	926	818	926	818	11,150	11,200	1,376	1,118	1,376	1,176
5,200 5,250	5,250 5,300	523 528	523 528	523 528	523 528	8,200 8,250	8,250 8,300	934 941	823 828	934 941	823 828	11,200 11,250	11,250 11,300	1,384 1,391	1,123 1,128	1,384 1,391	1,184 1,191
5,300 5,350	5,350 5,400	533 538	533 538	533 538	533 538	8,300 8,350	8,350 8,400	949 956	833 838	949 956	833 838	11,300 11,350	11,350 11,400	1,399 1,406	1,133 1,138	1,399 1,406	1,199 1,206
5,400 5,450	5,450 5,500	543 548	543 548	543 548	543 548	8,400 8,450	8,450 8,500	964 971	843 848	964 971	843 848	11,400 11,450	11,450 11,500	1,414 1,421	1,143 1,148	1,414 1,421	1,214 1,221
5,500	5,550	553	553	553	553	8,500	8,550	979	853 858	979	853	11,500	11,550	1,429	1,153	1,429	1,229
5,550 5,600	5,600 5,650	558 563	558 563	558 563	558 563	8,550 8,600	8,600 8,650	986 994	863	986 994	858 863	11,550	11,600 11,650	1,436 1,444	1,158 1,163	1,436 1,444	1,236 1,244
5,650 5,700	5,700 5,750	568 573	568 573	568 573	568 573	8,650 8,700	8,700 8,750	1,001 1,009	868 873	1,001 1,009	868 873	11,650 11,700	11,700 11,750	1,451 1,459	1,168 1,173	1,451 1,459	1,251 1,259
5,750 5,800	5,800 5,850	578 583	578 583	578 583	578 583	8,750	8,800	1,016	878	1,016	878	11,750	11,800	1,466	1,178	1,466	1,266
5,850	5,900	588	588	588	588	8,800 8,850	8,850 8,900	1,024 1,031	883 888	1,024 1,031	883 888	11,800	11,850 11,900	1,474	1,183 1,188	1,474 1,481	1,274
5,900 5,950	5,950 6,000	593 598	593 598	593 598	593 598	8,900 8,950	8,950 9,000	1,039 1,046	893 898	1,039 1,046	893 898	11,900 11,950	11,950 12,000	1,489 1,496	1,193 1,198	1,489 1,496	1,289 1,296
6,0	00					9,0	00					12,	000	I			
6,000	6,050	604	603	604	603	9,000	9,050	1,054	903	1,054	903	12,000	12,050	1,504	1,204	1,504	1,304
6,050 6,100	6,100 6,150	611 619	608 613	611 619	608 613	9,050 9,100	9,100 9,150	1,061 1,069	908 913	1,061 1,069	908 913	12,050 12,100	12,100 12,150	1,511 1,519	1,211 1,219	1,511 1,519	1,311 1,319
6,150 6,200	6,200 6,250	626 634	618 623	626 634	618 623	9,150 9,200	9,200 9,250	1,076 1,084	918 923	1,076 1,084	918 923	12,150 12,200	12,200 12,250	1,526 1,534	1,226 1,234	1,526 1,534	1,326 1,334
6,250 6,300	6,300 6,350	641 649	628 633	641 649	628 633	9,250 9,300	9,300 9,350	1,004 1,091 1,099	928 933	1,091 1,099	928 933	12,250 12,300	12,300 12,350	1,541 1,549	1,241 1,249	1,541 1,549	1,341 1,349
6,350	6,400	656	638	656	638	9,350	9,400	1,106	938	1,106	938	12,350	12,400	1,556	1,256	1,556	1,356
6,400 6,450	6,450 6,500	664 671	643 648	664 671	643 648	9,400 9,450	9,450 9,500	1,114 1,121	943 948	1,114 1,121	943 948	12,400 12,450	12,450 12,500	1,564 1,571	1,264 1,271	1,564 1,571	1,364 1,371
6,500 6,550	6,550 6,600	679 686	653 658	679 686	653 658	9,500 9,550	9,550 9,600	1,129 1,136	953 958	1,129 1,136	953 958	12,500 12,550	12,550 12,600	1,579 1,586	1,279 1,286	1,579 1,586	1,379 1,386
6,600	6,650	694	663	694	663	9,600	9,650	1,144	963	1,144	963	12,600	12,650	1,594	1,294	1,594	1,394
6,650 6,700	6,700 6,750	701 709	668 673	701 709	668 673	9,650 9,700	9,700 9,750	1,151 1,159	968 973	1,151 1,159	968 973	12,650 12,700	12,700 12,750	1,601 1,609	1,301 1,309	1,601 1,609	1,401 1,409
6,750 6,800	6,800 6,850	716 724	678 683	716 724	678 683	9,750 9,800	9,800 9,850	1,166 1,174	978 983	1,166 1,174	978 983	1 '	12,800 12,850	1,616 1,624	1,316 1,324	1,616 1,624	1,416 1,424
6,850 6,900	6,900 6,950	731 739	688 693	731 739	688 693	9,850 9,900	9,900 9,950	1,181 1,189	988 993	1,181 1,189	988 993	12,850	12,900 12,950	1,631 1,639	1,331 1,339	1,631 1,639	1,431 1,439
6,950	7,000	746	698	746	698	9,950	10,000	1,196	998	1,196	998	12,950	13,000	1,646	1,346	1,646	1,446
7,0	00					10,	000					13,	,000	1			
7,000 7,050	7,050 7,100	754 761	703 708	754 761	703 708	10,000 10,050	10,050 10,100	1,204 1,211	1,003 1,008	1,204 1,211	1,004 1,011	13,000	13,050 13,100	1,654 1,661	1,354 1,361	1,654 1,661	1,454 1,461
7,100 7,150	7,150 7,150 7,200	769 776	713 718	769 776	713 718	10,100 10,150	10,150 10,200	1,219 1,226	1,013 1,018	1,219 1,226	1,019 1,026	13,100 13,150	13,150 13,200	1,669 1,676	1,369 1,376	1,669 1,676	1,469 1,476
7,150 7,200 7,250	7,250	784	723	784	723	10,200	10,250	1,234	1,023	1,234	1,034	13,200 13,250	13,250	1,684	1,384	1,684	1,484
7,300	7,300 7,350	791 799	728 733	791 799	728 733	10,250 10,300	10,300 10,350	1,241 1,249	1,028 1,033	1,241 1,249	1,041 1,049	13,300	13,300 13,350	1,691 1,699	1,391 1,399	1,691 1,699	1,491 1,499
7,350 7,400	7,400 7,450	806 814	738 743	806 814	738 743	10,350 10,400	10,400 10,450	1,256 1,264	1,038 1,043	1,256 1,264	1,056 1,064	13,350 13,400	13,400 13,450	1,706 1,714	1,406 1,414	1,706 1,714	1,506 1,514
7,450 7,450 7,500	7,500 7,550 7,550	821	748	821	748	10,450	10,500	1,204 1,271 1,279	1,048	1,271	1,071	13,450 13,500	13,500 13,550	1,714 1,721 1,729	1,421 1,429	1,721 1,729	1,514 1,521 1,529
7,550	7,600	829 836	753 758	829 836	753 758	10,500 10,550	10,550 10,600	1,286	1,053 1,058	1,279 1,286	1,079 1,086	13,550	13,600	1,736	1,436	1,736	1,536
7,600 7,650 7,700	7,650 7,700	844 851	763 768	844 851	763 768	10,600 10,650	10,650 10,700	1,294 1,301	1,063 1,068	1,294 1,301	1,094 1,101	13,600 13,650	13,650 13,700	1,744 1,751	1,444 1,451	1,744 1,751	1,544 1,551
7,700 7,750	7,750 7,800	859 866	773 778	859 866	773 778	10,700 10,750	10,750 10,800	1,309 1,316	1,073 1,078	1,309 1,316	1,109 1,116	13,700 13,750	13,750 13,800	1,759 1,766	1,459 1,466	1,759 1,766	1,559 1,566
7,800	7,850	874	783	874	783	10,800	10,850	1,324	1,083	1,324	1,124	13.800	13,850	1,774	1,474	1,774	1,574
7,850 7,900	7,900 7,950	881 889	788 793	881 889	788 793	10,850	10,900 10,950	1,331 1,339	1,088 1,093	1,331 1,339	1,131 1,139	13,850 13,900	13,900 13,950	1,781	1,481 1,489	1,781 1,789	1,581 1,589
7,950	8,000	896	798	896	798		11,000	1,346	1,098	1,346	1,146	13,950	14,000	1,796	1,496	1,796	1,596
* This co	olumn m	ust also	be used	by a qu	alifying	widow(e	r).								(Contin	nued on p	age 65)

If line 41	1					If line	41					If line		02 lax	iable	<u>—C0111</u>	inueu
(taxable income)			And yo	ou are—		(taxab			And yo	ou are—	-	(taxal			And yo	u are—	
At least	But less than	Single	Married filing jointly	Married filing sepa-	Head of a house-	At least	But less than	Single	Married filing jointly	Married filing sepa-	Head of a house-	At least	But less than	Single	Married filing jointly	Married filing sepa-	Head of a house-
			Your t	rately	hold				Your t	rately	hold				∣ * Your t	rately	hold
14,	000					17,	000					20,	,000				
14,000	14,050	1,804	1,504	1,804	1,604	17,000	17,050	2,254	1,954	2,254	2,054	20,000	20,050	2,704	2,404	2,704	2,504
14,050	14,100	1,811	1,511	1,811	1,611	17,050	17,100	2,261	1,961	2,261	2,061	20,050	20,100	2,711	2,411	2,711	2,511
14,100	14,150	1,819	1,519	1,819	1,619	17,100	17,150	2,269	1,969	2,269	2,069	20,100	20,150	2,719	2,419	2,719	2,519
14,150	14,200	1,826	1,526	1,826	1,626	17,150	17,200	2,276	1,976	2,276	2,076	20,150	20,200	2,726	2,426	2,726	2,526
14,200	14,250	1,834	1,534	1,834	1,634	17,200	17,250	2,284	1,984	2,284	2,084		20,250	2,734	2,434	2,734	2,534
14,250	14,300	1,841	1,541	1,841	1,641	17,250	17,300	2,291	1,991	2,291	2,091	20,250	20,300	2,741	2,441	2,741	2,541
14,300	14,350	1,849	1,549	1,849	1,649	17,300	17,350	2,299	1,999	2,299	2,099	20,300	20,350	2,749	2,449	2,749	2,549
14,350	14,400	1,856	1,556	1,856	1,656	17,350	17,400	2,306	2,006	2,306	2,106	20,350	20,400	2,756	2,456	2,756	2,556
14,400	14,450	1,864	1,564	1,864	1,664	17,400	17,450	2,314	2,014	2,314	2,114	20,400	20,450	2,764	2,464	2,764	2,564
14,450	14,500	1,871	1,571	1,871	1,671	17,450	17,500	2,321	2,021	2,321	2,121	20,450	20,500	2,771	2,471	2,771	2,571
14,500	14,550	1,879	1,579	1,879	1,679	17,500	17,550	2,329	2,029	2,329	2,129	20,500	20,550	2,779	2,479	2,779	2,579
14,550	14,600	1,886	1,586	1,886	1,686	17,550	17,600	2,336	2,036	2,336	2,136	20,550	20,600	2,786	2,486	2,786	2,586
14,600	14,650	1,894	1,594	1,894	1,694	17,600	17,650	2,344	2,044	2,344	2,144		20,650	2,794	2,494	2,794	2,594
14,650	14,700	1,901	1,601	1,901	1,701	17,650	17,700	2,351	2,051	2,351	2,151	20,650	20,700	2,801	2,501	2,801	2,601
14,700	14,750	1,909	1,609	1,909	1,709	17,700	17,750	2,359	2,059	2,359	2,159	20,700	20,750	2,809	2,509	2,809	2,609
14,750	14,800	1,916	1,616	1,916	1,716	17,750	17,800	2,366	2,066	2,366	2,166	20,750	20,800	2,816	2,516	2,816	2,616
14,800	14,850	1,924	1,624	1,924	1,724	17,800	17,850	2,374	2,074	2,374	2,174	20,800	20,850	2,824	2,524	2,824	2,624
14,850	14,900	1,931	1,631	1,931	1,731	17,850	17,900	2,381	2,081	2,381	2,181	20,850	20,900	2,831	2,531	2,831	2,631
14,900	14,950	1,939	1,639	1,939	1,739	17,900	17,950	2,389	2,089	2,389	2,189	20,900	20,950	2,839	2,539	2,839	2,639
14,950	15,000	1,946	1,646	1,946	1,746	17,950	18,000	2,396	2,096	2,396	2,196	20,950	21,000	2,846	2,546	2,846	2,646
15,	000					18,	000					21,	000				
15,000	15,050	1,954	1,654	1,954	1,754	18,000	18,050	2,404	2,104	2,404	2,204	21,000	21,050	2,854	2,554	2,854	2,654
15,050	15,100	1,961	1,661	1,961	1,761	18,050	18,100	2,411	2,111	2,411	2,211	21,050	21,100	2,861	2,561	2,861	2,661
15,100	15,150	1,969	1,669	1,969	1,769	18,100	18,150	2,419	2,119	2,419	2,219	21,100	21,150	2,869	2,569	2,869	2,669
15,150	15,200	1,976	1,676	1,976	1,776	18,150	18,200	2,426	2,126	2,426	2,226	21,150	21,200	2,876	2,576	2,876	2,676
15,200	15,250	1,984	1,684	1,984	1,784	18,200	18,250	2,434	2,134	2,434	2,234	21,200	21,250	2,884	2,584	2,884	2,684
15,250	15,300	1,991	1,691	1,991	1,791	18,250	18,300	2,441	2,141	2,441	2,241	21,250	21,300	2,891	2,591	2,891	2,691
15,300	15,350	1,999	1,699	1,999	1,799	18,300	18,350	2,449	2,149	2,449	2,249	21,300	21,350	2,899	2,599	2,899	2,699
15,350	15,400	2,006	1,706	2,006	1,806	18,350	18,400	2,456	2,156	2,456	2,256	21,350	21,400	2,906 2,914	2,606 2,614	2,906 2,914	2,706
15,400 15,450 15,500 15,550	15,450 15,500 15,550 15,600	2,014 2,021 2,029 2,036	1,714 1,721 1,729 1,736	2,014 2,021 2,029 2,036	1,814 1,821 1,829 1,836	18,400 18,450 18,500 18,550	18,450 18,500 18,550 18,600	2,464 2,471 2,479 2,486	2,164 2,171 2,179 2,186	2,464 2,471 2,479 2,486	2,264 2,271 2,279 2,286	21,400 21,450 21,500 21,550	21,450 21,500 21,550 21,600	2,914 2,921 2,929 2,936	2,621 2,629 2,636	2,914 2,921 2,929 2,936	2,714 2,721 2,729 2,736
15,600	15,650	2,044	1,744	2,044	1,844	18,600	18,650	2,494	2,194	2,494	2,294	21,600	21,650	2,944	2,644	2,944	2,744
15,650	15,700	2,051	1,751	2,051	1,851	18,650	18,700	2,501	2,201	2,501	2,301	21,650	21,700	2,951	2,651	2,951	2,751
15,700	15,750	2,059	1,759	2,059	1,859	18,700	18,750	2,509	2,209	2,509	2,309	21,700	21,750	2,959	2,659	2,959	2,759
15,750	15,800	2,066	1,766	2,066	1,866	18,750	18,800	2,516	2,216	2,516	2,316	21,750	21,800	2,966	2,666	2,966	2,766
	15,850	2,074	1,774	2,074	1,874	18,800	18,850	2,524	2,224	2,524	2,324	21,800	21,850	2,974	2,674	2,974	2,774
	15,900	2,081	1,781	2,081	1,881	18,850	18,900	2,531	2,231	2,531	2,331	21,850	21,900	2,981	2,681	2,981	2,781
15,900	15,950	2,089	1,789	2,089	1,889	18,900	18,950	2,539	2,239	2,539	2,339	21,900	21,950	2,989	2,689	2,989	2,789
15,950	16,000	2,096	1,796	2,096	1,896	18,950	19,000	2,546	2,246	2,546	2,346	21,950	22,000	2,996	2,696	2,996	2,796
16,	000					19,	000					22,	000				
16,050 16,100	16,050 16,100 16,150	2,104 2,111 2,119	1,804 1,811 1,819	2,104 2,111 2,119	1,904 1,911 1,919	19,000 19,050 19,100	19,100 19,150	2,554 2,561 2,569	2,254 2,261 2,269	2,554 2,561 2,569	2,354 2,361 2,369	22,050 22,100	22,050 22,100 22,150	3,004 3,011 3,019	2,704 2,711 2,719	3,004 3,011 3,019	2,804 2,811 2,819
16,150	16,200	2,126	1,826	2,126	1,926	19,150	19,200	2,576	2,276	2,576	2,376	22,150	22,200	3,026	2,726	3,026	2,826
16,200	16,250	2,134	1,834	2,134	1,934	19,200	19,250	2,584	2,284	2,584	2,384	22,200	22,250	3,034	2,734	3,034	2,834
16,250	16,300	2,141	1,841	2,141	1,941	19,250	19,300	2,591	2,291	2,591	2,391	22,250	22,300	3,041	2,741	3,041	2,841
16,300	16,350	2,149	1,849	2,149	1,949	19,300	19,350	2,599	2,299	2,599	2,399	22,300	22,350	3,049	2,749	3,049	2,849
16,350	16,400	2,156	1,856	2,156	1,956	19,350	19,400	2,606	2,306	2,606	2,406	22,350	22,400	3,056	2,756	3,056	2,856
16,400	16,450	2,164	1,864	2,164	1,964	19,400	19,450	2,614	2,314	2,614	2,414	22,400	22,450	3,064	2,764	3,064	2,864
16,450	16,500	2,171	1,871	2,171	1,971	19,450	19,500	2,621	2,321	2,621	2,421	22,450	22,500	3,071	2,771	3,071	2,871
16,500	16,550	2,179	1,879	2,179	1,979	19,500	19,550	2,629	2,329	2,629	2,429	22,500	22,550	3,079	2,779	3,079	2,879
16,550	16,600	2,186	1,886	2,186	1,986	19,550	19,600	2,636	2,336	2,636	2,436	22,550	22,600	3,086	2,786	3,086	2,886
16,600 16,650	16,650 16,700	2,194 2,201	1,894 1,901	2,194 2,201	1,994 2,001	19,600 19,650	19,650 19,700	2,644 2,651	2,344 2,351	2,644 2,651	2,444 2,451	22,600 22,650	22,650 22,700	3,094 3,101	2,794 2,801	3,094 3,101	2,894 2,901
16,700 16,750	16,750 16,800	2,209 2,216	1,909 1,916	2,209 2,216	2,009 2,016	19,700	19,750 19,800	2,659 2,666	2,359 2,366	2,659 2,666	2,459 2,466	22,700	22,750 22,800	3,109 3,116	2,809 2,816	3,109 3,116	2,909 2,916
	16,850	2,224	1,924	2,224	2,024	19,800	19,850	2,674	2,374	2,674	2,474	22,800	22,850	3,124	2,824	3,124	2,924
	16,900	2,231	1,931	2,231	2,031	19,850	19,900	2,681	2,381	2,681	2,481	22,850	22,900	3,131	2,831	3,131	2,931
	16,950	2,239	1,939	2,239	2,039	19,900	19,950	2,689	2,389	2,689	2,489	22,900	22,950	3,139	2,839	3,139	2,939
	17,000	2,246	1,946	2,246	2,046	19,950	20,000	2,696	2,396	2,696	2,496	22,950	23,000	3,146	2,846	3,146	2,946
* This co	olumn mı	ust also	be used	l by a qu	alifying	widow(e	r).								(Contir	nued on p	age 66)

2002 Tax Table—Continued

2002	ax iac		niinae	u								1					
If line 4 (taxable income)	•		And yo	ou are—		If line (taxab incom	le		And yo	ou are—		If line (taxab incom			And yo	u are—	
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately ax is—	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa-rately ax is—	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
23,	000					26,	000					29,	000				
23,000	23,050	3,154	2,854	3,154	2,954	26,000	26,050	3,604	3,304	3,925	3,404	29,000	29,050	4,183	3,754	4,735	3,854
23,050	23,100	3,161	2,861	3,161	2,961	26,050	26,100	3,611	3,311	3,938	3,411	29,050	29,100	4,196	3,761	4,748	3,861
23,100	23,150	3,169	2,869	3,169	2,969	26,100	26,150	3,619	3,319	3,952	3,419	29,100	29,150	4,210	3,769	4,762	3,869
23,150	23,200	3,176	2,876	3,176	2,976	26,150	26,200	3,626	3,326	3,965	3,426	29,150	29,200	4,223	3,776	4,775	3,876
23,200	23,250	3,184	2,884	3,184	2,984	26,200	26,250	3,634	3,334	3,979	3,434	29,200	29,250	4,237	3,784	4,789	3,884
23,250	23,300	3,191	2,891	3,191	2,991	26,250	26,300	3,641	3,341	3,992	3,441	29,250	29,300	4,250	3,791	4,802	3,891
23,300	23,350	3,199	2,899	3,199	2,999	26,300	26,350	3,649	3,349	4,006	3,449	29,300	29,350	4,264	3,799	4,816	3,899
23,350	23,400	3,206	2,906	3,209	3,006	26,350	26,400	3,656	3,356	4,019	3,456	29,350	29,400	4,277	3,806	4,829	3,906
23,400	23,450	3,214	2,914	3,223	3,014	26,400	26,450	3,664	3,364	4,033	3,464	29,400	29,450	4,291	3,814	4,843	3,914
23,450	23,500	3,221	2,921	3,236	3,021	26,450	26,500	3,671	3,371	4,046	3,471	29,450	29,500	4,304	3,821	4,856	3,921
23,500	23,550	3,229	2,929	3,250	3,029	26,500	26,550	3,679	3,379	4,060	3,479	29,500	29,550	4,318	3,829	4,870	3,929
23,550	23,600	3,236	2,936	3,263	3,036	26,550	26,600	3,686	3,386	4,073	3,486	29,550	29,600	4,331	3,836	4,883	3,936
23,600	23,650	3,244	2,944	3,277	3,044	26,600	26,650	3,694	3,394	4,087	3,494	29,600	29,650	4,345	3,844	4,897	3,944
23,650	23,700	3,251	2,951	3,290	3,051	26,650	26,700	3,701	3,401	4,100	3,501	29,650	29,700	4,358	3,851	4,910	3,951
23,700	23,750	3,259	2,959	3,304	3,059	26,700	26,750	3,709	3,409	4,114	3,509	29,700	29,750	4,372	3,859	4,924	3,959
23,750	23,800	3,266	2,966	3,317	3,066	26,750	26,800	3,716	3,416	4,127	3,516	29,750	29,800	4,385	3,866	4,937	3,966
23,800	23,850	3,274	2,974	3,331	3,074	26,800	26,850	3,724	3,424	4,141	3,524	29,800	29,850	4,399	3,874	4,951	3,974
23,850	23,900	3,281	2,981	3,344	3,081	26,850	26,900	3,731	3,431	4,154	3,531	29,850	29,900	4,412	3,881	4,964	3,981
23,900	23,950	3,289	2,989	3,358	3,089	26,900	26,950	3,739	3,439	4,168	3,539	29,900	29,950	4,426	3,889	4,978	3,989
23,950	24,000	3,296	2,996	3,371	3,096	26,950	27,000	3,746	3,446	4,181	3,546	29,950	30,000	4,439	3,896	4,991	3,996
24,	24,000 24,050 3,304 3,004 3,385 3					27,	000					30,	000				
24,000	24,050	3,304	3,004	3,385	3,104	27,000	27,050	3,754	3,454	4,195	3,554	30,000	30,050	4,453	3,904	5,005	4,004
24,050	24,100	3,311	3,011	3,398	3,111	27,050	27,100	3,761	3,461	4,208	3,561	30,050	30,100	4,466	3,911	5,018	4,011
24,100	24,150	3,319	3,019	3,412	3,119	27,100	27,150	3,769	3,469	4,222	3,569	30,100	30,150	4,480	3,919	5,032	4,019
24,150	24,200	3,326	3,026	3,425	3,126	27,150	27,200	3,776	3,476	4,235	3,576	30,150	30,200	4,493	3,926	5,045	4,026
24,200	24,250	3,334	3,034	3,439	3,134	27,200	27,250	3,784	3,484	4,249	3,584	30,200	30,250	4,507	3,934	5,059	4,034
24,250	24,300	3,341	3,041	3,452	3,141	27,250	27,300	3,791	3,491	4,262	3,591	30,250	30,300	4,520	3,941	5,072	4,041
24,300	24,350	3,349	3,049	3,466	3,149	27,300	27,350	3,799	3,499	4,276	3,599	30,300	30,350	4,534	3,949	5,086	4,049
24,350	24,400	3,356	3,056	3,479	3,156	27,350	27,400	3,806	3,506	4,289	3,606	30,350	30,400	4,547	3,956	5,099	4,056
24,400	24,450	3,364	3,064	3,493	3,164	27,400	27,450	3,814	3,514	4,303	3,614	30,400	30,450	4,561	3,964	5,113	4,064
24,450	24,500	3,371	3,071	3,506	3,171	27,450	27,500	3,821	3,521	4,316	3,621	30,450	30,500	4,574	3,971	5,126	4,071
24,500	24,550	3,379	3,079	3,520	3,179	27,500	27,550	3,829	3,529	4,330	3,629	30,500	30,550	4,588	3,979	5,140	4,079
24,550	24,600	3,386	3,086	3,533	3,186	27,550	27,600	3,836	3,536	4,343	3,636	30,550	30,600	4,601	3,986	5,153	4,086
24,600	24,650	3,394	3,094	3,547	3,194	27,600	27,650	3,844	3,544	4,357	3,644	30,600	30,650	4,615	3,994	5,167	4,094
24,650	24,700	3,401	3,101	3,560	3,201	27,650	27,700	3,851	3,551	4,370	3,651	30,650	30,700	4,628	4,001	5,180	4,101
24,700	24,750	3,409	3,109	3,574	3,209	27,700	27,750	3,859	3,559	4,384	3,659	30,700	30,750	4,642	4,009	5,194	4,109
24,750	24,800	3,416	3,116	3,587	3,216	27,750	27,800	3,866	3,566	4,397	3,666	30,750	30,800	4,655	4,016	5,207	4,116
24,800	24,850	3,424	3,124	3,601	3,224	27,800	27,850	3,874	3,574	4,411	3,674	30,800	30,850	4,669	4,024	5,221	4,124
24,850	24,900	3,431	3,131	3,614	3,231	27,850	27,900	3,881	3,581	4,424	3,681	30,850	30,900	4,682	4,031	5,234	4,131
24,900	24,950	3,439	3,139	3,628	3,239	27,900	27,950	3,889	3,589	4,438	3,689	30,900	30,950	4,696	4,039	5,248	4,139
24,950	25,000	3,446	3,146	3,641	3,246	27,950	28,000	3,899	3,596	4,451	3,696	30,950	31,000	4,709	4,046	5,261	4,146
25,	000					28,	000					31,	000				
25,050 25,100 25,150	25,150 25,200	3,454 3,461 3,469 3,476	3,154 3,161 3,169 3,176	3,655 3,668 3,682 3,695	3,254 3,261 3,269 3,276	28,050 28,100 28,150	28,050 28,100 28,150 28,200	3,913 3,926 3,940 3,953	3,604 3,611 3,619 3,626	4,465 4,478 4,492 4,505	3,704 3,711 3,719 3,726	31,000 31,050 31,100 31,150	31,100 31,150 31,200	4,723 4,736 4,750 4,763	4,054 4,061 4,069 4,076	5,275 5,288 5,302 5,315	4,154 4,161 4,169 4,176
25,200	25,250	3,484	3,184	3,709	3,284	28,200	28,250	3,967	3,634	4,519	3,734	31,200	31,250	4,777	4,084	5,329	4,184
25,250	25,300	3,491	3,191	3,722	3,291	28,250	28,300	3,980	3,641	4,532	3,741	31,250	31,300	4,790	4,091	5,342	4,191
25,300	25,350	3,499	3,199	3,736	3,299	28,300	28,350	3,994	3,649	4,546	3,749	31,300	31,350	4,804	4,099	5,356	4,199
25,350	25,400	3,506	3,206	3,749	3,306	28,350	28,400	4,007	3,656	4,559	3,756	31,350	31,400	4,817	4,106	5,369	4,206
25,400	25,450	3,514	3,214	3,763	3,314	28,400	28,450	4,021	3,664	4,573	3,764	31,400	31,450	4,831	4,114	5,383	4,214
25,450	25,500	3,521	3,221	3,776	3,321	28,450	28,500	4,034	3,671	4,586	3,771	31,450	31,500	4,844	4,121	5,396	4,221
25,500	25,550	3,529	3,229	3,790	3,329	28,500	28,550	4,048	3,679	4,600	3,779	31,500	31,550	4,858	4,129	5,410	4,229
25,550	25,600	3,536	3,236	3,803	3,336	28,550	28,600	4,061	3,686	4,613	3,786	31,550	31,600	4,871	4,136	5,423	4,236
25,600	25,650	3,544	3,244	3,817	3,344	28,600	28,650	4,075	3,694	4,627	3,794	31,600	31,650	4,885	4,144	5,437	4,244
25,650 25,700 25,750 25,800	25,700 25,750	3,551 3,559 3,566 3,574	3,251 3,259 3,266 3,274	3,830 3,844 3,857 3,871	3,351 3,359 3,366 3,374	28,650 28,700 28,750 28,800	28,700 28,750 28,800 28,850	4,075 4,088 4,102 4,115 4,129	3,701 3,709 3,716 3,724	4,640 4,654 4,667 4,681	3,801 3,809 3,816 3,824	31,650 31,700 31,750 31,800	31,700 31,750 31,800 31,850	4,898 4,912 4,925 4,939	4,151 4,159 4,166 4,174	5,450 5,464 5,477 5,491	4,251 4,259 4,266 4,274
25,850 25,900	25,900	3,581 3,589 3,596	3,281 3,289 3,296	3,884 3,898 3,911	3,381 3,389 3,396	28,850 28,900	28,900	4,129 4,142 4,156 4,169	3,731 3,739 3,746	4,694 4,708 4,721	3,831 3,839 3,846	31,850 31,900 31,950	31,900 31,950 32,000	4,952 4,966 4,979	4,181 4,189 4,196	5,504 5,518 5,531	4,289 4,296
* This co	olumn m	ust also	be used	by a qu	ualifying	widow(e	r).								(Contin	ued on p	age 67)

													200	02 Tax	Table	—Con	<u>tinued</u>
If line 4 (taxable income	•		And yo	ou are—	•	If line (taxab incom	le		And yo	ou are—	-	If line (taxal incom			And yo	u are—	
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
32.	000					35.	000					38.	,000				
32,000	32,050	4,993	4,204	5,545	4,304	35,000	35,050	5,803	4,654	6,355	4,754	38,000	38,050	6,613	5,104	7,165	5,273
32,050	32,100	5,006	4,211	5,558	4,311	35,050	35,100	5,816	4,661	6,368	4,761	38,050	38,100	6,626	5,111	7,178	5,286
32,100	32,150	5,020	4,219	5,572	4,319	35,100	35,150	5,830	4,669	6,382	4,769	38,100	38,150	6,640	5,119	7,192	5,300
32,150	32,200	5,033	4,226	5,585	4,326	35,150	35,200	5,843	4,676	6,395	4,776	38,150	38,200	6,653	5,126	7,205	5,313
32,200	32,250	5,047	4,234	5,599	4,334	35,200	35,250	5,857	4,684	6,409	4,784	38,200	38,250	6,667	5,134	7,219	5,327
32,250	32,300	5,060	4,241	5,612	4,341	35,250	35,300	5,870	4,691	6,422	4,791	38,250	38,300	6,680	5,141	7,232	5,340
32,300	32,350	5,074	4,249	5,626	4,349	35,300	35,350	5,884	4,699	6,436	4,799	38,300	38,350	6,694	5,149	7,246	5,354
32,350	32,400	5,087	4,256	5,639	4,356	35,350	35,400	5,897	4,706	6,449	4,806	38,350	38,400	6,707	5,156	7,259	5,367
32,400	32,450	5,101	4,264	5,653	4,364	35,400	35,450	5,911	4,714	6,463	4,814	38,400	38,450	6,721	5,164	7,273	5,381
32,450	32,500	5,114	4,271	5,666	4,371	35,450	35,500	5,924	4,721	6,476	4,821	38,450	38,500	6,734	5,171	7,286	5,394
32,500	32,550	5,128	4,279	5,680	4,379	35,500	35,550	5,938	4,729	6,490	4,829	38,500	38,550	6,748	5,179	7,300	5,408
32,550	32,600	5,141	4,286	5,693	4,386	35,550	35,600	5,951	4,736	6,503	4,836	38,550	38,600	6,761	5,186	7,313	5,421
32,600	32,650	5,155	4,294	5,707	4,394	35,600	35,650	5,965	4,744	6,517	4,844	38,600	38,650	6,775	5,194	7,327	5,435
32,650	32,700	5,168	4,301	5,720	4,401	35,650	35,700	5,978	4,751	6,530	4,851	38,650	38,700	6,788	5,201	7,340	5,448
32,700	32,750	5,182	4,309	5,734	4,409	35,700	35,750	5,992	4,759	6,544	4,859	38,700	38,750	6,802	5,209	7,354	5,462
32,750	32,800	5,195	4,316	5,747	4,416	35,750	35,800	6,005	4,766	6,557	4,866	38,750	38,800	6,815	5,216	7,367	5,475
32,800	32,850	5,209	4,324	5,761	4,424	35,800	35,850	6,019	4,774	6,571	4,874	38,800	38,850	6,829	5,224	7,381	5,489
32,850	32,900	5,222	4,331	5,774	4,431	35,850	35,900	6,032	4,781	6,584	4,881	38,850	38,900	6,842	5,231	7,394	5,502
32,900	32,950	5,236	4,339	5,788	4,439	35,900	35,950	6,046	4,789	6,598	4,889	38,900	38,950	6,856	5,239	7,408	5,516
32,950	33,000	5,249	4,346	5,801	4,446	35,950	36,000	6,059	4,796	6,611	4,896	38,950	39,000	6,869	5,246	7,421	5,529
33,	000		,	·	,	<u> </u>	000		,		,		,000		,		,
33,000	33,050	5,263	4,354	5,815	4,454	36,000	36,050	6,073	4,804	6,625	4,904	39,000	39,050	6,883	5,254	7,435	5,543
33,050	33,100	5,276	4,361	5,828	4,461	36,050	36,100	6,086	4,811	6,638	4,911	39,050	39,100	6,896	5,261	7,448	5,556
33,100	33,150	5,290	4,369	5,842	4,469	36,100	36,150	6,100	4,819	6,652	4,919	39,100	39,150	6,910	5,269	7,462	5,570
33,150	33,200	5,303	4,376	5,855	4,476	36,150	36,200	6,113	4,826	6,665	4,926	39,150	39,200	6,923	5,276	7,475	5,583
33,200	33,250	5,317	4,384	5,869	4,484	36,200	36,250	6,127	4,834	6,679	4,934	39,200	39,250	6,937	5,284	7,489	5,597
33,250	33,300	5,330	4,391	5,882	4,491	36,250	36,300	6,140	4,841	6,692	4,941	39,250	39,300	6,950	5,291	7,502	5,610
33,300	33,350	5,344	4,399	5,896	4,499	36,300	36,350	6,154	4,849	6,706	4,949	39,300	39,350	6,964	5,299	7,516	5,624
33,350	33,400	5,357	4,406	5,909	4,506	36,350	36,400	6,167	4,856	6,719	4,956	39,350	39,400	6,977	5,306	7,529	5,637
33,400	33,450	5,371	4,414	5,923	4,514	36,400	36,450	6,181	4,864	6,733	4,964	39,400	39,450	6,991	5,314	7,543	5,651
33,450	33,500	5,384	4,421	5,936	4,521	36,450	36,500	6,194	4,871	6,746	4,971	39,450	39,500	7,004	5,321	7,556	5,664
33,500	33,550	5,398	4,429	5,950	4,529	36,500	36,550	6,208	4,879	6,760	4,979	39,500	39,550	7,018	5,329	7,570	5,678
33,550	33,600	5,411	4,436	5,963	4,536	36,550	36,600	6,221	4,886	6,773	4,986	39,550	39,600	7,031	5,336	7,583	5,691
33,600	33,650	5,425	4,444	5,977	4,544	36,600	36,650	6,235	4,894	6,787	4,994	39,600	39,650	7,045	5,344	7,597	5,705
33,650	33,700	5,438	4,451	5,990	4,551	36,650	36,700	6,248	4,901	6,800	5,001	39,650	39,700	7,058	5,351	7,610	5,718
33,700	33,750	5,452	4,459	6,004	4,559	36,700	36,750	6,262	4,909	6,814	5,009	39,700	39,750	7,072	5,359	7,624	5,732
33,750	33,800	5,465	4,466	6,017	4,566	36,750	36,800	6,275	4,916	6,827	5,016	39,750	39,800	7,085	5,366	7,637	5,745
33,800 33,850 33,900 33,950	33,850 33,900 33,950	5,479 5,492 5,506 5,519	4,474 4,481 4,489 4,496	6,031 6,044 6,058 6,071	4,574 4,581 4,589 4,596	36,800 36,850 36,900 36,950	36,850 36,900 36,950 37,000	6,289 6,302 6,316 6,329	4,924 4,931 4,939 4,946	6,841 6,854 6,868 6,881	5,024 5,031 5,039 5,046	39,800 39,850 39,900 39,950	39,850 39,900 39,950 40,000	7,099 7,112 7,126 7,139	5,374 5,381 5,389 5,396	7,651 7,664 7,678 7,691	5,759 5,772 5,786 5,799
	000		,		,	<u> </u>	000		•		,	40,	,000				
34,000	34,050	5,533	4,504	6,085	4,604	37,000	37,050	6,343	4,954	6,895	5,054	40,000	40,050	7,153	5,404	7,705	5,813
34,050	34,100	5,546	4,511	6,098	4,611	37,050	37,100	6,356	4,961	6,908	5,061	40,050	40,100	7,166	5,411	7,718	5,826
34,100	34,150	5,560	4,519	6,112	4,619	37,100	37,150	6,370	4,969	6,922	5,069	40,100	40,150	7,180	5,419	7,732	5,840
34,150	34,200	5,573	4,526	6,125	4,626	37,150	37,200	6,383	4,976	6,935	5,076	40,150	40,200	7,193	5,426	7,745	5,853
34,200	34,250	5,587	4,534	6,139	4,634	37,200	37,250	6,397	4,984	6,949	5,084	40,200	40,250	7,207	5,434	7,759	5,867
34,250	34,300	5,600	4,541	6,152	4,641	37,250	37,300	6,410	4,991	6,962	5,091	40,250	40,300	7,220	5,441	7,772	5,880
34,300	34,350	5,614	4,549	6,166	4,649	37,300	37,350	6,424	4,999	6,976	5,099	40,300	40,350	7,234	5,449	7,786	5,894
34,350	34,400	5,627	4,556	6,179	4,656	37,350	37,400	6,437	5,006	6,989	5,106	40,350	40,400	7,247	5,456	7,799	5,907
34,400	34,450	5,641	4,564	6,193	4,664	37,400	37,450	6,451	5,014	7,003	5,114	40,400	40,450	7,261	5,464	7,813	5,921
34,450	34,500	5,654	4,571	6,206	4,671	37,450	37,500	6,464	5,021	7,016	5,124	40,450	40,500	7,274	5,471	7,826	5,934
34,500	34,550	5,668	4,579	6,220	4,679	37,500	37,550	6,478	5,029	7,030	5,138	40,500	40,550	7,288	5,479	7,840	5,948
34,550	34,600	5,681	4,586	6,233	4,686	37,550	37,600	6,491	5,036	7,043	5,151	40,550	40,600	7,301	5,486	7,853	5,961
34,600	34,650	5,695	4,594	6,247	4,694	37,600	37,650	6,505	5,044	7,057	5,165	40,600	40,650	7,315	5,494	7,867	5,975
34,650	34,700	5,708	4,601	6,260	4,701	37,650	37,700	6,518	5,051	7,070	5,178	40,650	40,700	7,328	5,501	7,880	5,988
34,700	34,750	5,722	4,609	6,274	4,709	37,700	37,750	6,532	5,059	7,084	5,192	40,700	40,750	7,342	5,509	7,894	6,002
34,750	34,800	5,735	4,616	6,287	4,716	37,750	37,800	6,545	5,066	7,097	5,205	40,750	40,800	7,355	5,516	7,907	6,015
34,800	34,850	5,749	4,624	6,301	4,724	37,800	37,850	6,559	5,074	7,111	5,219	40,800	40,850	7,369	5,524	7,921	6,029
34,850	34,900	5,762	4,631	6,314	4,731	37,850	37,900	6,572	5,081	7,124	5,232	40,850	40,900	7,382	5,531	7,934	6,042
34,900	34,950	5,776	4,639	6,328	4,739	37,900	37,950	6,586	5,089	7,138	5,246	40,900	40,950	7,396	5,539	7,948	6,056
34,950	35,000	5,789	4,646	6,341	4,746	37,950	38,000	6,599	5,096	7,151	5,259	40,950	41,000	7,409	5,546	7,961	6,069
* This co	olumn m	ust also	be used	d by a qu	ualifying	widow(e	er).								(Contin	ued on p	age 68)

2002 Tax Table—Continued

<u>2002 I</u>	ax Tab	le—Co	ontinue	ed													
If line 4 (taxable income	е		And yo	ou are–	-	If line (taxab incom	le		And yo	ou are—	-	If line (taxal incom			And yo	ou are—	
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly	Married filing sepa- rately ax is—	Head of a house- hold	At least	But less than	Single	filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
41,	000					44,	000					47,	000				
41,000	41,050	7,423	5,554	7,975	6,083	44,000	44,050	8,233	6,004	8,785	6,893	47,000	47,050	9,043	6,493	9,595	7,703
41,050	41,100	7,436	5,561	7,988	6,096	44,050	44,100	8,246	6,011	8,798	6,906	47,050	47,100	9,056	6,506	9,608	7,716
41,100	41,150	7,450	5,569	8,002	6,110	44,100	44,150	8,260	6,019	8,812	6,920	47,100	47,150	9,070	6,520	9,622	7,730
41,150	41,200	7,463	5,576	8,015	6,123	44,150	44,200	8,273	6,026	8,825	6,933	47,150	47,200	9,083	6,533	9,635	7,743
41,200	41,250	7,477	5,584	8,029	6,137	44,200	44,250	8,287	6,034	8,839	6,947	47,200	47,250	9,097	6,547	9,649	7,757
41,250	41,300	7,490	5,591	8,042	6,150	44,250	44,300	8,300	6,041	8,852	6,960	47,250	47,300	9,110	6,560	9,662	7,770
41,300	41,350	7,504	5,599	8,056	6,164	44,300	44,350	8,314	6,049	8,866	6,974	47,300	47,350	9,124	6,574	9,676	7,784
41,350	41,400	7,517	5,606	8,069	6,177	44,350	44,400	8,327	6,056	8,879	6,987	47,350	47,400	9,137	6,587	9,689	7,797
41,400	41,450	7,531	5,614	8,083	6,191	44,400	44,450	8,341	6,064	8,893	7,001	47,400	47,450	9,151	6,601	9,703	7,811
41,450	41,500	7,544	5,621	8,096	6,204	44,450	44,500	8,354	6,071	8,906	7,014	47,450	47,500	9,164	6,614	9,716	7,824
41,500	41,550	7,558	5,629	8,110	6,218	44,500	44,550	8,368	6,079	8,920	7,028	47,500	47,550	9,178	6,628	9,730	7,838
41,550 41,600	41,600 41.650	7,571 7,585	5,636 5,644	8,123 8,137	6,231 6,245	44,550	44,600 44,650	8,381 8,395	6,086 6,094	8,933 8,947	7,041 7,055	47,550 47,600	47,600 47,650	9,191	6,641 6,655	9,743 9,757	7,851 7,865
41,650	41,700	7,598	5,651	8,150	6,258	44,650	44,700	8,408	6,101	8,960	7,068	47,650	47,700	9,218	6,668	9,770	7,878
41,700	41,750	7,612	5,659	8,164	6,272	44,700	44,750	8,422	6,109	8,974	7,082	47,700	47,750	9,232	6,682	9,784	7,892
41,750	41,800	7,625	5,666	8,177	6,285	44,750	44,800	8,435	6,116	8,987	7,095	47,750	47,800	9,245	6,695	9,797	7,905
41,800	41,850	7,639	5,674	8,191	6,299	44,800	44,850	8,449	6,124	9,001	7,109	47,800	47,850	9,259	6,709	9,811	7,919
41,850	41,900	7,652	5,681	8,204	6,312	44,850	44,900	8,462	6,131	9,014	7,122	47,850	47,900	9,272	6,722	9,824	7,932
41,900	41,950	7,666	5,689	8,218	6,326	44,900	44,950	8,476	6,139	9,028	7,136	47,900	47,950	9,286	6,736	9,838	7,946
41,950	42,000	7,679	5,696	8,231	6,339	44,950	45,000	8,489	6,146	9,041	7,149	47,950	48,000	9,299	6,749	9,851	7,959
42,	000					45,	000					48,	000	T			
42,000	42,050	7,693	5,704	8,245	6,353	45,000	45,050	8,503	6,154	9,055	7,163	48,000	48,050	9,313	6,763	9,865	7,973
42,050	42,100	7,706	5,711	8,258	6,366	45,050	45,100	8,516	6,161	9,068	7,176	48,050	48,100	9,326	6,776	9,878	7,986
42,100	42,150	7,720	5,719	8,272	6,380	45,100	45,150	8,530	6,169	9,082	7,190	48,100	48,150	9,340	6,790	9,892	8,000
42,150	42,200	7,733	5,726	8,285	6,393	45,150	45,200	8,543	6,176	9,095	7,203	48,150	48,200	9,353	6,803	9,905	8,013
42,200	42,250	7,747	5,734	8,299	6,407	45,200	45,250	8,557	6,184	9,109	7,217	48,200	48,250	9,367	6,817	9,919	8,027
42,250	42,300	7,760	5,741	8,312	6,420	45,250	45,300	8,570	6,191	9,122	7,230	48,250	48,300	9,380	6,830	9,932	8,040
42,300	42,350	7,774	5,749	8,326	6,434	45,300	45,350	8,584	6,199	9,136	7,244	48,300	48,350	9,394	6,844	9,946	8,054
42,350	42,400	7,787	5,756	8,339	6,447	45,350	45,400	8,597	6,206	9,149	7,257	48,350	48,400	9,407	6,857	9,959	8,067
42,400	42,450	7,801	5,764	8,353	6,461	45,400	45,450	8,611	6,214	9,163	7,271	48,400	48,450	9,421	6,871	9,973	8,081
42,450	42,500	7,814	5,771	8,366	6,474	45,450	45,500	8,624	6,221	9,176	7,284	48,450	48,500	9,434	6,884	9,986	8,094
42,500	42,550	7,828	5,779	8,380	6,488	45,500	45,550	8,638	6,229	9,190	7,298	48,500	48,550	9,448	6,898	10,000	8,108
42,550 42,600	42,600 42,650	7,841 7,855	5,786 5,794	8,393 8,407	6,501 6,515	45,550 45,600	45,600 45,650	8,651 8,665	6,236 6,244	9,203 9,217	7,311 7,325	48,550 48,600	48,600 48,650	9,461 9,475	6,911	10,013	8,121 8,135
42,650	42,700	7,868	5,801	8,420	6,528	45,650	45,700	8,678	6,251	9,230	7,338	48,650	48,700	9,488	6,938	10,040	8,148
42,700	42,750	7,882	5,809	8,434	6,542	45,700	45,750	8,692	6,259	9,244	7,352	48,700	48,750	9,502	6,952	10,054	8,162
42,750	42,800	7,895	5,816	8,447	6,555	45,750	45,800	8,705	6,266	9,257	7,365	48,750	48,800	9,515	6,965	10,067	8,175
42,800	42,850	7,909	5,824	8,461	6,569	45,800	45,850	8,719	6,274	9,271	7,379	48,800	48,850	9,529	6,992	10,081	8,189
42,850	42,900	7,922	5,831	8,474	6,582	45,850	45,900	8,732	6,281	9,284	7,392	48,850	48,900	9,542		10,094	8,202
42,900	42,950	7,936	5,839	8,488	6,596	45,900	45,950	8,746	6,289	9,298	7,406	48,900	48,950	9,556		10,108	8,216
42,950	43,000	7,949	5,846	8,501	6,609	45,950	46,000	8,759	6,296	9,311	7,419	48,950	49,000	9,569		10,121	8,229
43,	000					46,	000					49,	000	<u> </u>			
43,000	43,050	7,963	5,854	8,515	6,623	46,000	46,050	8,773	6,304	9,325	7,433	49,000	49,050	9,583	7,033	10,135	8,243
43,050	43,100	7,976	5,861	8,528	6,636	46,050	46,100	8,786	6,311	9,338	7,446	49,050	49,100	9,596	7,046	10,148	8,256
43,100	43,150	7,990	5,869	8,542	6,650	46,100	46,150	8,800	6,319	9,352	7,460	49,100	49,150	9,610	7,060	10,162	8,270
43,150	43,200	8,003	5,876	8,555	6,663	46,150	46,200	8,813	6,326	9,365	7,473	49,150	49,200	9,623	7,073	10,175	8,283
43,200	43,250	8,017	5,884	8,569	6,677	46,200	46,250	8,827	6,334	9,379	7,487	49,200	49,250	9,637	7,087	10,189	8,297
43,250	43,300	8,030	5,891	8,582	6,690	46,250	46,300	8,840	6,341	9,392	7,500	49,250	49,300	9,650		10,202	8,310
43,300	43,350	8,044	5,899	8,596	6,704	46,300	46,350	8,854	6,349	9,406	7,514	49,300	49,350	9,664		10,216	8,324
43,350	43,400	8,057	5,906	8,609	6,717	46,350	46,400	8,867	6,356	9,419	7,527	49,350	49,400	9,677		10,229	8,337
43,400	43,450	8,071	5,914	8,623	6,731	46,400	46,450	8,881	6,364	9,433	7,541	49,400	49,450	9,691	7,141	10,243	8,351
43,450	43,500	8,084	5,921	8,636	6,744	46,450	46,500	8,894	6,371	9,446	7,554	49,450	49,500	9,704	7,154	10,256	8,364
43,500	43,550	8,098	5,929	8,650	6,758	46,500	46,550	8,908	6,379	9,460	7,568	49,500	49,550	9,718	7,168	10,270	8,378
43,550 43,600	43,600	8,111	5,936	8,663	6,771 6,785	46,550	46,600 46,650	8,921	6,386 6,394	9,473 9,487	7,581 7,595	49,550 49,600	49,600 49,650	9,731 9,745	7,181 7,195	10,283 10,297	8,391 8,405
43,650 43,700	43,650 43,700 43,750	8,125 8,138 8,152	5,944 5,951 5,959	8,677 8,690 8,704	6,798 6,812	46,600 46,650 46,700	46,700 46,750	8,935 8,948 8,962	6,401 6,412	9,500 9,514	7,608 7,622	49,650 49,700	49,700 49,750	9,758 9,772	7,208 7,222	10,310 10,324	8,418 8,432
43,750	43,800	8,165	5,966	8,717	6,825	46,750	46,800	8,975	6,425	9,527	7,635	49,750	49,800	9,785	7,235	10,337	8,445
43,800	43,850	8,179	5,974	8,731	6,839	46,800	46,850	8,989	6,439	9,541	7,649	49,800	49,850	9,799	7,249	10,351	8,459
43,850 43,900 43,950	43,900 43,950 44,000	8,192 8,206 8,219	5,981 5,989 5,996	8,744 8,758 8,771	6,852 6,866 6,879	46,850 46,900 46,950	46,900 46,950 47,000	9,002 9,016 9,029	6,452 6,466 6,479	9,554 9,568 9,581	7,662 7,676 7,689	49,850 49,900 49,950	49,900 49,950 50,000	9,812 9,826 9,839	7,262 7,276	10,364 10,378 10,391	8,472 8,486 8,499
* This co	olumn m	ust also	be used	by a q	ualifying	widow(e	r).							I .	(Contin	ued on p	age 69)

													200	<u> 22 Tax</u>	Table	<u>—Con</u>	<u>tinued</u>
If line 4 (taxable income	•		And y	ou are—	-	If line (taxab incom	le		And y	ou are–	_	If line (taxat incom			And yo	ou are—	•
At least	But less than	Single	Married filing jointly	Married filing sepa-rately	Head of a house- hold	At least	But less than	Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
50.	000					53.	000			.ux 10		56	000			шх ю	
50,000		9,853	7 303	10,405	8,513	53,000		10,663	8 113	11,215	9,323	56,000	56,050	11,473	8,923	12,025	10,133
50,050 50,100 50,150	50,100 50,150 50,200	9,866 9,880 9,893	7,316 7,330 7,343	10,418 10,432 10,445	8,526 8,540 8,553	53,050 53,100 53,150	53,100 53,150 53,200	10,676 10,690 10,703	8,126 8,140 8,153	11,228 11,242 11,255	9,336 9,350 9,363	56,050 56,100 56,150	56,100 56,150 56,200	11,486 11,500 11,513	8,936 8,950 8,963	12,038 12,052 12,065	10,146 10,160 10,173
50,200 50,250 50,300 50,350	50,250 50,300 50,350 50,400	9,907 9,920 9,934 9,947	7,357 7,370 7,384 7,397	10,459 10,472 10,486 10,499	8,567 8,580 8,594 8,607	53,200 53,250 53,300 53,350	53,250 53,300 53,350 53,400	10,717 10,730 10,744 10,757	8,167 8,180 8,194 8,207	11,269 11,282 11,296 11,309	9,377 9,390 9,404 9,417	56,200 56,250 56,300 56,350	56,250 56,300 56,350 56,400	11,527 11,540 11,554 11,567	8,977 8,990 9,004 9,017	12,079 12,092 12,106 12,119	10,187 10,200 10,214 10,227
50,400 50,450 50,500 50,550	50,450 50,500 50,550 50,600	9,961 9,974 9,988 10,001	7,411 7,424 7,438 7,451	10,513 10,526 10,540 10,553	8,621 8,634 8,648 8,661	53,400 53,450 53,500 53,550	53,450 53,500 53,550 53,600	10,771 10,784 10,798 10,811	8,221 8,234 8,248 8,261	11,323 11,336 11,350 11,363	9,431 9,444 9,458 9,471	56,400 56,450 56,500 56,550	56,450 56,500 56,550 56,600	11,581 11,594 11,608 11,621	9,031 9,044 9,058 9,071	12,133 12,148 12,163 12,178	10,241 10,254 10,268 10,281
50,600 50,650 50,700	50,650 50,700 50,750	10,015 10,028 10,042	7,465 7,478 7,492	10,567 10,580 10,594	8,675 8,688 8,702	53,600 53,650 53,700	53,650 53,700 53,750	10,825 10,838 10,852	8,275 8,288 8,302	11,377 11,390 11,404	9,485 9,498 9,512	56,600 56,650 56,700	56,650 56,700 56,750	11,635 11,648 11,662	9,085 9,098 9,112	12,193 12,208 12,223	10,295 10,308 10,322
50,750 50,800 50,850 50,900	50,800 50,850 50,900 50,950	10,055 10,069 10,082 10,096	7,505 7,519 7,532 7,546	10,607 10,621 10,634 10,648	8,715 8,729 8,742 8,756	53,750 53,800 53,850 53,900	53,800 53,850 53,900 53,950	10,865 10,879 10,892 10,906	8,329 8,342 8,356	11,417 11,431 11,444 11,458	9,525 9,539 9,552 9,566	56,750 56,800 56,850 56,900	56,800 56,850 56,900 56,950	11,675 11,689 11,702 11,716	9,125 9,139 9,152 9,166	12,238 12,253 12,268 12,283	10,335 10,349 10,362 10,376
50,950	51,000 000	10,109	7,559	10,661	8,769	53,950	54,000 000	10,919	8,369	11,471	9,579	56,950 57	57,000	11,729	9,179	12,298	10,389
	51,050 10,123 7,573 10,675 8,7 51,100 10,136 7,586 10,688 8,7					54,000	54,050	10,933	8,383	11,485	9,593	57,000	57,050	11,743	9,193	12,313	10,403
51,050 51,100	51,100 51,150 51,200		7,586 7,600		8,796 8,810 8,823	54,050 54,100 54,150	54,100 54,150 54,200	10,946 10,960 10,973	8,396 8,410	11,498 11,512 11,525	9,606 9,620 9,633	57,050 57,050 57,100 57,150	57,100 57,150 57,200	11,756 11,770 11,783	9,206 9,220 9,233	12,328 12,343 12,358	10,416 10,430 10,443
		10,177 10,190 10,204 10,217	7,640 7,654	10,729 10,742 10,756 10,769	8,837 8,850 8,864 8,877	54,200 54,250 54,300 54,350	54,250 54,300 54,350 54,400	10,987 11,000 11,014 11,027	8,450 8,464	11,539 11,552 11,566 11,579	9,647 9,660 9,674 9,687	57,200 57,250 57,300 57,350	57,250 57,300 57,350 57,400	11,797 11,810 11,824 11,837	9,247 9,260 9,274 9,287	12,373 12,388 12,403 12,418	10,457 10,470 10,484 10,497
51,400 51,450 51,500 51,550	51,450 51,500 51,550 51,600	10,231 10,244 10,258 10,271	7,681 7,694 7,708 7,721	10,783 10,796 10,810 10,823	8,891 8,904 8,918 8,931	54,400 54,450 54,500 54,550	54,450 54,500 54,550 54,600	11,041 11,054 11,068 11,081	8,491 8,504 8,518 8,531	11,593 11,606 11,620 11,633	9,701 9,714 9,728 9,741	57,400 57,450 57,500 57,550	57,450 57,500 57,550 57,600	11,851 11,864 11,878 11,891	9,301 9,314 9,328 9,341	12,433 12,448 12,463 12,478	10,511 10,524 10,538 10,551
51,600 51,650 51,700	51,650 51,700 51,750 51,800	10,285 10,298 10,312 10,325	7,735 7,748 7,762	10,837 10,850 10,864 10.877	8,945 8,958 8,972 8,985	54,600 54,650 54,700 54,750	54,650 54,700 54,750 54,800	11,095 11,108 11,122 11,135	8,545 8,558 8,572	11,647 11,660 11,674 11,687	9,755 9,768 9,782 9,795	57,600 57,650 57,700 57,750	57,650 57,700 57,750 57,800	11,905 11,918 11,932 11,945	9,355 9,368 9,382 9,395	12,493 12,508 12,523 12,538	10,565 10,578 10,592 10,605
51,800 51,850 51,900	51,850 51,900 51,950 52,000	10,339 10,352 10,366 10,379	7,789 7,802 7,816	10,891 10,904 10,918 10,931	8,999 9,012 9,026 9,039	54,800 54,850 54,900	54,850 54,900	11,149 11,162 11,176 11,189	8,599 8,612 8,626	11,701 11,714 11,728 11,741	9,809 9,822 9,836 9,849	57,800 57,850 57,900 57,950	57,850 57,900 57,950 58,000	11,959 11,972 11,986 11,999	9,409 9,422 9,436	12,553 12,568 12,583	10,619 10,632 10,646 10,659
	000	10,070	7,020	10,001	0,000		000	11,100	0,000	11,7 -11	0,040		000	11,000	0,110	12,000	10,000
	52,050	10,393	7,843	10,945	9,053	55,000		11,203	8.653	11,755	9,863	58,000	58,050	12,013	9,463	12,613	10,673
52,050 52,100	52,100 52,150 52,200	10,406 10,420 10,433	7,856 7,870	10,958 10,972 10,985	9,066 9,080 9,093	55,050 55,100 55,150	55,100 55,150 55,200	11,216 11,230 11,243	8,666 8,680	11,768 11,782 11,795	9,876 9,890 9,903	58,050 58,100 58,150	58,100 58,150 58,200	12,026 12,040 12,053	9,476 9,490 9,503		10,686 10,700 10,713
52,200 52,250 52,300 52,350	52,250 52,300 52,350 52,400	10,447 10,460 10,474 10,487	7,910 7,924	10,999 11,012 11,026 11,039	9,107 9,120 9,134 9,147	55,200 55,250 55,300 55,350	55,250 55,300 55,350 55,400	11,257 11,270 11,284 11,297	8,720 8,734	11,809 11,822 11,836 11,849	9,917 9,930 9,944 9,957	58,200 58,250 58,300 58,350	58,250 58,300 58,350 58,400	12,067 12,080 12,094 12,107	9,517 9,530 9,544 9,557	12,673 12,688 12,703 12,718	10,727 10,740 10,754 10,767
		10,501 10,514 10,528 10,541	7,951 7,964 7,978	11,053 11,066 11,080 11,093	9,161 9,174 9,188 9,201	55,400 55,450 55,500 55,550	55,450 55,500 55,550 55,600	11,311 11,324 11,338 11,351	8,761 8,774 8,788	11,863 11,876 11,890 11,903	9,971 9,984 9,998 10,011	58,400 58,450 58,500 58,550	58,450 58,500 58,550 58,600	12,121 12,134 12,148 12,161	9,571 9,584 9,598 9,611	12,733 12,748 12,763 12,778	10,781 10,794 10,808 10,821
		10,555 10,568 10,582 10,595	8,005 8,018 8,032	11,107 11,120 11,134 11,147	9,215 9,228 9,242 9,255	55,600 55,650 55,700 55,750	55,650 55,700 55,750 55,800	11,365 11,378 11,392 11,405	8,815 8,828 8,842	11,917 11,930 11,944 11,957	10,025 10,038 10,052	58,600 58,650 58,700 58,750	58,650 58,700 58,750 58,800	12,175 12,188 12,202 12,215	9,625 9,638 9,652 9,665	12,793 12,808 12,823 12,838	10,835 10,848 10,862 10,875
52,800 52,850 52,900	52,850 52,900 52,950 53,000	10,609 10,622 10,636 10,649	8,059 8,072 8,086		9,269 9,282 9,296 9,309	55,800 55,850 55,900 55,950	55,850 55,900 55,950	11,419 11,432 11,446 11,459	8,869 8,882 8,896	11,971 11,984 11,998 12,011	10,079 10,092 10,106	58,800 58,850 58,900 58,950	58,850 58,900 58,950 59,000	12,229 12,242 12,256 12,269	9,679 9,692 9,706	12,853 12,868 12,883	10,889 10,902 10,916 10,929
* This co	olumn m	ust also	be used	d by a qu	ualifying	widow(e	r).								(Contin	ued on p	age 70)

2002 Tax Table—Continued

2002 T	ax Tab	le—Co	ntinue	ed										1			
If line 4 (taxable income)	,		And y	ou are-	-	If line (taxab incom	le		And ye	ou are–	-	If line (taxab incom			And yo	u are—	
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately tax is—	d Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
59,0	000					62.	000					65.	,000				
59,000		12,283	9,733	12,913	10,943	 	62,050	13,093	10,543	13,813	11,753	65,000		13,903	11,353	14,713	12,563
59,050	59,100 59,150 59,200	12,296 12,310 12,323	9,746 9,760 9,773	12,928 12,943 12,958	10,956 10,970 10,983	62,050 62,100 62,150	62,100 62,150 62,200	13,106 13,120	10,556 10,570 10,583	13,828 13,843	11,766	65,050 65,100 65,150	65,100 65,150 65,200	13,916 13,930	11,366 11,380	14,728 14,743	12,576 12,590 12,603
59,200 59,250 59,300 59,350	59,250 59,300 59,350 59,400	12,337 12,350 12,364 12,377	9,800 9,814	12,973 12,988 13,003 13,018	10,997 11,010 11,024 11,037	62,200 62,250 62,300 62,350	62,250 62,300 62,350 62,400	13,160 13,174	10,597 10,610 10,624 10,637	13,888 13,903	11,807 11,820 11,834 11,847	65,200 65,250 65,300 65,350	65,250 65,300 65,350 65,400	13,970 13,984	11,434	14,788 14,803	12,617 12,630 12,644 12,657
59,400 59,450 59,500	59,450 59,500 59,550	12,391 12,404 12,418	9,841 9,854	13,033 13,048 13,063	11,051 11,064 11,078	62,400 62,450 62,500	62,450 62,500 62,550	13,201 13,214 13,228	10,651 10,664 10,678	13,933 13,948 13,963	11,861 11,874 11,888	65,400 65,450 65,500	65,450 65,500 65,550	14,011 14,024 14,038	11,461 11,474 11,488	14,833	12,671 12,684 12,698
59,550 59,600	59,600 59,650	12,431 12,445		13,078 13.093	11,091 11 105	62,550	62,600 62.650	13,241 13.255			11,901 11.915	65,550 65,600	65,600 65,650	· '		,	12,711 12,725
59,650 59,700 59,750	59,700 59,750 59,800	12,458 12,472 12,485	9,908 9,922	13,108 13,123 13,138	11,118 11,132 11,145	62,650 62,700 62,750	62,700 62,750 62,800	13,268 13,282		14,008 14,023	11,928 11,942 11,955	65,650 65,700 65,750	65,700 65,750 65,800	14,078	11,528 11,542	14,908 14,923	12,738 12,752 12,765
59,800 59,850 59,900 59,950	59,850 59,900 59,950 60,000	12,499 12,512 12,526 12,539	9,962 9,976	13,153 13,168 13,183 13,198	11,172 11,186	62,800 62,850 62,900 62,950	62,850 62,900 62,950 63,000	13,309 13,322 13,336 13,349	- /	14,053 14,068 14,083 14,098	11,982 11,996	65,800 65,850 65,900 65,950	65,850 65,900 65,950 66,000	14,146	11,582	14,968 14,983	12,779 12,792 12,806 12,819
60,0		,	3,555		,		000		,		,		,000	1 1,100	,		-,-,-
60,000		12.553	10.003	13,213	11.213	<u> </u>	63,050	13,363	10,813	14.113	12.023	66,000	66,050	14.173	11,623	15.013	12.833
60,050	60,100 60,150 60,200	12,566 12,580	10,016 10,030	13,228 13,243 13,258	11,226 11,240	63,050 63,100 63,150	63,100 63,150		10,826 10,840	14,128 14,143	12,036 12,050	66,050 66,100 66,150	66,100 66,150 66,200	14,186	11,636 11,650	15,028	12,846 12,860
60,200 60,250	60,250 60,300			13,273 13,288	11,267 11,280	63,200 63,250	63,250 63,300	13,417 13,430	10,867 10,880	14,173 14,188	12,077 12,090	66,200 66,250	66,250 66,300		11,677 11,690		12,887 12,900
60,300 60,350	60,350 60,400	12,634	10,084	13,303 13,318	11,294 11,307	63,300 63,350	63,350 63,400	13,444		14,203	12,104 12,117	66,300 66,350	66,350 66,400	14,254	11,704	15,103	12,914 12,927
60,400 60,450	60,450 60,500			13,333 13,348	11,321 11,334	63,400 63,450	63,450 63,500	13,471 13,484	10,921 10,934	14,233 14,248	12,131 12,144	66,400 66,450	66,450 66,500		11,731 11,744		12,941 12,954
60,500 60,550	60,550 60,600	12,688 12,701		13,363 13,378	11,348 11,361	63,500 63,550	63,550 63,600	13,498 13,511	10,948 10,961	14,263 14,278	12,158 12,171	66,500 66,550	66,550 66,600	14,308 14,321	11,758 11,771		12,968 12,981
60,600 60,650	60,650 60,700			13,393 13,408	11,375 11,388	63,600 63,650	63,650 63,700	13,525 13,538	10,975 10,988	14,293 14,308	12,185 12,198	66,600 66,650	66,650 66,700		11,798	15,208	12,995 13,008
60,700 60,750	60,750 60,800			13,423 13,438	11,402 11,415	63,700 63,750	63,750 63,800	. ,	11,002 11,015	14,323 14,338	12,212 12,225	66,700 66,750	66,750 66,800		11,812 11,825		13,022 13,035
60,800 60,850				13,453 13,468		63,800 63,850			11,029 11,042			66,800 66,850	66,850 66,900		11,839 11,852		
60,900 60,950	60,950 61,000			13,483 13,498			63,950 64,000		11,056 11,069			66,900 66,950	66,950 67,000		11,866 11,879		
61,0	000					64,	000					67,	,000				
	61,100	12,836	10,286	13,513 13,528	11,496	64,050	64,050 64,100	13,646	11,083 11,096	14,428	12,306	67,050		14,456	11,893 11,906	15,328	13,116
61,100 61,150	61,200	12,863	10,313	13,543 13,558	11,523	64,100 64,150	64,200	13,673	11,110 11,123	14,458	12,333	67,100 67,150	67,150 67,200	14,483		15,358	13,130
61,200 61,250	61,300	12,890	10,340	13,573 13,588	11,550	64,200 64,250	64,250 64,300	13,700	11,137 11,150	14,488	12,360	67,200 67,250	67,250 67,300	14,510	11,960	15,388	13,157 13,170
61,300 61,350				13,603 13,618	11,564 11,577	64,300 64,350	64,350 64,400		11,164 11,177		12,374 12,387	67,300 67,350	67,350 67,400		11,974 11,987		13,184 13,197
61,400 61,450	61,500			13,633 13,648	11,591 11,604	64,400 64,450	64,450 64,500		11,191 11,204			67,400 67,450	67,450 67,500	14,564	12,001 12,014	15,448	13,211 13,224
61,500 61,550	61,550	12,958	10,408	13,663 13,678	11,618	64,500 64,550	64,550 64,600	13,768 13,781	11,218 11,231	14,563 14,578	12,428 12,441	67,500 67,550	67,550 67,600		12,028	15,463	13,238 13,251
61,600 61,650	61,700	12,998	10,448	13,693 13,708	11,658	64,600 64,650	64,700	13,808	11,245 11,258	14,608	12,468	67,600 67,650	67,650 67,700	14,618	12,068	15,508	13,265 13,278
61,700 61,750				13,723 13,738	11,672 11,685	64,700 64,750	64,750 64,800		11,272 11,285			67,700 67,750	67,750 67,800				13,292 13,305
61,800 61,850				13,753 13,768		64,800 64,850	64,850 64,900		11,299 11,312	14,653 14,668		67,800 67,850	67,850 67,900	14,663 14,678	12,109 12,122		13,319 13,332
61,900		13,066	10,516	13,783 13,798	11,726	64,900		13,876	11,326 11,339	14,683	12,536	67,900 67,950	67,950	14,693	12,136 12,149	15,583	13,346
* This co	olumn m	ust also	be used	d by a q	ualifying	widow(e	r).							l	(Contin	ued on p	age 71)

													200)2 Tax	Table	<u> —Соп</u>	<u>tinued</u>
If line 4 (taxable income	•		And y	ou are–	-	If line (taxab incom	le		And yo	ou are–	-	If line (taxab incom			And yo	ou are—	
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
68,	000					71,	000					74,	000				
	68,050			15,613		71,000	71,050		12,973				74,050			17,413	
•	68,200	l '	12,190 12,203	15,628 15,643 15,658	13,413	71,050 71,100 71,150	71,100 71,150 71,200	15,668	13,000 13,013	16,558	14,196 14,210 14,223	74,050 74,100 74,150	74,100 74,150 74,200	16,553 16,568		17,458	15,006 15,020 15,033
68,200 68,250 68,300 68,350	68,250 68,300 68,350 68,400	14,798 14,813	12,230 12,244	15,673 15,688 15,703 15,718		71,200 71,250 71,300 71,350	71,250 71,300 71,350 71,400	15,683 15,698 15,713 15,728	13,040	16,588 16,603	14,237 14,250 14,264 14,277	74,200 74,250 74,300 74,350	74,250 74,300 74,350 74,400	16,598 16,613	13,837 13,850 13,864 13,877	17,473 17,488 17,503 17,518	15,047 15,060 15,074 15,087
68,400 68,450	68,450 68,500	14,843 14,858	12,271 12,284	15,733 15,748	13,481 13,494	71,400 71,450	71,450 71,500	15,743 15,758	13,081 13,094	16,633 16,648	14,291 14,304	74,400 74,450	74,450 74,500	16,643 16,658	13,891 13,904	17,533 17,548	15,101 15,114
68,500 68,550	68,550 68,600	14,888	12,311		13,508 13,521	71,500	71,550 71,600	15,773 15,788	•	,	14,318 14,331	74,500 74,550	74,550 74,600	16,688		17,563 17,578	15,128 15,141
68,600 68,650 68,700 68,750	68,650 68,700 68,750 68,800		12,338 12,352	15,793 15,808 15,823 15,838	13,535 13,548 13,562 13,575	71,600 71,650 71,700 71,750	71,650 71,700 71,750 71,800	15,803 15,818 15,833 15,848	13,148	16,693 16,708 16,723 16,738	14,345 14,358 14,372 14,385	74,600 74,650 74,700 74,750	74,650 74,700 74,750 74,800	16,718 16,733	13,945 13,958 13,972 13,985	17,593 17,608 17,623 17,638	15,155 15,168 15,182 15,195
68,800 68,850	68,850 68,900	14,963 14,978	12,379	15,853 15,868		71,800 71,850	71,850 71,900	15,863 15,878	13,189 13,202	16,753 16,768	14,399 14,412	74,800 74,850	74,850 74,900	16,778	13,999 14,012	17,653 17,668	15,209 15,222
68,900 68,950	68,950 69,000			15,883 15,898	13,616 13,629	71,900 71,950	71,950 72,000	15,893 15,908	13,216 13,229		14,426 14,439	74,900 74,950	74,950 75,000		14,026 14,039	17,683 17,698	15,236 15,249
69,	000					72,	000					75,	000				_
69,050	69,050 69,100		12,446		13,656	72,050	72,050 72,100	15,938		16,828	14,466	75,050	75,050 75,100	16,838	14,066	17,713 17,728	15,276
69,150	69,200	15,068	12,473	15,958		72,100 72,150	72,150 72,200			16,843 16,858	14,480 14,493	75,100 75,150	75,150 75,200	16,868	14,080 14,093	17,743 17,758	15,290 15,303
69,200 69,250 69,300	69,250 69,300 69,350		12,500		13,697 13,710 13,724	72,200 72,250 72,300	72,250 72,300 72,350	15,983 15,998 16,013	13,297 13,310 13,324		14,507 14,520 14,534	75,200 75,250 75,300	75,250 75,300 75,350	16,898	14,107 14,120 14,134	17,773 17,788 17,803	15,317 15,330 15,344
69,350 69,400	69,400 69,450		12,527		13,737	72,350	72,400 72,450	16,028 16,043	13,337		14,547 14.561	75,350 75,400	75,400 75,450		14,147		15,357 15,371
69,450 69,500 69,550	69,500 69,550 69,600		12,554 12,568	16,033 16,048 16,063 16,078		72,450 72,450 72,500 72,550	72,500 72,550 72,600	16,043 16,058 16,073 16,088	13,364		14,574 14,588 14,601	75,450 75,500 75,550	75,500 75,550 75,600	16,958	14,174 14,188	17,848 17,863 17,878	15,384 15,398 15,411
69,600 69,650	69,650 69,700	15,203 15,218	12,608		13,818	72,600 72,650	72,650 72,700	16,103 16,118	13,418	16,993 17,008	14,615 14,628	75,600 75,650	75,650 75,700	17,018		17,893 17,908	15,425 15,438
	69,750 69,800	15,248	12,635	16,138		72,700 72,750		16,148	13,432 13,445	17,038		75,700 75,750	75,750 75,800	17,048		17,938	15,452 15,465
69,850	69,850 69,900 69,950	15,278	12,662	16,153 16,168 16,183	13,872	72,800 72,850 72,900	72,850 72,900 72,950	16,178	13,459 13,472 13,486	17,068	14,682	75,800 75,850 75,900	75,850 75,900 75,950	17,078	14,289 14,282 14,296		15,479 15,492 15,506
69,950	70,000			16,198		72,950	73,000		13,499			75,950	76,000	17,108	14,309	17,998	15,519
	000						000						000				
70,050 70,100	70,050 70,100 70,150 70,200	15,338 15,353	12,716 12,730	16,213 16,228 16,243 16,258	13,926 13,940		73,050 73,100 73,150 73,200	16,238 16,253	13,513 13,526 13,540 13,553	17,128 17,143	14,736 14,750	76,000 76,050 76,100 76,150	76,050 76,100 76,150 76,200	17,138 17,153	14,336 14,350	18,013 18,028 18,043 18,058	
70,200	70,250 70,300	15,383	12,757	16,273 16,288	13,967	73,200 73,250	73,250 73,300	16,283	13,567 13,580	17,173		76,200 76,250	76,250 76,300	17,183	14,377 14,390	18,073	15,587 15,600
70,300	70,350 70,400	15,413	12,784	16,303 16,318	13,994	73,300 73,350	73,350 73,400	16,313		17,203	14,804 14,817	76,300 76,350	76,350 76,400	17,213	14,404 14,417		15,614 15,627
70,450 70,500	70,450 70,500 70,550 70,600	15,458 15,473	12,824 12,838	16,333 16,348 16,363 16,378	14,034 14,048	73,400 73,450 73,500 73,550	73,450 73,500 73,550 73,600	16,358 16,373	13,621 13,634 13,648 13,661	17,248 17,263	14,831 14,844 14,858 14,871	76,400 76,450 76,500 76,550	76,450 76,500 76,550 76,600	17,258	14,431 14,444 14,458 14 471	18,133 18,148 18,163 18,178	15,641 15,654 15,668 15,681
70,600	70,650 70,700	15,503	12,865	16,393 16,408	14,075	73,600 73,650	73,650 73,700	16,403	13,675 13,688	17,293	-	76,600 76,650	76,650 76,700	17,303		18,193 18,208	15,695 15,708
70,700	70,750 70,800	15,533	12,892	16,423 16,438	14,102	73,700 73,750	73,750 73,800	16,433	13,702 13,715	17,323 17,338	14,912 14,925	76,700 76,750	76,750 76,800		14,512		15,722 15,735
	70,900	15,578	12,932	16,453 16,468	14,142	73,800 73,850	73,850 73,900		13,742			76,800 76,850 76,900	76,850 76,900 76,950		14,539 14,552 14,566	18,253 18,268 18,283	15,749 15,762 15,776
	70,950 71,000			16,483 16,498			73,950 74,000		13,756 13,769				77,000		14,579	18,298	15,789
* This co	olumn m	ust also	be used	d by a q	ualifying	widow(e	r).								(Contin	nued on p	page 72)

2002 Tax Table—Continued

2002 T	ax Tab	le—Co	ntinue	ed													
If line 4 (taxable income)	•		And y	ou are–	-	If line (taxab incom	le		And ye	ou are–	-	If line (taxab incom			And yo	u are—	
At least	But less than		Married filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
77,	000					80,	000					83,	000				
77,050 77,100	77,050 77,100 77,150 77,200	17,423 17,438 17,453 17,468	14,606 14,620	18,328 18,343	15,816 15,830	80,050	80,050 80,100 80,150 80,200	18,338	15,416 15,430	19,243	16,626	83,000 83,050 83,100 83,150	83,050 83,100 83,150 83,200	19,238 19,253	16,226 16,240	20,113 20,128 20,143 20,158	17,436 17,450
77,200 77,250 77,300	77.250	17,483 17,498 17,513 17,528	14,660 14,674	18,388 18,403		80,200 80,250 80,300 80,350	80,250 80,300 80,350 80,400	18,383 18,398 18,413	15,457 15,470 15,484	19,288	16,667 16,680 16,694 16,707	83,200 83,250 83,300 83,350	83,250 83,300 83,350 83,400	19,283 19,298 19,313	16,267 16,280 16,294	20,173	17,477 17,490 17,504
77,450 77,500 77,550	77,600	17,543 17,558 17,573 17,588	14,714 14,728 14,741	18,448 18,463 18,478	15,924 15,938 15,951	80,400 80,450 80,500 80,550	80,450 80,500 80,550 80,600	18,458 18,473 18,488	15,524 15,538 15,551	19,363 19,378	16,721 16,734 16,748 16,761	83,400 83,450 83,500 83,550	83,450 83,500 83,550 83,600	19,358 19,373 19,388	16,348 16,361	20,233 20,248 20,263 20,278	17,544 17,558 17,571
77,650 77,700 77,750	77,650 77,700 77,750 77,800	17,603 17,618 17,633 17,648	14,768 14,782 14,795	18,508 18,523 18,538	15,978 15,992 16,005	80,600 80,650 80,700 80,750	80,650 80,700 80,750 80,800	18,518 18,533 18,548	15,578 15,592 15,605	19,408 19,423 19,438	16,788 16,802 16,815	83,600 83,650 83,700 83,750	83,650 83,700 83,750 83,800	19,418 19,433 19,448	16,388 16,402 16,415	20,323 20,338	17,598 17,612 17,625
		17,663 17,678 17,693 17,708	14,822 14,836	18,568 18,583	16,032 16,046	80,800 80,850 80,900 80,950	80,850 80,900 80,950 81,000	18,578 18,593	15,632 15,646		16,842 16,856	83,800 83,850 83,900 83,950	83,850 83,900 83,950 84,000	19,478 19,493	16,442 16,456	20,353 20,368 20,383 20,398	17,652 17,666
	000					81,	000					84,	000				
78,050 78,100 78,150	78,050 78,100 78,150 78,200	17,723 17,738 17,753 17,768	14,876 14,890 14,903	18,628 18,643 18,658	16,086 16,100 16,113	81,050 81,100 81,150		18,638 18,653 18,668	15,686 15,700 15,713	19,558	16,896 16,910 16,923	84,050 84,100 84,150	84,050 84,100 84,150 84,200	19,538 19,553 19,568	16,496 16,510 16,523	20,413 20,428 20,443 20,458	17,706 17,720 17,733
78,300 78,350	78,300 78,350 78,400	17,783 17,798 17,813 17,828	14,930 14,944 14,957	18,688 18,703 18,718	16,140 16,154 16,167	81,200 81,250 81,300 81,350	81,300 81,350 81,400	18,713 18,728	15,740 15,754 15,767	19,588 19,603 19,618	16,977	84,200 84,250 84,300 84,350	84,250 84,300 84,350 84,400	19,598 19,613 19,628	16,550 16,564 16,577	20,503 20,518	17,760 17,774 17,787
	78,500 78,550	17,843 17,858 17,873 17,888 17,903	14,984 14,998 15,011	18,763 18,778	16,194 16,208 16,221	81,400 81,450 81,500 81,550 81,600	81,450 81,500 81,550 81,600 81,650	18,743 18,758 18,773 18,788 18.803	15,808 15,821		17,004 17,018 17,031	84,400 84,450 84,500 84,550 84,600	84,450 84,500 84,550 84,600 84,650	19,673	16,604 16,618 16,631	20,533 20,548 20,563 20,578 20,593	17,814 17,828 17,841
78,650 78,700 78,750	78,700 78,750 78,800 78,850	17,903 17,918 17,933 17,948	15,038 15,052 15,065	18,808 18,823 18,838	16,248 16,262 16,275	81,650 81,700 81,750	81,700 81,750 81,800 81,850	18,818 18,833 18,848	15,848 15,862 15,875	19,708	17,058 17,072 17,085	84,650 84,700 84,750 84,800	84,700 84,750 84,800 84,850	19,718 19,733 19,748	16,658 16,672 16,685	20,608 20,623 20,638 20,653	17,868 17,882 17,895
78,850 78,900 78,950	78,900 78,950 79,000	17,978 17,993 18,008	15,092 15,106	18,868 18,883	16,302 16,316	81,850 81,900 81,950	81,900 81,950 82,000	18,878 18,893	15,902 15,916	19,768 19,783 19,798	17,112 17,126	84,850 84,900 84,950	84,900 84,950 85,000	19,778 19,793	16,712 16,726	20,668 20,683 20,698	17,922 17,936
79,	000					82,	000					85,	000				
79,050 79,100 79,150	79,050 79,100 79,150 79,200	18,023 18,038 18,053 18,068	15,146 15,160 15,173	18,928 18,943 18,958	16,356 16,370 16,383	82,050 82,100 82,150		18,938 18,953 18,968	15,956 15,970 15,983	19,813 19,828 19,843 19,858	17,166 17,180 17,193	85,050 85,100 85,150	85,050 85,100 85,150 85,200	19,838 19,853 19,868	16,766 16,780 16,793	20,713 20,728 20,743 20,758	17,976 17,990 18,003
79,250 79,300 79,350	79,250 79,300 79,350 79,400	18,083 18,098 18,113 18,128	15,200 15,214 15,227	18,988 19,003 19,018	16,410 16,424 16,437	82,200 82,250 82,300 82,350	82,300 82,350 82,400	18,998 19,013 19,028	16,010 16,024 16,037	19,918	17,220 17,234 17,247	85,200 85,250 85,300 85,350	85,250 85,300 85,350 85,400	19,898 19,913 19,928	16,820 16,834 16,847	20,773 20,788 20,803 20,818	18,030 18,044 18,057
79,450 79,500 79,550	79,450 79,500 79,550 79,600	18,143 18,158 18,173 18,188	15,254 15,268 15,281	19,048 19,063 19,078	16,464 16,478 16,491	82,400 82,450 82,500 82,550	82,500 82,550 82,600	19,058 19,073 19,088	16,064 16,078 16,091	19,978	17,274 17,288 17,301	85,400 85,450 85,500 85,550	85,450 85,500 85,550 85,600	19,958 19,973 19,988	16,874 16,888 16,901	20,863 20,878	18,084 18,098 18,111
79,650 79,700	79,650 79,700 79,750 79,800 79,850	18,203 18,218 18,233 18,248 18,263	15,308 15,322 15,335	19,108 19,123 19,138	16,518 16,532 16,545	82,600 82,650 82,700 82,750 82,800		19,118 19,133 19,148	16,118 16,132	19,993 20,008 20,023 20,038 20,053	17,328 17,342 17,355	85,600 85,650 85,700 85,750 85,800	85,650 85,700 85,750 85,800 85,850	20,018 20,033	16,928 16,942 16,955	20,893 20,908 20,923 20,938 20,953	18,138
79,850 79,900	79,850 79,900 79,950 80,000	18,263 18,278 18,293 18,308	15,362 15,376	19,168 19,183	16,572 16,586	82,850 82,900	82,900	19,178 19,193	16,172 16,186	20,053 20,068 20,083 20,098	17,382 17,396	85,850 85,900	85,900 85,950 86,000	20,078 20,093	16,982 16,996	20,953 20,968 20,983 20,998	18,192 18,206
* This co	olumn m	ust also l	be used	by a q	ualifying	widow(e	r).								(Contin	ued on pa	age 73)

													200	<u>)2 Tax</u>	lable	<u>—Con</u>	<u>tınued</u>
If line 4 (taxable income)	,		And y	ou are–	_	If line (taxab incom	le		And y	ou are-	_	If line (taxab incom			And yo	ou are—	
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately tax is—	d Head of a house- hold	At least	But less than	Single	Married filing jointly	Married filing sepa- rately	d Head of a house- hold	At least	But less than	Single	filing jointly *	Married filing sepa- rately tax is—	Head of a house- hold
86,	000					89,	000					92,	000				
86,000	86,050			21,015	18,233	89,000	89,050			22,065	19,043	92,000	92,050			23,115	19,853
86,050 86,100 86,150	,	20,153 20,168	17,063	21,068	· ·	89,050 89,100 89,150	89,100 89,150 89,200	21,053 21,068	17,873	22,083 22,100 22,118	19,083	92,050 92,100 92,150	92,100 92,150 92,200	21,953 21,968	18,670 18,683		19,866 19,880 19,893
86,200 86,250 86,300 86,350	86,250 86,300 86,350 86,400	20,198 20,213	17,090 17,104	21,103 21,120	18,287 18,300 18,314 18,327	89,200 89,250 89,300 89,350	89,250 89,300 89,350 89,400	21,098 21,113	17,914	22,153	19,097 19,110 19,124 19,137	92,200 92,250 92,300 92,350	92,250 92,300 92,350 92,400	21,998 22,013	18,697 18,710 18,724 18,737	23,203 23,220	19,907 19,920 19,934 19,947
86,400 86,450 86,500	86,450 86,500 86,550	20,258			18,341 18,354 18,368	89,400 89,450 89,500	89,450 89,500 89,550	21,143 21,158 21,173		22,205 22,223 22,240	19,151 19,164 19,178	92,400 92,450 92,500	92,450 92,500 92,550	22,043 22,058 22,073	18,764	23,255 23,273 23,290	19,961 19,974 19,988
86,550	86,600	20,288	17,171	21,208	18,381	89,550	89,600	21,188	17,981	22,258	19,191	92,550	92,600	22,088	18,791	23,308	20,001
86,600 86,650 86,700 86,750	86,650 86,700 86,750 86,800	20,318 20,333	17,198 17,212	21,243 21,260	18,395 18,408 18,422 18,435	89,600 89,650 89,700 89,750	89,650 89,700 89,750 89,800	21,218 21,233		22,275 22,293 22,310 22,328	19,205 19,218 19,232 19,245	92,600 92,650 92,700 92,750	92,650 92,700 92,750 92,800	22,118 22,133	18,818 18,832	23,325 23,343 23,360 23,378	20,015 20,028 20,042 20,055
86,800 86,850	86,850 86,900	20,363 20,378	17,239 17,252		18,449 18,462	89,800 89,850	89,850 89,900	21,263 21,278	18,049 18,062	22,345 22,363	19,259 19,272	92,800 92,850	92,850 92,900		18,859 18,872	23,395 23,413	20,069 20,082
86,900 86,950	86,950	20,393	17,266		18,476	89,900 89,950	89,950 90,000	21,293	18,076	22,380 22,398	19,286	92,900 92,950	92,950 93,000	22,193	18,886	23,430 23,448	20,096
87,	000					90,	000					93,	000				
87,000 87,050 87,100 87,150	87,100 87,150	20,438 20,453	17,306 17,320	21,365 21,383 21,400 21,418	18,516 18,530	90,000 90,050 90,100 90,150	90,050 90,100 90,150 90,200	21,338 21,353	18,116 18,130	22,415 22,433 22,450 22,468	19,326 19,340	93,000 93,050 93,100 93,150	93,050 93,100 93,150 93,200	22,238 22,253	18,926 18,940	23,465 23,483 23,500 23,518	20,136 20,150
87,200	87,250	20,483	17,347	21,435	18,557	90,200	90,250	21,383	18,157	22,485	19,367	93,200	93,250	22,283	18,967	23,535	20,177
87,250 87,300 87,350	87,300 87,350 87,400	20,513 20,528	17,374 17,387	21,470 21,488	18,570 18,584 18,597	90,250 90,300 90,350	90,300 90,350 90,400	21,398 21,413 21,428	18,184 18,197	22,520 22,538	19,380 19,394 19,407	93,250 93,300 93,350	93,300 93,350 93,400	22,313 22,328	18,980 18,994 19,007		20,190 20,204 20,217
87,400 87,450 87,500 87,550	87,450 87,500 87,550 87,600	20,558 20,573	17,401 17,414 17,428 17,441		18,611 18,624 18,638 18,651	90,400 90,450 90,500 90,550	90,450 90,500 90,550 90,600	21,443 21,458 21,473 21,488	18,224	22,555 22,573 22,590 22,608	19,421 19,434 19,448 19,461	93,400 93,450 93,500 93,550	93,450 93,500 93,550 93,600	22,373	19,021 19,034 19,048 19,061		20,231 20,244 20,258 20,271
87,600 87,650 87,700	87,650 87,700 87,750	20,618 20,633		21,593 21,610		90,600 90,650 90,700	90,650 90,700 90,750	21,503 21,518 21,533	18,278 18,292	22,625 22,643 22,660	19,475 19,488 19,502	93,600 93,650 93,700	93,650 93,700 93,750	22,418 22,433	19,102	23,675 23,693 23,710	
87,750 87,800	87,800 87,850	20,663	17,509	21,628 21,645	18,719	90,750	90,800 90,850		18,305 18,319	22,678 22,695		93,750	93,800 93,850			23,728 23,745	
87,900	87,900 87,950 88,000	20,693	17,536	21,663 21,680 21,698	18,746		90,900 90,950 91,000	21,593		22,730	19,556		93,900 93,950 94,000	22,493	19,156	23,763 23,780 23,798	20,366
88,	000					91,	000					94,	000				
88,000 88,050 88,100 88,150		20,738 20,753	17,576 17,590	21,715 21,733 21,750 21,768	18,786 18,800	91,050 91,100	91,050 91,100 91,150 91,200	21,638 21,653	18,386 18,400	22,765 22,783 22,800 22,818	19,596 19,610	94,000 94,050 94,100 94,150	94,050 94,100 94,150 94,200	22,538 22,553	19,196 19,210	23,815 23,833 23,850 23,868	20,406 20,420
88,200	88,250	20,783	17,617	21,785	18,827	91,200	91,250	21,683	18,427	22,835	19,637	94,200	94,250	22,583	19,237	23,885	20,447
88,250 88,300 88,350	88,300 88,350 88,400	20,813 20,828	17,644 17,657	21,838	18,854 18,867	91,250 91,300 91,350	91,300 91,350 91,400	21,713 21,728	18,454 18,467	22,888	19,664 19,677	94,250 94,300 94,350	94,300 94,350 94,400	22,613 22,628	19,264 19,277	23,938	20,474 20,487
88,400 88,450 88,500 88,550	88,450 88,500 88,550 88,600	20,858 20,873	17,684 17,698	21,855 21,873 21,890 21,908	18,894 18,908	91,400 91,450 91,500 91,550	91,450 91,500 91,550 91,600	21,758 21,773			19,704 19,718	94,400 94,450 94,500 94,550	94,450 94,500 94,550 94,600	22,673	19,304 19,318	23,955 23,973 23,990 24,008	20,514 20,528
88,600 88,650 88,700 88,750	88,650 88,700 88,750 88,800	20,918 20,933	17,738 17,752	21,925 21,943 21,960 21,978	18,948 18,962	91,600 91,650 91,700 91,750	91,650 91,700 91,750 91,800	21,803 21,818 21,833	18,535 18,548 18,562		19,758 19,772	94,600 94,650 94,700 94,750	94,650 94,700 94,750 94,800	22,718 22,733	19,358 19,372	24,025 24,043 24,060 24,078	20,568
88,800 88,850 88,900	88,850 88,900	20,963 20,978 20,993	17,779 17,792 17,806	21,995 22,013 22,030 22,048	18,989 19,002 19,016	91,800 91,850 91,900	91,850 91,900 91,950 92,000	21,863 21,878 21,893	18,589 18,602 18,616	23,045 23,063 23,080	19,799 19,812 19,826	94,800 94,850 94,900 94,950	94,850 94,900 94,950 95,000	22,763 22,778 22,793	19,399 19,412 19,426		20,609 20,622 20,636
· · · · ·					ualifying	L .		,	,	,	,					ued on p	

2002 Tax Table—Continued

If line 4 (taxable income			And yo	ou are-	-	If line (taxab incom	le		And you are—		
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing separately rately	Head of a house- hold
95,	000					98,	000				
95,000 95,050 95,100 95,150 95,200 95,250 95,300	95,050 95,100 95,150 95,200 95,250 95,300 95,350	22,823 22,838 22,853 22,868 22,883 22,898 22,913	19,466 19,480 19,493 19,507 19,520	24,165 24,183 24,200 24,218 24,235 24,253 24,270	20,676 20,690	98,000 98,050 98,100 98,150 98,200 98,250 98,300	98,050 98,100 98,150 98,200 98,250 98,300 98,350	23,738 23,753 23,768 23,783 23,798	20,263 20,276 20,290 20,303 20,317 20,330 20,344	25,215 25,233 25,250 25,268 25,285 25,303 25,320	21,513 21,528 21,543 21,558 21,573 21,588 21,603
95,350 95,400 95,450 95,500 95,550 95,650 95,700 95,750 95,850	95,400 95,450 95,500 95,550 95,600 95,650 95,700 95,750 95,800 95,850 95,900	22,928 22,943 22,958 22,973 22,988 23,003 23,018 23,033 23,048 23,063 23,078	19,561 19,574 19,588 19,601 19,615 19,628 19,642 19,655 19,669	24,305 24,323 24,340 24,358 24,375 24,393 24,410	20,757 20,771 20,784 20,798 20,811 20,825 20,838 20,852 20,865 20,879 20,892	98,350 98,400 98,450 98,500 98,550 98,650 98,650 98,750 98,750 98,850	98,400 98,450 98,550 98,550 98,600 98,650 98,700 98,750 98,800 98,850 98,900	23,843 23,858 23,873 23,888 23,903 23,918 23,933 23,948 23,963	20,357 20,371 20,384 20,398 20,411 20,425 20,438 20,452 20,465 20,479 20,492	25,338 25,355 25,373 25,390 25,408 25,425 25,443 25,460 25,478 25,495 25,513	21,618 21,633 21,648 21,663 21,678 21,693 21,708 21,723 21,738 21,753 21,768
95,900 95,950	95,950 96,000	23,093 23,108	19,696	24,480 24,498	20,906	98,900 98,950	98,950 99,000	23,993	20,506 20,519	25,530 25,548	21,783 21,798
96,	000						000				
96,000 96,050 96,100 96,150 96,250 96,350 96,350 96,450 96,550	96,050 96,100 96,150 96,200 96,250 96,350 96,450 96,450 96,550 96,550	23,288	19,736 19,750 19,763 19,777 19,790 19,804 19,817 19,831 19,844 19,858 19,871	24,620 24,638 24,655 24,673 24,690 24,708	20,946 20,960 20,973 20,987 21,000 21,014 21,027 21,041 21,054 21,068 21,081	99,000 99,050 99,100 99,150 99,200 99,250 99,350 99,350 99,400 99,450 99,500	99,050 99,100 99,150 99,200 99,250 99,350 99,450 99,550 99,550	24,038 24,053 24,068 24,083 24,098 24,113 24,128 24,143 24,158 24,173 24,188	20,533 20,546 20,560 20,573 20,587 20,600 20,614 20,627 20,641 20,654 20,668 20,668	25,565 25,583 25,600 25,618 25,635 25,653 25,670 25,688 25,705 25,723 25,740 25,740	21,813 21,828 21,843 21,858 21,873 21,888 21,903 21,918 21,933 21,948 21,963 21,978
96,600 96,650 96,700 96,750 96,800 96,850 96,900 96,950	96,650 96,700 96,750 96,800 96,850 96,900 96,950 97,000	23,303 23,318 23,333 23,348 23,363 23,378 23,393 23,408	19,898 19,912 19,925 19,939 19,952 19,966	24,743 24,760	21,138 21,153 21,168 21,183		99,650 99,700 99,750 99,800 99,850 99,900 99,950 100,000	24,218 24,233 24,248 24,263 24,278 24,293	20,695 20,708 20,722 20,735 20,749 20,762 20,776 20,789	25,845 25,863 25,880	22,038 22,053 22,068 22,083
	000	22 422	10.000	04.005	01 010						
97,000 97,050 97,100 97,150 97,250 97,350 97,350 97,450 97,450 97,550 97,650 97,650 97,750 97,850 97,850 97,950	97,050 97,100 97,150 97,250 97,250 97,300 97,350 97,400 97,550 97,600 97,760 97,750 97,750 97,800 97,850 97,950 97,950 97,950	23,423 23,438 23,453 23,468 23,498 23,513 23,528 23,558 23,573 23,588 23,603 23,618 23,633 23,648 23,663 23,678 23,678 23,708	20,006 20,020 20,033 20,047 20,060 20,074 20,101 20,114 20,128 20,141 20,155 20,168 20,182 20,195 20,209 20,222	24,865 24,883 24,900 24,918 24,953 24,970 24,988 25,005 25,023 25,040 25,058 25,075 25,093 25,110 25,128 25,163 25,180 25,180	21,228 21,243 21,243 21,273 21,288 21,303 21,318 21,333 21,348 21,363 21,378 21,408 21,423 21,438 21,443 21,448 21,453 21,468 21,483	\$100,000 or over — use the Tax Rate Schedules on page 75					

2002 Tax Rate Schedules



Use **only** if your taxable income (Form 1040, line 41) is \$100,000 or more. If less, use the **Tax Table.** Even though you cannot use the Tax Rate Schedules below if your taxable income is less than \$100,000, all levels of taxable income are shown so taxpayers can see the tax rate that applies to each level.

Schedule X—Use if your filing status is Single

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

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

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

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

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

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

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

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

The IRS Restructuring and Reform Act of 1998, the Privacy Act of 1974, and Paperwork Reduction Act of 1980 require that when we ask you for information we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it and whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

This notice applies to all papers you file with us, including this tax return. It also applies to any questions we need to ask you so we can complete, correct, or process your return; figure your tax; and collect tax, interest, or penalties.

Our legal right to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a) and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 requires that you provide your social security number or individual taxpayer identification number on what you file. This is so we know who you are, and can process your return and other papers. You must fill in all parts of the tax form that apply to you. But you do not have to check the boxes for the Presidential Election Campaign Fund or for the third-party designee. You also do not have to provide your daytime phone number.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become

material in the administration of any Internal Revenue law.

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

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, you may be charged penalties and be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

Generally, tax returns and return information are confidential, as stated in Code section 6103. However. Code section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice, to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, U.S. commonwealths or possessions, and certain foreign governments to carry out their tax laws. We may disclose your tax information to the Department of Treasury and contractors for tax administration purposes; and to other persons as necessary to obtain information which we cannot get in any other way in order to determine the amount of or to collect the tax you owe. We may disclose your tax information to the Comptroller General of the United States to permit the Comptroller General to review the Internal Revenue Service. We may disclose your tax information to Committees of Congress; Federal, state, and local child support agencies; and to other Federal agencies for the purposes of determining entitlement for benefits or the eligibility for and the repayment of loans. We may also disclose this information to other countries under a tax treaty, or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

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

The Time It Takes To Prepare Your Return

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

We Welcome Comments on Forms

If you have comments concerning the accuracy of the time estimates shown below or suggestions for making these forms simpler, we would be happy to hear from you. You can e-mail us your suggestions and comments through the IRS Web Site (www.irs.gov/help and click on Help Comments, and Feedback) or write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. Do not send your return to this address. Instead, see the back cover.

Estimated Preparation Time

The time needed to complete and file Form 1040, its schedules, and accompanying worksheets will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS	Totals
Form 1040	2 hr., 46 min.	3 hr., 45 min.	6 hr., 5 min.	34 min.	13 hr., 10 min.
Sch. A	3 hr., 4 min.	39 min.	1 hr., 34 min.	20 min.	5 hr., 37 min.
Sch. B	33 min.	8 min.	25 min.	20 min.	1 hr., 26 min.
Sch. C	6 hr., 4 min.	1 hr., 41 min.	2 hr., 19 min.	31 min.	10 hr., 35 min.
Sch. C-EZ	45 min.	3 min.	35 min.	20 min.	1 hr., 43 min.
Sch. D	1 hr., 29 min.	2 hr., 54 min.	2 hr., 38 min.	34 min.	7 hr., 35 min.
Sch. D-1	13 min.	1 min.	11 min.	34 min.	59 min.
Sch. E	3 hr.	1 hr., 6 min.	1 hr., 24 min.	34 min.	6 hr., 4 min.
Sch. EIC		1 min.	13 min.	20 min.	34 min.
Sch. F:					
Cash Method	3 hr., 29 min.	36 min.	1 hr., 27 min.	20 min.	5 hr., 52 min.
Accrual Method	3 hr., 36 min.	26 min.	1 hr., 25 min.	20 min.	5 hr., 47 min.
Sch. H	1 hr., 38 min.	30 min.	53 min.	34 min.	3 hr., 35 min.
Sch. J	19 min.	12 min.	1 hr., 56 min.	20 min.	2 hr., 47 min.
Sch. R	19 min.	15 min.	29 min.	34 min.	1 hr., 37 min.
Sch. SE:					
Short	13 min.	14 min.	13 min.	13 min.	53 min.
Long	26 min.	20 min.	35 min.	20 min.	1 hr., 41 min.

Instructions for Schedules to Form 1040

2002 Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) to figure your itemized deductions. In most cases, your Federal income tax will be less if you take the **larger** of your itemized deductions or your standard deduction.

If you itemize, you may deduct a part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You may also deduct certain casualty and theft losses.



Do not include on Schedule A items deducted elsewhere, such as on Form 1040, or Schedule C, C-EZ, E, or F.

Changes To Note

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

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

Medical and Dental Expenses

You may deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 36.

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



If you received a distribution from an MSA in 2002, see **Pub. 969** to figure your deduction.

Examples of Medical and Dental Payments You May Deduct

To the extent you were **not reimbursed**, you may deduct what you paid for:

• Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see **Limit on Long-Term Care Premiums You May Deduct** on this page. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 30. Also reduce the insurance premiums by any amount used to figure the health insurance

credit for eligible recipients on Form 8885, line 11.



You **cannot** deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your

W-2 form(s).

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility

related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. **Do not** deduct more than \$50 a night for each eligible person.

• Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim 13 cents a mile. Add parking and tolls to the amount you claim under either method.

Note. Certain medical expenses paid out of a deceased taxpayer's estate may be claimed on the deceased taxpayer's final return. See Pub. 502 for details.

Limit on Long-Term Care Premiums You May Deduct. The amount you may deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2002, of the person for whom the premiums were paid. See the following chart for details.

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

Examples of Medical and Dental Payments You May Not Deduct

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

(Continued on page A-2)



If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medi-

care A coverage.

- The cost of diet food.
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.
- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 46.
 - Illegal operations or drugs.
- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
 - Funeral, burial, or cremation costs.

Line 1

Medical and Dental Expenses

Enter the total of your medical and dental expenses (see page A-1), after you reduce these expenses by any payments received from insurance or other sources. See **Reimbursements** below.



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health

insurance deduction on Form 1040, line 30, reduce the premiums by the amount on line 30. Also, if you are claiming the health insurance credit for eligible recipients, reduce the premiums by the amount on line 11 of Form 8885.

Whose Medical and Dental Expenses Can You Include? You may include medical and dental bills you paid for:

- Yourself and your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained in **Pub. 501** for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return if that person had not received \$3,000 or more of gross income or had not filed a joint return.

Example. You provided over half of your mother's support but may not claim her as

a dependent because she received wages of \$3,000 in 2002. You may include on line 1 any medical and dental expenses you paid in 2002 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 only the amount you paid. If you received a reimbursement in 2002 for medical or dental expenses you paid in 2002, reduce your 2002 expenses by this amount. If you received a reimbursement in 2002 for prior year medical or dental expenses, do not reduce your 2002 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040. line 21. See Pub. 502 for details on how to figure the amount to include.

Cafeteria Plans. Do not include on line 1 insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 1 of your W-2 form(s). Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your W-2 form(s).

Taxes You Paid

Taxes You May Not Deduct

- Federal income and excise taxes.
- Social security, Medicare, Federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
 - Customs duties.
- Federal estate and gift taxes. But see the instructions for line 27 on page A-6.
- Certain state and local taxes, including: general sales tax, tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Line 5

State and Local Income Taxes

Include on this line the state and local income taxes listed below.

- State and local income taxes withheld from your salary during 2002. Your W-2 form(s) will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.
- State and local income taxes paid in 2002 for a prior year, such as taxes paid with your 2001 state or local income tax return. **Do not** include penalties or interest.

- State and local estimated tax payments made during 2002, including any part of a prior year refund that you chose to have credited to your 2002 state or local income taxes.
- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

Do not reduce your deduction by:

- Any state or local income tax refund or credit you expect to receive for 2002 or
- Any refund of, or credit for, prior year state and local income taxes you actually received in 2002. Instead, see the instructions for Form 1040, line 10.

Line 6

Real Estate Taxes

Include taxes (state, local, or foreign) you paid on real estate you own that was not used for business, but only if the taxes are based on the assessed value of the property. Also, the assessment must be made uniformly on property throughout the community, and the proceeds must be used for general community or governmental purposes. **Pub. 530** explains the deductions homeowners may take.

Do not include the following amounts on line 6

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).
- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you may deduct only the amount the mortgage company actually paid to the taxing authority in 2002.

If you sold your home in 2002, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any **Form 1099-S** you received. This amount is considered a refund of real estate taxes. See **Refunds and Rebates** on page A-3. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and Rebates. If you received a refund or rebate in 2002 of real estate taxes you paid in 2002, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2002 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. See Recoveries in Pub. 525 for details on how to figure the amount to include in income.

Line 7

Personal Property Taxes

Enter personal property tax you paid, but only if it is based on value alone and it is charged on a yearly basis.

Example. You paid a yearly fee for the registration of your car. Part of the fee was based on the car's value and part was based on its weight. You may deduct only the part of the fee that was based on the car's value.

Line 8

Other Taxes

If you had any deductible tax not listed on line 5, 6, or 7, list the type and amount of tax. Enter only one total on line 8. Include on this line income tax you paid to a foreign country or U.S. possession.



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 45, for

details.

Interest You Paid

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. See **Pub. 535** for details.

In general, if you paid interest in 2002 that applies to any period after 2002, you may deduct only amounts that apply for 2002.

Lines 10 and 11

Home Mortgage Interest

A **home mortgage** is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

A **home** may be a house, condominium, cooperative, mobile home, boat, or similar

property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

Limit on Home Mortgage Interest. If you took out any mortgages after October 13, 1987, your deduction may be limited. Any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date are treated as a mortgage taken out after October 13, 1987. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See **Pub. 936** to figure your deduction if **either 1** or **2** next applies. If you had more than one home at the same time, the dollar amounts in **1** and **2** apply to the total mortgages on both homes.

- 1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 2002. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.
- 2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 2002. The limit is \$500,000 if married filing separately.



If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See Pub. 936.

Line 10

Enter on line 10 mortgage interest and points reported to you on **Form 1098**. If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21.

If you paid more interest to the recipient than is shown on Form 1098, see Pub. 936 to find out if you can deduct the additional interest. If you can, attach a statement explaining the difference and enter "See attached" to the right of line 10.

Note. If you are claiming the **mortgage interest credit** (see the instructions for Form 1040, line 52), subtract the amount shown on line 3 of **Form 8396** from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

Line 11

If you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 11.

If you bought your home from the recipient, be sure to show that recipient's name, identifying no., and address on the dotted lines next to line 11. If the recipient is an individual, the identifying no. is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a \$50 penalty.

If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. To the right of line 11, enter "See attached."

Line 12

Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid **only** to borrow money are generally deductible over the life of the loan. See **Pub. 936** to figure the amount you may deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

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

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



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

Line 13

Investment Interest

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

Complete and attach **Form 4952** to figure your deduction.

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

(Continued on page A-4)

- **1.** Your investment interest expense is not more than your investment income from interest and ordinary dividends.
- **2.** You have no other deductible investment expenses.
- **3.** You have no disallowed investment interest expense from 2001.

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

For more details, see Pub. 550.

Gifts to Charity

You may deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. Examples of these organizations are:

- Churches, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
 - Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

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

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See **Pub. 78** for a list of most qualified organizations.
- Call our **Tax Exempt/Government Entities Customer Account Services** at **1-877-829-5500.** Assistance is available Monday through Friday from 8:00 a.m. to 6:30 p.m. EST.

Contributions You May Deduct

Contributions may be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you may take 14

cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts From Which You Benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you may generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see **Pub. 526.**

Example. You paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40. You may deduct only \$30.

Gifts of \$250 or More. You may deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in 1 and 2 below.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See Pub. 526 if you made a separate gift of \$250 or more through payroll deduction.

- 1. The amount of any money contributed and a description (but not value) of any property donated.
- 2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe or value the benefit.



You must get the statement by the date you file your return or the due date (including extensions) for filing your return,

whichever is earlier. **Do not** attach the statement to your return. Instead, keep it for your records.

Limit on the Amount You May Deduct. See Pub. 526 to figure the amount of your deduction if **any** of the following apply.

- Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 36
- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 36.
- You gave gifts of property that increased in value or gave gifts of the use of property.

Contributions You May Not Deduct

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
 - Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 27. See page A-6 for details.
- Cost of tuition. But you may be able
- **1.** Deduct this expense on line 20 (see page A-5) or
- **2.** Take a credit for this expense. See **Form 8863** for details.
 - Value of your time or services.
 - Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to individuals and groups that are run for personal profit.
- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Israeli, and Mexican charities. See Pub. 526 for details.
- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See Internal Revenue Code section 170(f)(9).
- Gifts to groups whose purpose is to lobby for changes in the laws.
- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.
- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

Line 15

Gifts by Cash or Check

Enter the total contributions you made in cash or by check (including out-of-pocket expenses).

Line 16

Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. For more details on determining the value of donated property, see **Pub. 561.**

If the amount of your deduction is more than \$500, you must complete and attach **Form 8283.** For this purpose, the "amount of your deduction" means your deduction **before** applying any income limits that could result in a carryover of contributions. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See Form 8283 and its instructions for details.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.
- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
 - Any conditions attached to the gift.

Note. If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.

Line 17

Carryover From Prior Year

Enter any carryover of contributions that you could not deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details.

Casualty and Theft Losses

Line 19

Complete and attach **Form 4684** to figure the amount of your loss to enter on line 19.

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that—

- 1. The amount of **each** separate casualty or theft loss is more than \$100 and
- **2.** The total amount of **all** losses during the year is more than 10% of the amount on Form 1040, line 36.

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

Use line 22 of Schedule A to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

For information on Federal disaster area losses, see **Pub. 547.**

Job Expenses and Most Other Miscellaneous Deductions

Pub. 529 discusses the types of expenses that may and may not be deducted.

Examples of expenses you may **not** deduct are:

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
 - The cost of entertaining friends.
- Commuting expenses. See Pub. 529 for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain Federal employees.
 - Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
 - Club dues. See Pub. 529 for exceptions.

- Expenses of adopting a child. But you may be able to take a credit for adoption expenses. See **Form 8839** for details.
 - Fines and penalties.
- Expenses of producing tax-exempt income.

Line 20

Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your W-2 form are not considered reimbursements.)

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

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

- 1. You claim any travel, transportation, meal, or entertainment expenses for your job.
- **2.** Your employer paid you for any of your job expenses reportable on line 20.



If you used your own vehicle and item 2 does not apply, you may be able to file Form 2106-EZ instead.

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted lines next to line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20.



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

Examples of other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
 - Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present

occupation, even if you do not get a new job.

- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 13 of the Form 1040 instructions) or see **Pub. 587.**
- Certain educational expenses. For details, use TeleTax topic 513 (see page 13 of the Form 1040 instructions) or see **Pub. 508**. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 26.



You may be able to take a credit for your educational expenses instead of a deduction. See **Form 8863** for details.

Line 21

Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit card, **do not** include the convenience fee you were charged.

Line 22

Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But **do not** include any personal expenses. List the type and amount of each expense on the dotted lines next to line 22. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 22.

Examples of expenses to include on line 22 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) rees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see **Pub. 529.**
- Casualty and theft losses of property used in performing services as an employee from **Form 4684**, lines 32 and 38b, or **Form 4797**, line 18b(1).
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Other Miscellaneous Deductions

Line 27

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

ment showing the type and amount of each expense. Enter one total on line 27.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses of incomeproducing property from **Form 4684**, lines 32 and 38b, or **Form 4797**, line 18b(1).
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if over \$3,000. See **Pub. 525** for details.
- Certain unrecovered investment in a pension.
- Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

Total Itemized Deductions

Line 28

Use the worksheet below to figure the amount to enter on line 28 if the amount on Form 1040, line 36, is over \$137,300 (\$68,650 if married filing separately).

Itemized Deductions Worksheet—Line 28

Keep for Your Records



1. 2.	Add the amounts on Schedule A, lines 4, 9, 14, 18, 19, 26, and 27	1 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?	
	Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.	
	Yes. Subtract line 2 from line 1	3
4.	Multiply line 3 above by 80% (.80)	
5. 6.	Enter the amount from Form 1040, line 36	
7.	Is the amount on line 6 less than the amount on line 5?	
	No. STOP Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.	
	☐ Yes. Subtract line 6 from line 5	
8.	Multiply line 7 above by 3% (.03)	
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.
	inie 28	10.

2002 Instructions for Schedule B, Interest and Ordinary Dividends

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

- You had over \$1.500 of taxable interest.
- Any of the Special Rules listed in the instructions for line 1 below apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You had over \$1,500 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You (a) had a foreign account or (b) received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.

A Change To Note

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



You may list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to

the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate statements that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the statements and attach them at the end of your return.

Part I. Interest

Line 1

Interest

Report on line 1 **all** of your taxable interest. List each payer's name and show the amount

Special Rules

Seller-Financed Mortgages

If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not show the buyer's name, address, and SSN, or let the buyer know your SSN, you may have to pay a \$50 penalty.

Nominees

If you received a **Form 1099-INT** that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, enter "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.



If you received interest as a nominee, you must give the actual owner a Form 1099-INT unless the owner is your spouse. You

must also file a Form 1096 and a Form 1099-INT with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and Instructions for Forms 1099-INT and 1099-OID.

Accrued Interest

When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules earlier under **Nominees** to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

Tax-Exempt Interest

If you received a **Form 1099-INT** for taxexempt interest, follow the rules earlier under **Nominees** to see how to report the interest on Schedule B. But identify the amount to be subtracted as "Tax-Exempt Interest."

Original Issue Discount (OID)

If you are reporting OID in an amount less than the amount shown on Form 1099-OID, follow the rules earlier under **Nominees** to see how to report the OID on Schedule B.

But identify the amount to be subtracted as "OID Adjustment."

Amortizable Bond Premium

If you are reducing your interest income on a bond by the amount of amortizable bond premium, follow the rules earlier under **Nominees** to see how to report the interest on Schedule B. But identify the amount to be subtracted as "ABP Adjustment."

Line 3

Excludable Interest on Series EE and I U.S. Savings Bonds Issued After 1989

If, during 2002, you cashed series EE or I U.S. savings bonds issued after 1989 and you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See **Form 8815** for details

Part II. Ordinary Dividends

Note. You may have to file **Form 5471** if, in 2002, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2002, you owned 10% or more of the total (a) value of a foreign corporation's stock or (b) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions.

Line 5

Ordinary Dividends

Report on line 5 **all** of your ordinary dividends. List each payer's name and show the amount.

(Continued on page B-2)



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

Nominees

If you received a **Form 1099-DIV** that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.



If you received ordinary dividends as a nominee, you must give the actual owner a Form 1099-DIV unless the

owner is your spouse. You must also file a Form 1096 and a Form 1099-DIV with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and Instructions for Form 1099-DIV.

Part III. Foreign Accounts and Trusts

Lines 7a and 7b Foreign Accounts

Line 7a

Check the "Yes" box on line 7a if either 1 or 2 next applies.

- 1. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.
- 2. At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

Note. Item **2** does not apply to foreign securities held in a U.S. securities account.

Exceptions. Check the "No" box if any of the following applies to you.

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You were an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account was in your employer's name; and you did not have a personal financial interest in the account.
- You were an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account was in your employer's name; you did not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

See Form TD F 90-22.1 to find out if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get Form TD F 90-22.1 by visiting the IRS Web Site at www.irs.gov/pub/irs-pdf/f9022-1.pdf.

If you checked the "Yes" box on line 7a, file Form TD F 90-22.1 by June 30, 2003, with the **Department of the Treasury** at the address shown on that form. **Do not** attach it to Form 1040.

Line 7b

If you checked the "Yes" box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space

Line 8

Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See **Form 3520** for details

If you were the grantor of, or transferor to, a foreign trust that existed during 2002, you may have to file Form 3520.

2002 Instructions for Schedule C, Profit or Loss From Business

Use Schedule C (Form 1040) to report income or loss from a business you operated or a profession you practiced as a sole proprietor. Also, use Schedule C to report wages and expenses you had as a statutory employee. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Form 1040, line 21.

Small businesses and statutory employees with expenses of \$2,500 or less may be able to file **Schedule C-EZ** instead of Schedule C. See Schedule C-EZ for details.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Section references are to the Internal Revenue Code.

General InstructionsChanges To Note

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

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

Other Schedules and Forms You May Have To File

Schedule A to deduct interest, taxes, and casualty losses not related to your business.

Schedule E to report rental real estate and royalty income or (loss) that is **not** subject to self-employment tax.

Schedule F to report profit or (loss) from farming.

Schedule SE to pay self-employment tax on income from any trade or business.

Form 4562 to claim depreciation on assets placed in service in 2002, to claim amortization that began in 2002, or to report information on listed property.

Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.

Form 8271 if you are claiming or reporting on Schedule C or C-EZ any income, deduction, loss, credit, or other tax benefit from a tax shelter.

Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.

Form 8824 to report like-kind exchanges.

Form 8829 to claim expenses for business use of your home.

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

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

Heavy Highway Vehicle Use Tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway motor vehicle use tax. See the Instructions for Form 2290 to find out if you owe this tax.

Information Returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For details, see the 2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file **Form 8300.** For details, see **Pub. 1544.**

Tax Shelter Disclosure Statement

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

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

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

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

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

Additional Information

See **Pub. 334** for more information for small businesses.

Specific Instructions

Filers of Form 1041. Do not complete the block labeled "Social security number." Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business.

Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line D

You need an EIN only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4.** If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

Generally, you can use the cash method, accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. Unless you are a qualifying taxpayer or a qualifying small business taxpayer, you must use the accrual method for sales and purchases of inventory items. See the Part III instructions on page C-6 for the definition of a qualifying taxpayer and a qualifying small business taxpayer. Special rules apply to long-term contracts. See section 460 for details.

If you use the **cash method,** show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See **Pub.** 535

If you use the **accrual method**, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year. Accrualbasis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See **Pub. 538.**

To change your accounting method, you generally must file **Form 3115.** You may also have to make an adjustment to prevent amounts of income or expense from being

duplicated or omitted. This is called a section 481(a) adjustment.

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

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

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

Line G

If your business activity was not a rental activity **and** you met any of the material participation tests below **or** the exception for oil and gas applies (explained on page C-3), check the "Yes" box. Otherwise, check the "No" box. If you check the "No" box, this business is a passive activity. If you have a loss from this business, see **Limit on Losses** on page C-3. If you have a profit from this business activity but have current year losses from other passive activities or you have prior year unallowed passive activity losses, see the **Instructions for Form 8582.**

Material Participation. Participation, for purposes of the seven material participation tests listed below, generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

1. Studying and reviewing financial statements or reports on the activity,

- 2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
- **3.** Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return.

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

- **1.** You participated in the activity for more than 500 hours during the tax year.
- 2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.
- **3.** You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.
- **4.** The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).
- **5.** You materially participated in the activity for any 5 of the prior 10 tax years.
- **6.** The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.
- 7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) (a) received compensation for performing management services in connection with the activity or (b) spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

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

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

Exception for Oil and Gas. If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box. The activity of owning the working interest is not a passive activity regardless of your participation.

Limit on Losses. If you checked the "No" box and you have a loss from this business, you may have to use **Form 8582** to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For details, see Pub. 925.

Line H

If you started or acquired this business in 2002, check the box on line H. Also check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 2001 Schedule C or C-EZ for this business.

Part I. Income

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

Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on **Forms 1099-MISC.** If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

Statutory Employees. If you received a Form W-2 and the "Statutory employee" box in box 13 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ and check the box on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not owe self-employment tax on these earnings. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, you **must** file two Schedules C. You **cannot** use Schedule C-EZ or combine these amounts on a single Schedule C.

Installment Sales. Generally, the installment method may not be used to report income from the sale of (a) personal property regularly sold under the installment method or (b) real property held for resale to customers. But the installment method may be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See section 453(1)(2)(B) for details. If you make this election, include the interest on Form 1040, line 61. Also, enter "453(1)(3)" and the amount of the interest on the dotted line to the left of line 61.

If you use the installment method, attach a schedule to your return. Show separately for 2002 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 2002, credit for Federal tax paid on gasoline or other fuels claimed on your 2001 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on Form 1099-PATR. Also, include any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details, see Pub. 535.

If the business use percentage of any listed property (defined in the instructions for line 13 on page C-4) decreased to 50% or less in 2002, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use Form 4797 to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See Pub. 946 to figure the amount.

Part II. Expenses

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property generally must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property generally must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior

tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8–26 and Part V by amounts capitalized. For details, see **Pub. 538.**

Exception for Certain Producers. Producers who account for inventoriable items in the same manner as materials and supplies that are not incidental may currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See Cost of Goods Sold on page C-6 for more details.

Exception for Creative Property. If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For details, see Pub. 538.

Line 9

Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected. For details, see **Pub. 535.**

Line 10

You can deduct the actual expenses of running your car or truck or take the **standard mileage rate.** You **must** use actual expenses if you used your vehicle for hire (such as a taxicab) or you used more than one vehicle simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle

You can take the standard mileage rate for 2002 **only** if:

- You owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

- Include on line 10 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

If you take the standard mileage rate, multiply the number of business miles by 36.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 10. **Do**

not deduct depreciation, rent or lease payments, or your actual operating expenses.

For details, see **Pub. 463.**

Information on Your Vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

- Part IV of Schedule C or Part III of Schedule C-EZ if: (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated and (b) you are not required to file Form 4562 for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Part IV of Schedule C, or Part III of Schedule C-EZ, for each additional vehicle.
- Part V of Form 4562 if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13).

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach **Form T.** See **Pub. 535** for details.

Line 13

Depreciation and Section 179 Expense **Deduction.** Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You may also elect under section 179 to expense part of the cost of certain property you bought in 2002 for use in your business. See the Instructions for Form 4562 to figure the amount to enter on line 13.

When To Attach Form 4562. You must complete and attach Form 4562 only if:

- You are claiming depreciation on property placed in service during 2002;
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service; or
- You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 2002, see Pub. 946.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less;
- Any other property used for transportation if the nature of the property lends

itself to personal use, such as motorcycles, pickup trucks, etc.;

- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment);
- Cellular telephones or other similar telecommunications equipment; and
 - Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under section 280A(c)(1) for deducting expenses for the business use of your home.

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

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 30, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for Form 1040, line 30, for details.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For details, see **Pub. 535.**

Lines 16a and 16b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and receives the right tax treatment. These rules could

affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See **Pub. 535** for details.

Do not deduct interest you paid or accrued on debts allocable to investment property. This interest is generally deducted on **Schedule A.** For details, see **Pub. 550.**

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 2002 to banks or other financial institutions for which you received a **Form 1098** (or similar statement). If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 16a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 16a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 16b, enter "See attached."

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

Line 17

Include on this line fees for tax advice related to your business and for preparation of the tax forms related to your business.

Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan includes you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 31, not on Schedule C.

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

Form 5500. File this form for a plan that is not a one-participant plan (see page C-5).

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

For details, see Pub. 560.

Lines 20a and 20b

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

You may have to do this if-

The lease term began during		fa th	ir i	ma irs	rke t da	et v ay	cle's value on of the
1999 or later							\$15,500
1997 or 1998							15,800
1995 or 1996							15,500
If the lease term began before 1995, see Pub. 463 to find out if you have an inclusion							

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

amount.

Deduct the cost of repairs and maintenance. Include labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 22

Generally, you can deduct the cost of supplies only to the extent you actually consumed and used them in your business during the tax year (unless you deducted them in a prior tax year). However, if you had incidental supplies on hand for which you kept no inventories or records of use, you may deduct the cost of supplies you actually purchased during the tax year, provided that method clearly reflects income.

Line 23

You can deduct the following taxes and licenses on this line.

- State and local sales taxes imposed on you as the **seller** of goods or services. If you collected this tax from the **buyer**, you must also include the amount collected in gross receipts or sales on line 1.
- Real estate and personal property taxes on business assets.

- Licenses and regulatory fees for your trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized. See **Pub. 535** for details.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid. Reduce your deduction by the amount of the current year credit shown on line 4 of **Form 8846.**
 - Federal highway use tax.

Do not deduct the following on this line.

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 29.
 - Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.
- State and local sales taxes imposed on the **buyer** that you were required to collect and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.
- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 24b and 24c on this page.

You cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For details, see Pub. 463.

Lines 24b and 24c

On line 24b, enter your total business meal and entertainment expenses. Include meals while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the standard meal allowance. The standard meal allowance is the Federal M&IE rate. You can find these rates on the Internet at www.policyworks.gov/perdiem. Click on 2002 Domestic Per Diem Rates for the period January 1, 2002-September 30, 2002 and on 2003 Domestic Per Diem Rates for the period October 1, 2002-December 31, 2002. For locations outside the continental United States, the applicable rates are published monthly. You can find these rates the Internet on www.state.gov/m/a/als/prdm/2002.

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

Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Also, you cannot deduct membership dues for any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See Pub. 463.

Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. For individuals subject to the Department of Transportation (DOT) hours of service limits, that percentage is increased to 65% for business meals consumed during, or incident to, any period of duty for which those limits are in effect. Individuals subject to the DOT hours of service limits include the following persons:

• Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are

under Federal Aviation Administration regulations.

- Interstate truck operators who are under DOT regulations.
- Certain merchant mariners who are under Coast Guard regulations.

However, you may fully deduct meals and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. See **Pub. 535** for details and other exceptions.

Figure how much of the amount on line 24b is not deductible and enter that amount on line 24c.

Line 25

Deduct only utility expenses for your trade or business.

Local Telephone Service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- Form 5884, Work Opportunity Credit,
- Form 8844, Empowerment Zone and Renewal Community Employment Credit,
- Form 8845, Indian Employment Credit,
- Form 8861, Welfare-to-Work Credit, and
- Form 8884, New York Liberty Zone Business Employee Credit.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount ap-

plicable to depreciation and other expenses claimed elsewhere.

Line 30

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. You must attach **Form 8829** if you claim this deduction. For details, see the Instructions for Form 8829 and **Pub. 587.**

Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go to line 32 before entering your loss on line 31. If you answered "No" to Question G on Schedule C, also see the Instructions for Form 8582. Enter the net profit or **deductible** loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit. See the instructions for Form 1040, line 64, for details.

Statutory Employees. Include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, **do not** report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

Line 32

At-Risk Rules. Generally, if you have (a) a business loss and (b) amounts in the business for which you are **not at risk**, you will have to complete Form 6198 to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check **box 32b** if you have amounts for which you are not at risk in this business, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 32a** and enter your loss on line 31. But if you answered "No" to Question G, you may need to complete **Form 8582** to figure your deductible loss. See the Instructions for Form 8582 for details.

If you checked **box 32b**, see Form 6198 to determine the amount of your deductible

loss. But if you answered "No" to Question G, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this business not allowed for 2002 because of the at-risk rules is treated as a deduction allocable to the business in 2003. For details, see the Instructions for Form 6198 and **Pub. 925.**

Part III. Cost of Goods Sold

Generally, if you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, you must take inventories into account at the beginning and end of your tax year.

However, if you are a qualifying taxpayer or a qualifying small business taxpayer, you may account for inventoriable items in the same manner as materials and supplies that are not incidental. To change your accounting method, see the instructions for line F on page C-2.

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

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

Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method). Enter amounts paid for all raw materials and merchandise during 2002 on line 36. The amount you can deduct for 2002 is figured on line 42.

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

Revenue Bulletin 2002-18 www.irs.gov/pub/irs-irbs/irb02-18.pdf.

Note. Certain direct and indirect expenses may have to be capitalized or included in inventory. See the instructions for Part II beginning on page C-3.

Line 33

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS. However, you are required to use cost if you are using the cash method of accounting.

Line 35

If you are changing your method of accounting beginning with 2002, refigure last year's closing inventory using your new method of accounting and enter the result on line 35. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring your section 481(a) adjustment. See the example on page C-2 for details.

Line 41

If you account for 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 may not deduct fines or penalties paid to a government for violating any law. For details on business expenses, see Pub. 535.

Amortization. Include amortization in this part. For amortization that begins in 2002, you must complete and attach Form 4562.

You may amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experi-
- Certain business startup costs.
- Qualified forestation and reforestation costs. See Pub. 535 for limitations.
 - Qualified revitalization expenditures.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.
 - Goodwill and certain other intangibles.

In general, you may not amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

At-Risk Loss Deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2002.

Capital Construction Fund. Do not claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936. Instead, reduce the amount you would otherwise enter on Form 1040, line 41, by the amount of the deduction. Next to line 41, enter "CCF" and the amount of the deduction. For details, see Pub. 595.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for details.

Disabled Access Credit and the Deduction for Removing Barriers to Individuals With Disabilities and the Elderly. You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 2002 to provide access to your business for individuals with disabilities. See Form 8826 for details. You can also deduct up to \$15,000 of costs paid or incurred in 2002 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.

Principal Business or Professional Activity Codes

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 pri-

531210, the code for offices of real estate agents and brokers) and enter it on line B of Schedule C or C-EZ.

Note. If your principal source of income is from farming activities, you should file Schedule F, Profit or Loss From Farming.

Accommodation, Food Services, & Drinking Places Accommodation

721310 Rooming & boarding houses 721210 RV (recreational vehicle) parks & recreational camps 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 services (including food service contractors & caterers)

Administrative & Support and Waste Management & **Remediation Services**

Administrative & Support Services

561430 Business service centers (including private mail centers & copy shops)

mary 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,

561900

561740 Carpet & upholstery cleaning services

services

services

services

services

services)

Collection agencies

Document preparation

Employment services

(management) services

Investigation & security

Facilities support

Janitorial services

Landscaping services

Office administrative

Telephone call centers

(including telephone

answering services &

telemarketing bureaus)

Travel arrangement &

Other business support

reporting, & stenotype

repossession services, court

reservation services

services (including

Exterminating & pest control

Credit bureaus

561440

561450

561410

561300

561710

561210

561600

561720

561730

561110

561420

561500

561490

convention & trade show organizers) Waste Management & **Remediation Services**

561790 Other services to buildings

Other support services

labeling services, &

(including packaging &

& dwellings

562000 Waste management & remediation services

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

Arts, Entertainment, & Recreation

Amusement, Gambling, & Recreation Industries

713100 Amusement parks & arcades Gambling industries 713200 713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf

Museums, Historical Sites, & Similar Institutions

courses)

712100 Museums, historical sites, & similar institutions

Principal Business or Professional Activity Codes (continued)								
	ning Arts, Spectator , & Related Industries	Insurance Agents, Brokers, & Related Activities			Publishing & asting		Sugar & confectionery product mfg.	
711410	Agents & managers for artists, athletes, entertainers, & other public figures		Insurance agencies & brokerages Other insurance related		Internet publishing & broadcasting	311900	Other food mfg. (including coffee, tea, flavorings, & seasonings)	
711510		524290	activities Securities, Commodity		Internet Service Providers, Web Search Portals, & Data Processing Services		Leather & Allied Product Manufacturing	
711100 711300	Promoters of performing	Contra	cts, & Other Financial nents & Related		Data processing, hosting, & related services		Footwear mfg. (including leather, rubber, & plastics)	
711210	arts, sports, & similar events Spectator sports (including professional sports clubs &	Activiti 523140	es Commodity contracts		Internet service providers Web search portals	316110 316990	Leather & hide tanning & finishing Other leather & allied	
Const	racetrack operations)	523130	brokers Commodity contracts dealers	519100	Other information services (including news syndicates		product mfg.	
	ruction of Buildings Nonresidential building construction	523110	Investment bankers & securities dealers Securities & commodity		and libraries) Picture & Sound	Manufa	acturing Cement & concrete product	
236100	Residential building construction	523120	exchanges Securities brokers	Record i 512100	Motion picture & video industries (except video		mfg. Clay product & refractory	
Heavy Constr	and Civil Engineering uction	523900	Other financial investment activities (including investment advice)	512200	rental) Sound recording industries	327210	mfg. Glass & glass product mfg.	
	Highway, street, & bridge construction	Health	Care & Social	Manu	facturing	327400 327900	Lime & gypsum product mfg. Other nonmetallic mineral	
237100	Land subdivision Utility system construction	Assist	ance	315000 312000	Apparel mfg. Beverage & tobacco product mfg.		product mfg.	
	Other heavy & civil engineering construction	Service	es Home health care services	334000	C		Coal mining	
-	Drywall & insulation contractors	621510	Medical & diagnostic laboratories	335000	Electrical equipment, appliance, & component		Metal ore mining Nonmetallic mineral mining & quarrying	
238350	Electrical contractors Finish carpentry contractors	621310 621210	Offices of chiropractors Offices of dentists	332000	mfg. Fabricated metal product mfg.		Oil & gas extraction Support activities for mining	
238330 238130	Flooring contractors Framing carpentry contractors	621330	Offices of mental health practitioners (except physicians)	337000	Furniture & related product mfg.	Other	Services	
238150 238140	Glass & glazing contractors Masonry contractors	621320 621340	Offices of optometrists Offices of physical,		Machinery mfg. Medical equipment & supplies mfg.		aal & Laundry Services Barber shops	
238320	Painting & wall covering contractors	621111	occupational & speech therapists, & audiologists Offices of physicians (except	322000 324100	Paper mfg.	812220		
238220 238110	Plumbing, heating & air- conditioning contractors Poured concrete foundation		mental health specialists) Offices of physicians, mental	326000	mfg. Plastics & rubber products	812310 812320	Coin-operated laundries & drycleaners Drycleaning & laundry	
238160	& structure contractors	621391	health specialists Offices of podiatrists	331000 323100	mfg. Primary metal mfg. Printing & related support	012020	services (except coin-operated) (including	
238170 238910	Site preparation contractors	621399	Offices of all other miscellaneous health practitioners	313000	activities	812210	laundry & drycleaning dropoff & pickup sites) Funeral homes & funeral	
238120	Structural steel & precast concrete construction contractors	621400 621900	Outpatient care centers Other ambulatory health care	314000 336000	Transportation equipment	812330	services Linen & uniform supply	
238340 238290	Tile & terrazzo contractors Other building equipment		services (including ambulance services, blood, & organ banks)		mfg. Wood product mfg. Other miscellaneous mfg.	812930	Nail salons Parking lots & garages	
238390	contractors Other building finishing	Hospita	,	Chem	ical Manufacturing Basic chemical mfg.	812910 812920	Pet care (except veterinary) services Photofinishing	
238190	contractors Other foundation, structure, & building exterior		g & Residential Care	325500	Paint, coating, & adhesive mfg.	812190	Other personal care services (including diet & weight reducing centers)	
238990	contractors All other specialty trade contractors	623000	Nursing & residential care facilities	325300 325410	agricultural chemical mfg.		All other personal services & Maintenance	
Educa	tional Services		Assistance	225200	mfg.	•	Automotive body, paint,	
611000		624410 624200	Child day care services Community food & housing, & emergency & other relief	325200 325600	artificial & synthetic fibers & filaments mfg.	811110	interior, & glass repair Automotive mechanical & electrical repair &	
Financ	ce & Insurance	624100 624310	services Individual & family services Vocational rehabilitation	325900	& toilet preparation mfg.	811190	maintenance Other automotive repair & maintenance (including oil	
Related	Intermediation &		services	Food	preparation mfg. Manufacturing	011210	change & lubrication shops & car washes)	
522100	Depository credit intermediation (including commercial banking, savings institutions, & credit unions)		Publishing industries (except Internet)	311800 311500	Animal food mfg. Bakeries & tortilla mfg. Dairy product mfg.	811310	Commercial & industrial machinery & equipment (except automotive & electronic) repair &	
522200	Nondepository credit intermediation (including sales financing & consumer	& Teled	casting (except Internet) communications Broadcasting (except		Fruit & vegetable preserving & speciality food mfg. Grain & oilseed milling Animal slaughtering &	811210	maintenance Electronic & precision equipment repair & maintenance	
522300	lending) Activities related to credit intermediation (including leap brokers)	517000	Internet) Telecommunications	311710	processing	811430	Footwear & leather goods repair	
	loan brokers)				1			

Principal Business or Professional Activity Codes (continued)

811410	Home & garden equipment & appliance repair & maintenance
811420	Reupholstery & furniture repair
811490	Other personal & household goods repair & maintenance

Professional, Scientific, & **Technical Services**

541100	Legal services
541211	Offices of certified public
	accountants
541214	Payroll services

541213 Tax preparation services 541219 Other accounting services

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

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 service
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 miniwarehouse
	& self-storage units)
531210	Offices of real estate age
	& brokers
531320	Offices of real estate
	appraisers
531310	Real estate property
	managers
531390	Other activities related to
	real estate

Rental & Leasing Services

532100	Automotive equipment rental
	& leasing
532400	Commercial & industrial
	machinery & equipment
	rental & leasing

١	532210	Consumer electronics &
l		appliances rental
l	532220	
I		rental
ı	532310	General rental centers

532230 Video tape & disc rental

532290 Other consumer goods rental

Religious, Grantmaking, Civic, Professional, & **Similar Organizations**

813000 Religious, grantmaking, civic, professional, & similar organizations

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

Cidthing & Accessories Stores		453210	Office supplies & stationer
448130	Children's & infants'		stores
	clothing stores	453910	Pet & pet supplies stores
448150	Clothing accessories stores	453310	Used merchandise stores
448140	Family clothing stores	453990	All other miscellaneous sto
448310	Jewelry stores		retailers (including tobacco,
448320	Luggage & leather goods		candle, & trophy shops)
	stores	Nonsto	re Retailers
448110	Men's clothing stores		Electronic quetions

448210 Shoe stores 448120 Women's clothing stores 448190 Other clothing stores

Electronic 9 Appliance Stor

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,

	- comments, comments, compressed,
	& perfume stores
446130	Optical goods stores
446110	Pharmacies & drug stores
446190	Other health & personal care
	stores

Motor Vehicle & Parts Dealers

441300	Automotive parts, accessories, & tire stores
441222	Boat dealers
441221	Motorcycle dealers

41110	New	car	dealers

771110	
441210	Recreational vehicle dealers
	(including motor home &
	travel trailer dealers)
441120	TT 1 1 1

441120 Used car dealers

441229 All other motor vehicle dealers

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		

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)
	providers)

Transportation & Warehousing

481000 Air transportation 485510 Charter bus industry 484110 Ganaral fraight trucking

484110	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

488000 Support activities for transportation (including

483000 Water transportation

Other transit & ground

motor vehicle towing)

passenger transportation

485990

Couriers & Messengers 492000 Couriers & messengers

Warehousing & Storage **Facilities**

493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)

Utilities

221000 Utilities

Wholesale Trade

Merchant Wholesalers, **Durable 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
100000	

423600 Electrical & electronic goods

423930 Recyclable materials 423910 Sporting & recreational goods & supplies

423920 Toy & hobby goods & supplies

423990 Other miscellaneous durable goods

424300 Apparel, piece goods, &

Merchant Wholesalers, **Nondurable 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

Wholesale Electronic Markets and Agents & Brokers

nondurable goods

425110 Business to business electronic markets 425120 Wholesale trade agents & brokers

999999 Unclassified establishments (unable to classify)

2002 Instructions for Schedule D, Capital Gains

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

A Change To Note

and Losses

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

Other Forms You May Have To File

Use Form 4797 to report the following.

- The sale or exchange of:
- **1.** Property used in a trade or business;
- 2. Depreciable and amortizable property;
- **3.** Oil, gas, geothermal, or other mineral property; and
 - 4. Section 126 property.
- The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.
- Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.
- Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.
- Ordinary gain or loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See **Traders in Securities** on page D-3

Use **Form 4684** to report involuntary conversions of property due to casualty or theft.

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles.

Use **Form 8824** to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by you **except** the following.

- Stock in trade or other property included in inventory or held mainly for sale to customers.
- Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of stock in trade or other property held mainly for sale to customers.
- Depreciable property used in your trade or business, even if it is fully depreciated.
- Real estate used in your trade or business.
- Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: (a) created by your personal efforts; (b) prepared or produced for you (in the case of letters, memoranda, or similar property); or (c) that you received from someone who created them or for whom they were created, as mentioned in (a) or (b), in a way (such as by gift) that entitled you to the basis of the previous owner.
- U.S. Government publications, including the Congressional Record, that you received from the government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.
- Certain commodities derivative financial instruments held by a dealer. See section 1221(a)(6).
- Certain hedging transactions entered into in the normal course of your trade or business. See section 1221(a)(7).
- Supplies regularly used in your trade or business.

Short Term or Long Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the

day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Gain Distributions

These distributions are paid by a mutual fund (or other regulated investment company) or real estate investment trust from its net realized long-term capital gains. Distributions of net realized short-term capital gains are not treated as capital gains. Instead, they are included on Form 1099-DIV as ordinary dividends.

Enter on line 13, column (f), the **total** capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount is shown in box 2a of Form 1099-DIV.

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

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

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

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

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.

Sale of Your Home

If you sold or exchanged your main home, **do not** report it on your tax return unless your gain exceeds your exclusion amount.

(Continued on page D-2)

Generally, if you meet the two tests below, you can exclude up to \$250,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to \$500,000 of gain (but only one spouse needs to meet the ownership requirement in **Test 1**).

- **Test 1.** You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.
- **Test 2.** You have not sold or exchanged another main home during the 2-year period ending on the date of the sale or exchange of your home.

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

- You do not meet one of the above two tests,
- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, or
- Your gain exceeds your exclusion amount.

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

Partnership Interests

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

Capital Assets Held for Personal Use

Generally, gain from the sale or exchange of a capital asset held for personal use is a capital gain. Report it on Schedule D, Part I or Part II. However, if you converted depreciable property to personal use, all or part of the gain on the sale or exchange of that property may have to be recaptured as ordinary income. Use Part III of Form 4797 to figure the amount of ordinary income recapture. The recapture amount is included on line 31 (and line 13) of Form 4797. **Do not** enter any gain for this property on line 32 of Form 4797. If you are not completing Part III for any other properties, enter "N/A" on line 32. If the total gain is more than the recapture amount, enter "From Form 4797" in column (a) of line 1 or line 8 of Schedule D, skip columns (b) through (e), and in column (f) enter the excess of the total gain over the recapture amount.

Loss from the sale or exchange of a capital asset held for personal use is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use

for which you received a **Form 1099-S**, you must report the transaction on Schedule D even though the loss is not deductible. For example, you have a loss on the sale of a vacation home that is not your main home and you received a Form 1099-S for the transaction. Report the transaction on line 1 or 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter zero in column (f).

Nondeductible Losses

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

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

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

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

If the loss is allowable under the at-risk rules, it may then be subject to the passive activity rules. See **Form 8582** and its instructions for details on reporting capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See **Pub. 550.**
- 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.**
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See Pub. 550.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D, but any gain is reported as ordinary income on **Form 4797.**
- Amounts received by shareholders in corporate liquidations. See Pub. 550.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550.
- Mutual fund load charges, which may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. See **Pub. 564.**
- The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectibles gain (28% rate gain). See page D-6.
- Gain or loss on the disposition of securities futures contracts. See Pub. 550.
- Gain on the constructive sale of certain appreciated financial positions. See Pub. 550.
- Certain constructive ownership transactions. Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 61. Write "Section 1260(b) interest" and the amount of the interest to the left of line 61. This interest is not deductible.
- The sale of publicly traded securities, if you elect to postpone gain by purchasing common stock or a partnership interest in a specialized small business investment company during the 60-day period that began on the date of the sale. See Pub. 550.
- The sale of qualified securities, held for at least 3 years, to an employee stock ownership plan or eligible worker-owned cooperative, if you elect to postpone gain by purchasing qualified replacement property. See Pub. 550.

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including

a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you directly or indirectly:

- Buy substantially identical stock or securities.
- Acquire substantially identical stock or securities in a fully taxable trade, or
- Enter into a contract or option to acquire substantially identical stock or securities.

You cannot deduct losses from wash sales unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical property (or contract or option to acquire such property) is its cost increased by the disallowed loss. For more details on wash sales, see **Pub. 550**.

Report a wash sale transaction on line 1 or 8. Enter the full amount of the (loss) in column (f). Directly below the line on which you reported the loss, enter "Wash Sale" in column (a), and enter as a positive amount in column (f) the amount of the loss not allowed.

Traders in Securities

You are a **trader in securities** if you are engaged in the **business** of buying and selling securities for your own account. To be engaged in business as a trader in securities:

- You must seek to **profit from daily market movements** in the prices of securities and not from dividends, interest, or capital appreciation.
 - Your activity must be substantial.
- You must carry on the activity with **continuity** and **regularity**.

The following facts and circumstances should be considered in determining if your activity is a business.

- Typical holding periods for securities bought and sold.
- The frequency and dollar amount of your trades during the year.
- The extent to which you pursue the activity to produce income for a livelihood.
- The amount of time you devote to the activity.

You are considered an investor, and not a trader, if your activity does not meet the above definition of a business. It does not matter whether you call yourself a trader or a "day trader."

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities) on Schedule D or D-1 or on an attached statement containing all the same information for each sale in a similar format. However, if a trader previously made the mark-to-market election (see below), each transaction is reported in Part II of **Form 4797** instead of Schedules D and D-1. Regardless of whether a trader reports his or her gains and losses on Schedules D and D-1 or Form 4797, the gain or loss from the disposition of securities is **not** taken into account when figuring net earn-

ings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

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

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

Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including securities held at the end of the year. Securities held at the end of the year are "marked to market" by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (**not** including extensions) of the tax return for the year **prior** to the year for which the election becomes effective. To be effective for 2002, the election must have been made by April 15, **2002**.

Starting with the year the election becomes effective, a trader reports all gains and losses from securities held in connection with the trading business, including securities held at the end of the year, in Part II of Form 4797. If you previously made the election, see the Instructions for Form 4797. For details on making the mark-to-market election for 2003, see Pub. 550 or Rev. Proc. 99-17, 1999-1 C.B. 503. You can find Rev. Proc. 99-17 on page 52 of Internal Revenue Bulletin 1999-7 at www.irs.gov/pub/irs-irbs/irb99-07.pdf.

If you hold securities for investment, they must be identified as such in your records on the day they are acquired (for example, by holding the securities in a separate brokerage account). Securities held for investment are not marked-to-market.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you (a) held substantially identical property for 1 year or less on the date of the short sale or (b) acquired property substantially identical to the prop-

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

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract but is a capital asset in your hands. If an option you purchased expired, enter the expiration date in column (c) and enter "EXPIRED" in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter "EXPIRED" in column (e). Fill in the other columns as appropriate. See **Pub. 550** for details.

Undistributed Capital Gains

Include on line 11, column (f), the amount from box 1a of **Form 2439.** This represents your share of the undistributed long-term capital gains of the regulated investment company (including a mutual fund) or real estate investment trust.

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

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

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

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

Enter on Form 1040, line 68, the tax paid as shown in box 2 of Form 2439. Also on line 68, check the box for Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit for the tax paid. See **Pub. 550** for details.

Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of sale, you generally must report the sale on the installment method unless you elect not to. Use **Form 6252** to report the sale on the installment method. Also use Form 6252 to report any payment received in 2002 from a sale made in an earlier year that you reported on the installment method.

To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed return (including extensions) for the year of the sale. If your original return was filed on time, you may make the election on an amended return filed no later than 6 months after the due

date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return.

Demutualization of Life Insurance Companies

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

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

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

Exclusion of Gain on Qualified Small Business (QSB) Stock

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

To be **QSB stock**, the stock must meet **all** of the following tests.

- It must be stock in a C corporation (that is, not S corporation stock).
- It must have been originally issued after August 10, 1993.
- As of the date the stock was issued, the corporation was a domestic C corporation with total gross assets of \$50 million or less (a) at all times after August 9, 1993, and before the stock was issued and (b) immediately after the stock was issued. Gross assets include those of any predecessor of

the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.

- You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.
- During substantially all the time you held the stock:
 - **1.** The corporation was a C corporation,
- **2.** At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined below), and
- **3.** The corporation **was not** a foreign corporation, DISC, former DISC, regulated investment company, real estate investment trust, REMIC, FASIT, cooperative, or a corporation that has made (or that has a subsidiary that has made) a section 936 election.

Note. A specialized small business investment company (SSBIC) is treated as having met test **2** above.

A qualified business is any business other than a-

- Business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services.
- Business whose principal asset is the reputation or skill of one or more employees.
- Banking, insurance, financing, leasing, investing, or similar business.
- Farming business (including the raising or harvesting of trees).
- Business involving the production of products for which percentage depletion can be claimed.
- Business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, to qualify for the exclusion you must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold.

How To Report

Report in column (f) of line 8 the entire gain realized on the sale of QSB stock. In column (g) of line 8, report as 28% rate gain an amount equal to the section 1202 exclusion. Complete all other columns as indicated. Directly below the line on which you re-

ported the gain, enter in column (a) "Section 1202 exclusion" and enter as a (loss) in column (f) the amount of the allowable exclusion.

Gain From Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2e, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Gain From Form 2439. If you received a Form 2439 with a gain in box 1e, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Gain From an Installment Sale of QSB Stock. If all payments are not received in the year of sale, a sale of QSB stock that is not traded on an established securities market generally is treated as an installment sale and is reported on Form 6252. Figure the allowable section 1202 exclusion for the year by multiplying the total amount of the exclusion by a fraction, the numerator of which is the amount of eligible gain to be recognized for the tax year and the denominator of which is the total amount of eligible gain. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. In column (g), enter the amount of your allowable exclusion as a gain.

Alternative Minimum Tax. You must enter 42% of your allowable exclusion for the year on line 12 of **Form 6251.**

Rollover of Gain From QSB Stock

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

You must recognize gain to the extent the sale proceeds exceed the cost of the replace-

ment stock. Reduce the basis of the replacement stock by any postponed gain.

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

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1045 rollover," and enter as a (loss) in column (f) the amount of the postponed gain.

Rollover of Gain From Empowerment Zone Assets

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

- No portion of the cost of the replacement property may be taken into account to the extent the cost is taken into account to exclude gain on a different empowerment zone asset.
- The replacement property must qualify as an empowerment zone asset with respect to the same empowerment zone as the asset sold.
- You must reduce the basis of the replacement property by the amount of post-poned gain.
- This election does not apply to any gain (a) treated as ordinary income or (b) attributable to real property, or an intangible asset, which is not an integral part of an enterprise zone business.
- The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.
- The election is irrevocable without IRS consent.

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

Qualified empowerment zone assets are:

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

- **3.** Substantially all of the use of the property, during substantially all of the time that you held it, was in your enterprise zone business; **and**
- Stock in a domestic corporation or a capital or profits interest in a domestic partnership, if:
- 1. You acquired the stock or partnership interest after December 21, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;
- 2. The business was an enterprise zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; and
- **3.** The business qualified as an enterprise zone business during substantially all of the time during which you held the stock or partnership interest.

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

See section 1397B for more details.

Specific Instructions

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). But **do not** report the sale or exchange of your main home unless required (see page D-1). Include these transactions even if you did not receive a **Form 1099-B** or **1099-S** (or substitute statement) for the transaction. You can use stock ticker symbols or abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1** to list additional transactions for lines 1 and 8. Use as many Schedules D-1 as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1.



Add the following amounts reported to you for 2002 on Forms 1099-B and 1099-S (or substitute statements) that you are not re-

porting on another form or schedule included with your return: (a) proceeds from transactions involving stocks, bonds, and other securities and (b) gross proceeds from real estate transactions (other than the sale of your main home if you are not required to report it). If this total is **more** than the

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

Column (b)—Date Acquired

Enter in this column the date the asset was acquired. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

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

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and enter "INHERITED" in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that was acquired through several different purchases, you may report the sale on one line and enter "VARIOUS" in column (b). However, you still must report the short-term gain or (loss) on the sale in Part I and the long-term gain or (loss) in Part II.

Column (c)—Date Sold

Enter in this column the date the asset was sold. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), **do not** include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).



Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on

lines 3 and 10.

Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cost as the basis. If you do not use the actual cost, attach an explanation of your basis.

If you sold stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. See **Pub. 550** for details.

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

You may elect to use an average basis for all shares of a mutual fund if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. If you are reporting an average basis, include "AVGB" in column (a) of Schedule D. For details on making the election and how to figure average basis, see **Pub. 564.**

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death. See **Pub. 544** for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument by the amount of OID that has been included in gross income for that instrument.

If a charitable contribution deduction is allowed because of a bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the amount that has the same ratio to the adjusted basis as the amount realized has to the fair market value.

Increase your cost or other basis by any expense of sale, such as broker's fees, commissions, state and local transfer taxes, and option premiums, before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, see Pub. 551.

Column (f)—Gain or (Loss)

You **must** make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Column (g)—28% Rate Gain or (Loss)

Enter in column (g) **only** the amount, if any, from Part II, column (f), that is equal to the amount of your section 1202 exclusion from the eligible gain on qualified small business stock (see page D-4) or from collectibles gains and losses. A **collectibles gain or loss** is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Also include gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

Line 19

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

- You sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments for section 1250 property held more than 1 year for which you are reporting gain on the installment method.
- You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows "unrecaptured section 1250 gain."
- You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports "unrecaptured section 1250 gain."
- You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet on Page D-7

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

Capital Loss Carryover Worksheet—Line 18

Keep for Your Records



Use this worksheet to figure your capital loss carryovers from 2002 to 2003 if Schedule D, line 18, is a loss smaller loss than the loss on Schedule D, line 17, or (b) Form 1040, line 39, is a loss. Otherwise, you do not smaller loss than the loss on Schedule D, line 17, or (b) Form 1040, line 39, is a loss.	
1. Enter the amount from Form 1040, line 39. If a loss, enclose the amount in parentheses	1
2. Enter the loss from Schedule D, line 18, as a positive amount	2
3. Combine lines 1 and 2. If zero or less, enter -0	3
4. Enter the smaller of line 2 or line 3	4
If line 7 of Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.	
5. Enter the loss from Schedule D, line 7, as a positive amount	5
6. Enter any gain from Schedule D, line 16	
7. Add lines 4 and 6	7
8. Short-term capital loss carryover to 2003. Subtract line 7 from line 5. If zero or less, enter -0	8
If line 16 of Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.	
9. Enter the loss from Schedule D, line 16, as a positive amount	9
10. Enter any gain from Schedule D, line 7	
11. Subtract line 5 from line 4. If zero or less, enter -0	
12. Add lines 10 and 11	12
13. Long-term capital loss carryover to 2003. Subtract line 12 from line 9. If zero or less, enter -0-	13

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

Step 1. Figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2002 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2002 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2002 as the smaller of (a) the amount from line 26 or line 37 of the 2002 Form 6252, whichever applies, or

(b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

Line 10. Include on line 10 your share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property. For details, see Regulations section 1.1(h)-1. Also attach the statement re-Regulations quired under section 1.1(h)-1(e).

Line 12. An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

Installment sales. To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of your Form 4797 for the year of sale.

• Step 1. Figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2002 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

• Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2002 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Keep for Your Records



Unrecaptured Section 1250 Gain Worksheet—Line 19 Keep for Argon line 7 skin lines 1 through 9 and go to line 10

	If you are not reporting a gain on Porm 4797, time 7, skip times I 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 unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions)	4
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	
8.	Enter the amount, if any, from Form 4797, line 8	
	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 unrecaptured 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 unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale (see instructions)	12
13.	Add lines 9 through 12	13
14.	Enter the gain or (loss) from Schedule D, line 15	
15.	Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0	
16.	Combine lines 14 and 15. If the result is zero or a gain, enter -0 If the result is a (loss), enter it as a positive amount	16
17.	Unrecaptured section 1250 gain. Subtract line 16 from line 13. If zero or less, enter -0 Enter the result here and on Schedule D, line 19	17

• Step 3. Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2002 as the smaller of (a) the amount from line 26 or line 37 of your 2002 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

Other sales or dispositions of section 1250 property. For each sale of property held more than 1 year (for which you did not make an entry in Part I of Form 4797), figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of Form 4797 for the property. Next, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 for the property. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.

Line 29—Qualified 5-Year Gain

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

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

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

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

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

- **7.** A Schedule K-1 from a partnership reporting \$2,300 of total long-term capital gain, \$200 "qualified 5-year gain" from capital assets, a \$5,200 net loss from trade or business (section 1231) property, and \$400 "qualified 5-year gain" from trade or business (section 1231) property.
- **8.** A long-term capital loss carryover of \$5,800.

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

Qualified 5-Year Gain Worksheet—Line 29

Keep for Your Records



1. Enter the total of all gains that you reported on line 8, column (f), of Schedules D and D-1 from dispositions of property held more than 5 years. Do not reduce these gains by any losses	1.
2. Enter the total of all gains from dispositions of property held more than 5 years from Form 4797, Part I, but only if Form 4797, line 7, is more than zero. Do not reduce these gains by any losses	2
3. Enter the total of all capital gains from dispositions of property held more than 5 years from Form 4684,	2.
line 4, but only if Form 4684, line 15, is more than zero. Do not reduce these gains by any losses .	3
4. Enter the total of all capital gains from dispositions of property held more than 5 years from Form	
6252; Form 6781, Part II; and Form 8824. Do not reduce these gains by any losses	4
5. Enter the total of any qualified 5-year gain reported to you on:	
• Form 1099-DIV, box 2c;	
• Form 2439, box 1c; and	
• Schedule K-1 from a partnership, S corporation, estate, or trust (do not \)	5
include gains from section 1231 property; take them into account on	
line 2 above, but only if Form 4797, line 7, is more than zero).	
6. Add lines 1 through 5	6
7. Enter the part, if any, of the gain on line 6 that is:	
• Attributable to 28% rate gain or	7
• Included on line 6, 10, 11, or 12 of the Unrecaptured	·
Section 1250 Gain Worksheet on page D-7.	
8. Qualified 5-year gain. Subtract line 7 from line 6. Enter the result here and on Schedule D, line 29	8





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

2002

Instructions for Schedule E, Supplemental Income and Loss

Use Schedule E (Form 1040) to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

You may attach your own schedule(s) to report income or loss from any of these sources. Use the same format as on Schedule E.

Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

General Instructions

A Change To Note

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

At-Risk Rules

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

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

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

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

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property. See **Qualified nonrecourse financing** on this page.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in

the activity (other than as a creditor) or who is related, under Internal Revenue Code section 465(b)(3), to a person (other than you) having such an interest.

Qualified nonrecourse financing is treated as an amount at risk if it is secured by real property used in an activity of holding real property that is subject to the at-risk rules. Qualified nonrecourse financing is financing for which no one is personally liable for repayment and is:

- Borrowed by you in connection with holding real property,
- Not convertible from a debt obligation to an ownership interest, and
- Loaned or guaranteed by any Federal, state, or local government, or borrowed by you from a **qualified person.**

A **qualified person** is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A qualified person **cannot** be:

- Related to you (unless the nonrecourse financing obtained is commercially reasonable and on the same terms as loans involving unrelated persons),
- The seller of the property (or a person related to the seller), or
- A person who receives a fee due to your investment in real property (or a person related to that person).

Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. These rules apply to losses in Parts I, II, and III, and line 39 of Schedule E.

Losses from passive activities may be subject first to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity loss rules.

You generally can deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (explained on page E-2).

Passive Activity

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

and any rental activity, except as explained on this page and page E-2. If you are a limited partner, you generally are not treated as having materially participated in the partnership's activities for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply. If your rental of property is not treated as a rental activity, you must determine whether it is a trade or business activity, and if so, whether you materially participated in the activity for the tax year.

See the Instructions for **Form 8582** to determine whether you materially participated in the activity and for the definition of "rental activity."

See **Pub. 925** for special rules that apply to rentals of:

- Substantially nondepreciable property,
- Property incidental to development activities, and
- Property to activities in which you materially participate.

Activities That Are Not Passive Activities

Activities of Real Estate Professionals. If you were a real estate professional in 2002, any rental real estate activity in which you materially participated is not a passive activity. You were a real estate professional only if you met both of the following conditions.

- 1. More than half of the personal services you performed in trades or businesses were performed in real property trades or businesses in which you materially participated.
- **2.** You performed more than 750 hours of services in real property trades or businesses in which you materially participated.

For purposes of this rule, each interest in rental real estate is a separate activity, unless you elect to treat all your interests in rental real estate as one activity. To make this election, attach a statement to your original tax return that declares you are a qualifying taxpayer for the year and you are making the election under Internal Revenue Code section 469(c)(7)(A). The election applies for the year made and all later years in which you are a real estate professional. You may

revoke the election only if your facts and circumstances materially change.

If you are married filing jointly, either you or your spouse must separately meet both of the above conditions, without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services you performed as an employee are not treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

If you were a real estate professional for 2002, complete line 42 on page 2 of Schedule E.

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

A working interest in an oil or gas well that you held directly or through an entity that did not limit your liability is not a passive activity even if you did not materially participate.

Royalty income not derived in the ordinary course of a trade or business reported on Schedule E generally is not considered income from a passive activity.

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

Exception for Certain Rental Real Estate Activities

If you meet **all three** of the following conditions, your rental real estate losses are not limited by the passive activity loss rules. If you **do not** meet **all three** of these conditions, see the Instructions for Form 8582 to find out if you must complete and attach Form 8582 to figure any losses allowed.

- **1.** Rental real estate activities are your only passive activities.
- **2.** You do not have any prior year unallowed losses from any passive activities.
- **3. All** of the following apply if you have an overall net loss from these activities:
- You actively participated (defined below) in all of the rental real estate activities:
- If married filing separately, you lived apart from your spouse all year;
- Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately);
- You have no current or prior year unallowed credits from passive activities; and
- Your modified adjusted gross income (defined later) is \$100,000 or less (\$50,000 or less if married filing separately).

Active Participation. You can meet the active participation requirement without regular, continuous, and substantial involvement in real estate activities. But you must have participated in making management decisions or arranging for others to provide services (such as repairs) in a significant and bona fide sense. Such management decisions include:

- Approving new tenants,
- Deciding on rental terms,
- Approving capital or repair expenditures, and
 - Other similar decisions.

You are not considered to actively participate if, at any time during the tax year, your interest (including your spouse's interest) in the activity was less than 10% by value of all interests in the activity.

Modified Adjusted Gross Income. This is your adjusted gross income from Form 1040, line 35, without taking into account:

- Any passive activity loss,
- Rental real estate losses allowed under the exception for real estate professionals (explained on page E-1),
- Taxable social security or equivalent railroad retirement benefits,
- Deductible contributions to a traditional IRA or certain other qualified retirement plans under Internal Revenue Code section 219.
 - The student loan interest deduction,
 - The tuition and fees deduction,
- The deduction for one-half of selfemployment tax, and
- The exclusion of amounts received under an employer's adoption assistance program.

However, if you file **Form 8815**, include in your modified adjusted gross income the savings bond interest excluded on line 14 of that form.

Tax Shelter Disclosure Statement

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

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

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

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

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

Tax Shelter Registration Number

Complete and attach **Form 8271** if you are reporting any deduction, loss, credit, other tax benefit, or income from an interest purchased or otherwise acquired in a tax shelter.

Form 8271 is used to report the name, tax shelter registration number, and identifying number of the tax shelter. There is a \$250 penalty if you do not report the registration number of the tax shelter on your tax return.

Specific Instructions

Filers of Form 1041

If you are a fiduciary filing Schedule E with Form 1041, enter the estate's or trust's employer identification number (EIN) in the space for "Your social security number."

Part I

Income or Loss From Rental Real Estate and Royalties

Use Part I to report:

- Income and expenses from rentals of real estate (including personal property leased with real estate) and
 - Royalty income and expenses.

See the instructions for lines 3 and 4 to determine if you should report your rental real estate and royalty income on **Schedule**

C, Schedule C-EZ, or Form 4835 instead of Schedule E.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

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

If you have more than three rental real estate or royalty properties, complete and attach as many Schedules E as you need to list them. But fill in the "Totals" column on only one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals of all your Schedules E. If you are also using page 2 of Schedule E, use the same Schedule E on which you entered the combined totals for Part I.

Personal Property. Do not use Schedule E to report income and expenses from the rental of personal property, such as equipment or vehicles. Instead, use Schedule C or C-EZ if you are in the business of renting personal property. You are in the business of renting personal property if the primary purpose for renting the property is income or profit and you are involved in the rental activity with continuity and regularity.

If your rental of personal property is not a business, see the instructions for Form 1040, lines 21 and 34, to find out how to report the income and expenses.

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

Line 1

For rental real estate property only, show:

- The kind of property you rented (for example, townhouse).
- The street address, city or town, and state. You do not have to give the ZIP code.
- Your percentage of ownership in the property, if less than 100%.

Line 2

If you rented out a dwelling unit that you also used for **personal purposes** during the year, you may not be able to deduct all the expenses for the rental part. "Dwelling unit" (unit) means a house, apartment, condominium, or similar property.

A day of **personal use** is any day, or part of a day, that the unit was used by:

• You for personal purposes;

- Any other person for personal purposes, if that person owns part of the unit (unless rented to that person under a "shared equity" financing agreement);
- Anyone in your family (or in the family of someone else who owns part of the unit), unless the unit is rented at a fair rental price to that person as his or her main home;
- Anyone who pays less than a fair rental price for the unit; or
- Anyone under an agreement that lets you use some other unit.

Do not count as personal use:

- Any day you spent working substantially full time repairing and maintaining the unit, even if family members used it for recreational purposes on that day or
- Any days you used the unit as your main home before or after renting it or offering it for rent, if you rented or tried to rent it for at least 12 consecutive months (or for a period of less than 12 consecutive months at the end of which you sold or exchanged it).

Check "Yes" if you or your family used the unit for personal purposes in 2002 more than the **greater** of:

- 14 days or
- 10% of the total days it was rented to others at a fair rental price.

Otherwise, check "No."

If you checked "No," you can deduct all your expenses for the rental part, subject to the **At-Risk Rules** and the **Passive Activity Loss Rules** explained beginning on page F-1

If you checked "Yes" and rented the unit out for fewer than 15 days, do not report the rental income and do not deduct any rental expenses. If you itemize deductions on Schedule A, you may deduct allowable interest, taxes, and casualty losses.

If you checked "Yes" and rented the unit out for at least 15 days, you may **not** be able to deduct all your rental expenses. You can deduct all of the following expenses for the rental part on Schedule E.

- Mortgage interest.
- Real estate taxes.
- Casualty losses.
- Other rental expenses not related to your use of the unit as a home, such as advertising expenses and rental agents' fees.

If any income is left after deducting these expenses, you can deduct other expenses, including depreciation, up to the amount of remaining income. You can carry over to 2003 the amounts you cannot deduct.

See Pub. 527 for details.

Line 3

If you received rental income from real estate (including personal property leased with real estate) and you were not in the real estate business, report the income on line 3. Include income received for renting a room or other space. If you received services or property instead of money as rent, report the fair market value as rental income.

Be sure to enter the total of all your rents in the "Totals" column even if you have only one property.

If you provided significant services to the renter, such as maid service, report the rental activity on Schedule C or C-EZ, not on Schedule E. Significant services **do not** include the furnishing of heat and light, cleaning of public areas, trash collection, or similar services.

If you were in the real estate sales business, include on line 3 only the rent received from real estate (including personal property leased with real estate) you held for investment or speculation. Do not use Schedule E to report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business. Instead, use Schedule C or C-EZ for these rentals.

For more details on rental income, use TeleTax topic 414 (see page 13 of the Form 1040 instructions) or see Pub. 527.

Rental Income From Farm Production or Crop Shares. Report farm rental income and expenses on Form 4835 if:

- You received rental income based on crops or livestock produced by the tenant
- You did not manage or operate the farm to any great extent.

Line 4

Report on line 4 **royalties** from oil, gas, or mineral properties (not including operating interests); copyrights; and patents. Use a separate column (A, B, or C) for each royalty property. Be sure to enter the total of all your royalties in the "Totals" column even if you have only one source of royalties

If you received \$10 or more in royalties during 2002, the payer should send you a **Form 1099-MISC** or similar statement by January 31, 2003, showing the amount you received.

If you are in business as a self-employed writer, inventor, artist, etc., report your royalty income and expenses on Schedule C or C-EZ.

You may be able to treat amounts received as "royalties" for the transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For details, see **Pub. 544.**

Enter on line 4 the gross amount of royalty income, even if state or local taxes were withheld from oil or gas payments you received. Include taxes withheld by the producer on line 16.

General Instructions for Lines 5 Through 21

Enter your rental and royalty expenses for each property in the appropriate column. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agents' commissions, and depreciation.

Do not deduct the value of your own labor or amounts paid for capital investments or capital improvements.

Enter your total expenses for mortgage interest (line 12), total expenses before depreciation expense or depletion (line 19), and depreciation expenses or depletion (line 20) in the "Totals" column even if you have only one property.

Renting Out Part of Your Home. If you rent out only part of your home or other property, deduct the part of your expenses that applies to the rented part.

Credit or Deduction for Access Expenditures. You may be able to claim a tax credit for eligible expenditures paid or incurred in 2002 to provide access to your business for individuals with disabilities. See Form 8826 for details.

You can also deduct up to \$15,000 of qualified costs paid or incurred in 2002 to remove architectural or transportation barriers to individuals with disabilities and the elderly.

You cannot take both the credit and the deduction for the same expenditures. See **Pub.** 535 for details.

Line 6

You may deduct ordinary and necessary auto and travel expenses related to your rental activities, including 50% of meal expenses incurred while traveling away from home. You generally can either deduct your actual expenses or take the standard mileage rate. You **must** use actual expenses if you use more than one vehicle simultaneously in your rental activities (as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can use the standard mileage rate for 2002 **only** if:

• You owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or

• You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual auto expenses:

- Include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, etc. and
- Show auto rental or lease payments on line 18 and depreciation on line 20.

If you take the standard mileage rate, multiply the number of miles you drove your auto in connection with your rental activities by 36.5 cents. Include this amount and your parking fees and tolls on line 6.

If you claim any auto expenses (actual or the standard mileage rate), you must complete Part V of **Form 4562** and attach Form 4562 to your tax return.

See Pub. 527 and Pub. 463 for details.

Line 10

Include on line 10 fees for tax advice and the preparation of tax forms related to your rental real estate or royalty properties.

Do not deduct legal fees paid or incurred to defend or protect title to property, to recover property, or to develop or improve property. Instead, you must capitalize these fees and add them to the property's basis.

Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you must have records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 12 the amount of interest you paid for 2002 to banks or other financial institutions. Be sure to fill in the "Totals" column.

Do not deduct prepaid interest when you paid it. You can deduct it only in the year to which it is properly allocable. Points, including loan origination fees, charged only for the use of money must be deducted over the life of the loan.

If you paid \$600 or more in interest on a mortgage during 2002, the recipient should send you a **Form 1098** or similar statement by January 31, 2003, showing the total interest received from you.

If you paid more mortgage interest than is shown on your Form 1098 or similar statement, see Pub. 535 to find out if you can deduct part or all of the additional interest. If you can, enter the entire deductible amount on line 12. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 12.

Note. If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 13.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage, and the other person received Form 1098, report your share of the deductible interest on line 13. Attach a statement to your return showing the name and address of the person who received Form 1098. In the left margin next to line 13, write "See attached."

Line 14

You may deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized and depreciated (that is, they cannot be deducted in full in the year they are paid or incurred). See the instructions for line 20 below.

Line 17

You may deduct the cost of ordinary and necessary telephone calls related to your rental activities or royalty income (for example, calls to the renter). However, the base rate (including taxes and other charges) for local telephone service for the first telephone line into your residence is a personal expense and is not deductible.

Line 20

Depreciation is the annual deduction you must take to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. Land is not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you deduct all your depreciable cost or other basis or no longer use the property in your business or for the production of income.

See the Instructions for Form 4562 to figure the amount of depreciation to enter on line 20. Be sure to fill in the "Totals" column.

You must complete and attach Form 4562 **only** if you are claiming:

- Depreciation on property first placed in service during 2002;
- Depreciation on listed property (defined in the Instructions for Form 4562),

including a vehicle, regardless of the date it was placed in service; or

• A section 179 expense deduction or amortization of costs that began in 2002.

See Pub. 527 for more information on depreciation of residential rental property. See **Pub. 946** for a more comprehensive guide to depreciation.

If you own mineral property or an oil, gas, or geothermal well, you may be able to take a deduction for depletion. See Pub. 535 for details

Line 22

If you have amounts for which you are not at risk, use Form 6198 to determine the amount of your deductible loss. Enter that amount in the appropriate column of Schedule E, line 22. In the space to the left of line 22, write "Form 6198." Attach Form 6198 to your return. For details on the at-risk rules, see page E-1.

Line 23

Do not complete line 23 if the amount on line 22 is from royalty properties.

If you have a rental real estate loss from a passive activity (defined on page E-1), the amount of loss you can deduct may be limited by the passive activity loss rules. You may need to complete Form 8582 to figure the amount of loss, if any, to enter on line 23

If your rental real estate loss is not from a passive activity **or** you meet the exception for certain rental real estate activities (explained on page E-2), you do not have to complete Form 8582. Enter the loss from line 22 on line 23.

Parts II and III

If you need more space in Part II or III to list your income or losses, attach a continuation sheet using the same format as shown in Part II or III. However, be sure to complete the "Totals" columns for lines 28a and 28b, or lines 33a and 33b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Tax Preference Items. If you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of preferences and adjustments from these entities for the alternative minimum tax on Form 6251 or Schedule I of Form 1041.

Part II

Income or Loss From Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder in an S corporation, use Part II to report your share of the partnership or S corporation income (even if not received) or loss.

You should receive a **Schedule K-1** from the partnership or S corporation. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items. If you did not receive these instructions with your Schedule K-1, see page 9 of the Form 1040 instructions for how to get a copy. **Do not** attach Schedules K-1 to your return. Keep them for your records.

If you are treating items on your tax return differently from the way the partnership (other than an electing large partnership) or S corporation reported them on its return, you may have to file **Form 8082.** If you are a partner in an electing large partnership, you must report the items shown on Schedule K-1 (Form 1065-B) on your tax return the same way that the partnership reported the items on Schedule K-1.

Special Rules That Limit Losses. Please note the following.

• If you have a current year loss, or a prior year unallowed loss, from a partnership or an S corporation, see **At-Risk Rules** and **Passive Activity Loss Rules** beginning on page E-1.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. If you are subject to the atrisk rules for any activity, use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter any deductible loss from Form 6198 on the appropriate line in Part II, column (i), of Schedule E.

• If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (g), for that activity. But if you are a **general** partner or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity **and** you meet **all three** of the conditions listed on page E-2 under **Exception for Certain Rental Real Estate Activities**, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (g).

If you have passive activity income, complete Part II, column (h), for that activity.

If you have nonpassive income or losses, complete Part II, columns (i) through (k), as appropriate.

Partnerships

See the Schedule K-1 instructions before entering on your return other partnership items from a passive activity or income or loss from any publicly traded partnership.

If you have other partnership items, such as depletion, from a nonpassive activity, show each item on a separate line in Part II. You may deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership if you were required to pay these expenses under the partnership agreement. Enter deductible **unreimbursed partnership expenses** from nonpassive activities on a separate line in Part II, column (i). However, enter on **Schedule A** any unreimbursed partnership expenses deductible as itemized deductions.

Report allowable interest expense paid or incurred from debt-financed acquisitions in Part II or on Schedule A depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for Federal tax on gasoline or other fuels on your 2001 Form 1040 based on information received from the partnership, enter as income in column (h) or column (k), whichever applies, the amount of the credit claimed for 2001.

If you have losses or deductions from a prior year that you could not deduct because of the at-risk or basis rules, and the amounts are now deductible, **do not** combine the prior year amounts with any current year amounts to arrive at a net figure to report on Schedule E. Instead, report the prior year amounts and the current year amounts on separate lines of Schedule E.

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on **Schedule SE**. Enter the amount from Schedule K-1 (Form 1065), line 15a (or from Schedule K-1 (Form 1065-B), box 9 (code **K-1**)), on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

Foreign Partnerships. If you are a U.S. person, you may have to file **Form 8865** if any of the following applies:

- You controlled a foreign partnership (that is, you owned more than a 50% direct or indirect interest in the partnership).
- You owned at least a 10% direct or indirect interest in a foreign partnership while U.S. persons controlled that partnership.

- You had an acquisition, disposition, or change in proportional interest of a foreign partnership that:
- 1. Increased your direct interest to at least 10% or reduced your direct interest of at least 10% to less than 10% or
- **2.** Changed your direct interest by at least a 10% interest.
- You contributed property to a foreign partnership in exchange for a partnership interest if:
- 1. Immediately after the contribution, you owned, directly or indirectly, at least a 10% interest in the partnership or
- **2.** The fair market value of the property you contributed to the partnership in exchange for a partnership interest, when added to other contributions of property you made to the partnership during the preceding 12-month period, exceeds \$100,000.

Also, you may have to file Form 8865 to report certain dispositions by a foreign partnership of property you previously contributed to that partnership if you were a partner at the time of the disposition.

For more details, including penalties for failing to file Form 8865, see Form 8865 and its separate instructions.

S Corporations

If you are a shareholder in an S corporation, your share of the corporation's aggregate losses and deductions (combined income, losses, and deductions) is limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of the basis limitation may be carried forward and deducted in a later year subject to the basis limitation for that year.

If you are claiming a deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See the Schedule K-1 instructions for details.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules explained beginning on page E-1.

If you have losses or deductions from a prior year that you could not deduct because of the basis or at-risk limitations, and the amounts are now deductible, **do not** combine the prior year amounts with any current year amounts to arrive at a net figure to report on Schedule E. Instead, report the prior year amounts and the current year amounts on separate lines of Schedule E.

Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on Form 1040, line 9.

Interest expense relating to the acquisition of shares in an S corporation may be fully

deductible on Schedule E. For details, see Pub. 535.

Your share of the net income of an S corporation is **not** subject to self-employment tax.

Part III

Income or Loss From Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a Schedule K-1 (Form 1041) from the fiduciary. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. **Do not** attach Schedule K-1 to your return. Keep it for your records.

If you are treating items on your tax return differently from the way the estate or trust reported them on its return, you may have to file Form 8082.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 14a), write "ES payment claimed" and the amount on the dotted line next to line 36. **Do not** include this amount in the total on line 36. Instead, enter the amount on Form 1040, line 63.

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

Part IV

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

If you are the holder of a residual interest in a REMIC, use Part IV to report your total share of the REMIC's taxable income or loss for each quarter included in your tax year. You should receive **Schedule Q** (Form 1066) and instructions from the REMIC for each quarter. **Do not** attach Schedules Q to your return. Keep them for your records.

If you are treating REMIC items on your tax return differently from the way the REMIC reported them on its return, you may have to file Form 8082.

If you are the holder of a residual interest in more than one REMIC, attach a continuation sheet using the same format as in Part IV. Enter the totals of columns (d) and (e) on line 38 of Schedule E. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

REMIC income or loss is not income or loss from a passive activity.

Note. If you are the holder of a regular interest in a REMIC, **do not** use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c. This is the **smallest** amount you are allowed to report as your taxable income (Form 1040, line 41). It is also the **smallest** amount you are allowed to report as your alternative minimum taxable income (AMTI) (Form 6251, line 28).

If the amount in column (c) is larger than your taxable income would otherwise be, enter the amount from column (c) on Form 1040, line 41. Similarly, if the amount in column (c) is larger than your AMTI would otherwise be, enter the amount from column (c) on Form 6251, line 28. Write "Sch. Q" on the dotted line to the left of this amount on Form 1040 or 6251.

Note. These rules also apply to estates and trusts that hold a residual interest in a REMIC. Be sure to make the appropriate entries on the comparable lines on Form 1041



Do not include the amount shown in column (c) in the total on line 38 of Schedule E.

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b. If you itemize your deductions on Schedule A, include this amount on line 22.

Part V

Summary

Line 41

You will not be charged a penalty for underpayment of estimated tax if:

- **1.** Your gross farming or fishing income for 2001 or 2002 is at least two-thirds of your gross income and
- **2.** You file your 2002 tax return and pay the tax due by March 3, 2003.

2002

Instructions for Schedule F, Profit or Loss From Farming

Use Schedule F (Form 1040) to report farm income and expenses. File it with Form 1040, 1041, 1065, or 1065-B.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information

Additional Information. Pub. 225 has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

General Instructions

A Change To Note

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

Other Schedules and Forms You May Have To File

Schedule E to report rental income from pastureland that is based on a flat charge. Report this income in Part I of Schedule E. But report on line 10 of Schedule F pasture income received from taking care of someone else's livestock.

Schedule J to figure your tax by averaging your farm income over the previous 3 years. Doing so may reduce your tax.

Schedule SE to pay self-employment tax on income from any trade or business, including farming.

Form 4562 to claim depreciation on assets placed in service in 2002, to claim amortization that began in 2002, or to report information on vehicles and other listed property.

Form 4684 to report a casualty or theft gain or loss involving farm business property including livestock held for draft, breeding, sport, or dairy purposes.

See Pub. 225 for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.

Form 4797 to report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.

Form 4835 to report rental income based on farm production or crop shares if you did not materially participate (for self-employment tax purposes) in the management or operation of the farm. This income is not subject to self-employment tax. See Pub. 225.

Form 8824 to report like-kind exchanges.

Heavy Highway Vehicle Use Tax

If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway motor vehicle use tax. See the **Instructions for Form 2290** to find out if you owe this tax.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buysell, deposit-commission, or other similar basis for resale. For more information, see the 2002 General Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file **Form 8300.** For details, see **Pub. 1544.**

Estimated Tax

If you had to make estimated tax payments in 2002 and you underpaid your estimated tax, you will not be charged a penalty if **both** of the following apply.

- **1.** Your gross farming or fishing income for 2001 or 2002 is at least two-thirds of your gross income.
- **2.** You file your 2002 tax return and pay the tax due by March 3, 2003.

For details, see Pub. 225.

Specific Instructions

Filers of Forms 1041, 1065, and 1065-B

Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 14 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income.

Line C

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

If you use the **accrual method**, check the box labeled "Accrual." Complete Parts II, III, and line 11 of Schedule F. Generally, report income in the year in which you earned it and deduct expenses in the year you incurred them, even if you did not pay them in that year. Accrual basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See **Pub. 538**.

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

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

- The interests in the business have ever been for sale in a way that would require registration with any Federal or state agency or
- More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A **limited partner** is one who can lose only the amount invested or required to be invested in the partnership. A **limited entrepreneur** is a person who does not take any active part in managing the business.

Line D

You need an employer identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, or firearms tax return. If you need an EIN, file Form SS-4. If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Material Participation. For the definition of material participation for purposes of the passive activity rules, see the instructions for Schedule C, line G, on page C-2. If you meet any of the material participation tests described in those instructions, check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if the real property used for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see **Limit on Losses** below. If you have a profit from this business activity but have current year losses from other passive activities or prior year unallowed passive activity losses, see the **Instructions for Form 8582.**

Limit on Losses. If you checked the "No" box on line E and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive activities only to the extent of income from passive activities. For details, see **Pub. 925.**

Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Generally, count both the cash actually or constructively received and the fair market value of goods or other property received for these items. Income is constructively received when it is credited to your account or set aside for you to use. However, farm production flexibility contract payments received under the Federal Agriculture Improvement and Reform Act of 1996 are required to be included in income only in the year of actual receipt.

If you ran the farm yourself and received rents based on crop shares or farm production, report these rents as income on line 4.

Sales of Livestock Because of Weather-Related Conditions

If you sold livestock because of drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if **all** three of the following apply.

- 1. Your main business is farming.
- 2. You can show that you sold the livestock only because of weather-related conditions.
 - 3. Your area qualified for Federal aid.

Forms 1099 or CCC-1099-G

If you received Forms 1099 or CCC-1099-G showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-1099-G amounts in the total amount reported on that line.

Form						Where to report
1099-PATR						. Line 5a
1099-A						. Line 7b
1099-MISC (for crop ir	sur	an	ce)			. Line 8a
1099-G or CCC-1099 (for disaste	•	ay	me	nts	s)	. Line 8a
1099-G or CCC-1099 (for other a	agrio					Line 6a

You may also receive **Form 1099-MISC** for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

Lines 1 and 2

On line 1, show amounts received from sales of livestock and other items bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

Line 4

Show amounts received from sales of livestock, produce, grains, and other products you raised.

Lines 5a and 5b

If you received distributions from a cooperative in 2002, you should receive **Form 1099-PATR.** On line 5a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends received in cash and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificates.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 6a and 6b

Enter on line 6a the **total** of the following amounts.

- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
 - Diversion payments.
 - Cost-share payments (sight drafts).

• Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).

These amounts are government payments you received, usually reported to you on **Form 1099-G.** You may also receive **Form CCC-1099-G** from the Department of Agriculture showing the amounts and types of payments made to you.

On line 6b, report only the taxable amount. For example, do not report the market gain shown on Form CCC-1099-G on line 6b if you elected to report CCC loan proceeds as income in the year received (see **Lines 7a Through 7c** below). No gain results from redemption of the commodity because you previously reported the CCC loan proceeds as income. You are treated as repurchasing the commodity for the amount of the loan repayment. However, if you did not report the CCC loan proceeds under the election, you must report the market gain on line 6b.

Lines 7a Through 7c

Commodity Credit Corporation (CCC) Loans. Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you receive them, instead of the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 2002 on line 7a. Attach a statement to your return showing the details of the loan(s).

Forfeited CCC Loans. Include the full amount forfeited on line 7b, even if you reported the loan proceeds as income.

If you **did not** elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you did elect to report the loan proceeds as income, you generally will not have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

See **Pub. 225** for details on the tax consequences of electing to report CCC loan proceeds as income or forfeiting CCC loans.

Lines 8a Through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 2002 was the year of damage, you may elect to include certain proceeds in income for 2003. To make this election, check the box on line 8c and attach a statement to your return. See **Pub. 225** for a description of the proceeds

for which an election may be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including Federal disaster payments).

Enter on line 8a the **total** crop insurance proceeds you received in 2002, even if you elect to include them in income for 2003.

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

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

Line 10

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

- Illegal Federal irrigation subsidies. See **Pub. 225.**
 - Bartering income.
- Income from discharge of indebtedness. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. If a Federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a Form 1099-C, or similar statement, by January 31, 2003, showing the amount of debt canceled in 2002. However, certain solvent farmers may exclude discharged qualified farm indebtedness from income. To find out if you must include any discharge of indebtedness in income, see Pub. 225.
- State gasoline or fuel tax refund you received in 2002.
- The amount of credit for Federal tax paid on fuels claimed on your 2001 Form 1040.
- The amount of credit for alcohol used as a fuel that was entered on **Form 6478.**
- Any recapture of excess depreciation, including any section 179 expense deduction, if the business use percentage of any listed property decreased to 50% or less in 2002. Use **Form 4797** to figure the recapture. See the instructions for Schedule C, line 13, on page C-4 for the definition of listed property.
- The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. See **Pub. 946** to figure the amount.
- Any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details on how to figure recapture, see **Pub. 535.**
- The gain or loss on the sale of commodity futures contracts if the contracts

were made to protect you from price changes. These are a form of business insurance and are considered hedges. If you had a loss in a closed futures contract, enclose it in parentheses.



For property acquired and hedging positions established, you must clearly identify on your books and records both the hedg-

ing 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 casualtv.

Note. Exceptions 1 and 2 above do not apply to tax shelters, farm syndicates, or partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.

But you may be able to currently deduct rather than capitalize the expenses of producing a plant with a preproductive period of more than 2 years. See **Election To Deduct Certain Preproductive Period Expenses** on page F-4.

Do not reduce your deductions on lines 12 through 34e by the preproductive period expenses you must capitalize. Instead, enter the total amount capitalized in parentheses on line 34f. See **Preproductive Period Expenses** on page F-6 for details.

If you revoked an election made before 1989 to deduct preproductive period expenses for animals, you must continue to apply the alternative depreciation rules to property placed in service while your election was in effect. Also, the expenses you previously chose to deduct will have to be recaptured as ordinary income when you dispose of the animals.

Election To Deduct Certain Preproductive Period Expenses. If the preproductive period of any plant you produce is more than 2 years, you may choose to currently deduct the expenses rather than capitalize them. But you may not make this election for the costs of planting or growing citrus or almond groves that are incurred before the end of the 4th tax year beginning with the tax year you planted them in their permanent grove. By deducting the preproductive period expenses for which you may make this election, you are treated as having made the election.

Note. In the case of a partnership or S corporation, the election must be made by the partner or shareholder. This election may not be made by tax shelters, farm syndicates, or partners in partnerships required to use the accrual method of accounting under Internal Revenue Code section 447 or 448.

If you make the election to deduct preproductive expenses for plants, any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted. Also, the alternative depreciation rules apply to property placed in service in any tax year your election is in effect. Unless you obtain IRS consent, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You may not revoke this election without IRS consent.

For details, see Pub. 225.

Prepaid Farm Supplies. Generally, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm supplies not used or consumed during the year. They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to (a) capitalize the cost of poultry bought for use in your farm business and deduct it ratably over the lesser of

12 months or the useful life of the poultry and (b) deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it.

If the limit applies, you can deduct prepaid farm supplies that do not exceed 50% of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For details and exceptions to these rules, see Pub. 225.

Line 12

You can deduct the actual expenses of running your car or truck or take the standard mileage rate. You **must** use actual expenses if you used your vehicle for hire or you used more than one vehicle simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2002 **only** if:

- You owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

- Include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 16 and rent or lease payments on line 26a.

If you take the standard mileage rate, multiply the number of business miles by 36.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 12. **Do not** deduct depreciation, rent or lease payments, or your actual operating expenses.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested in Part V of **Form 4562.** Be sure to attach Form 4562 to your return.

For details, see Pub. 463.

Line 14

Deductible soil and water conservation expenses generally are those that are paid to conserve soil and water or to prevent erosion of land used for farming. These expenses include (but are not limited to) the cost of leveling, grading and terracing, contour furrowing, the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets and ponds, the eradication of brush, and the planting of windbreaks.

These expenses can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service of the Department of Agriculture for the area in which your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You cannot deduct the expenses if they were paid or incurred for land used in farming in a foreign country.

Do not deduct expenses you paid or incurred to drain or fill wetlands, to prepare land for center pivot irrigation systems, or to clear land.

Your deduction may not exceed 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, the excess may be carried forward and deducted in later tax years. However, the amount deductible for any 1 year may not exceed the 25% gross income limit for that year.

For details, see Pub. 225.

Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment).

Do not include amounts paid for rental or lease of equipment that you operated yourself. Instead, report those amounts on line 26a

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You may also elect under Internal Revenue Code section 179 to expense a portion of the cost of certain tangible property you bought in 2002 for use in your business.

For details, including when you must complete and attach **Form 4562**, see the instructions for Schedule C, line 13, on page C-4.

Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 17 any contributions you made on your behalf as a selfemployed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 30, part of the amount you paid for health insurance on behalf of yourself, your spouse, and dependents even if you do not itemize your deductions. See the instructions for Form 1040, line 30, for details.

Line 18

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

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

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

Line 20

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock, and deduct them when the livestock is sold.

Line 22

Deduct on this line premiums paid for farm business insurance. Deduct on line 17 amounts paid for employee accident and health insurance. Amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability are not deductible.

Lines 23a and 23b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. See **Pub. 535** for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in your farming business, see Pub. 535 to figure the amount to include on lines 23a and 23b.

How To Report. If you have a mortgage on real property used in your farming business (other than your main home), enter on line 23a the interest you paid for 2002 to banks or other financial institutions for which you received a Form 1098 (or similar statements). If you did not receive a Form 1098, enter the interest on line 23b.

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

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 23b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 23b, enter "See attached."

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

Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- Form 5884, Work Opportunity Credit,
- Form 8844, Empowerment Zone and Renewal Community Employment Credit,
- Form 8845, Indian Employment Credit,
- Form 8861, Welfare-to-Work Credit, and
- Form 8884, New York Liberty Zone Business Employee Credit.

Count the cost of boarding farm labor but not the value of any products they used from the farm. Count only what you paid household help to care for farm laborers.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts

you depreciated or deducted elsewhere.

Line 25

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 31, not on Schedule F.

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

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

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

For details, see Pub. 560.

Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount.** For details, see the instructions for Schedule C, lines 20a and 20b, on page C-5.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farm land.

Line 27

Enter amounts you paid for repairs and maintenance of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or minimal cost, such as shovels and rakes.

Do not deduct repairs or maintenance on your home.

Line 31

You can deduct the following taxes on this line.

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare taxes you paid to match what you are required to withhold from farm employees' wages and any Federal unemployment tax paid.
 - Federal highway use tax.

Do not deduct the following taxes on this line.

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 29.
 - Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your farm business.

Instead, treat these taxes as part of the cost of the property.

• Other taxes not related to your farm business.

Line 32

Enter amounts you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities. You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for business. See the instructions for Schedule C, line 25, on page C-6.

Lines 34a Through 34f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc. **Do not** include fines or penalties paid to a government for violating any law.

Amortization. You can amortize qualifying forestation and reforestation costs over 84 months. You can also amortize certain business startup costs over a period of at least 60 months. For details, see **Pub. 535.** For amortization that begins in 2002, you must complete and attach **Form 4562.**

At-Risk Loss Deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2002.

Bad Debts. See the instructions for Schedule C, line 9, on page C-3.

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. Use the worksheet in Pub. 587 to figure your allowable deduction. Do not use Form 8829.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535.

Legal and Professional Fees. You can deduct on this line fees for tax advice related to your farm business and for preparation of the tax forms related to your farm business.

Travel, Meals, and Entertainment. Generally, you can deduct expenses for farm business travel and 50% of your business meals and entertainment. But there are exceptions and limitations. See the instructions for Schedule C, lines 24a through 24c, on page C-5.

Preproductive Period Expenses. If you had preproductive period expenses in 2002

and you decided to capitalize them, you **must** enter the total of these expenses in parentheses on line 34f and enter "263A" in the space to the left of the total.

If you entered an amount in parentheses on line 34f because you have preproductive period expenses you are capitalizing, subtract the amount on line 34f from the total of lines 12 through 34e. Enter the result on line 35.

For details, see Capitalizing Costs of **Property** on page F-3 and **Pub. 225.**

Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 37 before entering your loss on line 36. If you checked the "No" box on line E on Schedule F, also see the **Instructions for Form 8582.** Enter the net profit or **deductible** loss here and on Form 1040, line 18, and Schedule SE, line 1. Estates and trusts should enter the net profit or deductible loss here and on **Form 1041,** line 6. Partnerships should stop here and enter the profit or loss on this line and on **Form 1065,** line 5 (or **Form 1065-B,** line 7).

If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the instructions for Form 1040, line 64, for details.

Line 37

At-Risk Rules. Generally, if you have (a) a loss from a farming activity and (b) amounts in the activity for which you are not at risk, you will have to complete Form 6198 to figure your allowable loss. The atrisk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check **box 37b** if you have amounts for which you are not at risk in this activity, such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who

is related under Internal Revenue Code section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 37a** and enter your loss on line 36. But if you checked the "No" box on line E, you may need to complete **Form 8582** to figure your allowable loss to enter on line 36. See the Instructions for Form 8582.

If you checked **box 37b**, see Form 6198 to determine the amount of your deductible loss and enter that amount on line 36. But if you checked the "No" box on line E, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 36. Be sure to attach Form 6198 to your return. If you checked box 37b and you do not attach Form 6198, the processing of your tax return may be delayed.

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

For details, see **Pub. 925** and the Instructions for Form 6198.

Part III. Farm Income—Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must include animals and crops in your inventory if you use this method. See **Pub. 538** for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

Line 38

Enter the amount earned from the sale of livestock, produce, grains, and other products you raised.

Lines 39a Through 41c

See the instructions for lines 5a through 7c that begin on page F-2.

Line 44

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

2002 Instructions for Schedule J, Farm Income Averaging

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

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

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

General Instructions

Negative Taxable Income

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

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

Prior Year Tax Returns

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

Additional Information

See Regulations section 1.1301-1 for more details.

Specific Instructions

Line 2

Elected Farm Income

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

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

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

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

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

- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
- Raising, shearing, feeding, caring for, training, and managing animals; and
- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are based on a share of the tenant's production (not a fixed amount).

A farming business **does not** include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else or
- Merely buying or reselling plants or animals grown or raised by someone else.



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

- Form 1040, line 7, to the extent of wages and other compensation you received as a shareholder in an S corporation engaged in a farming business;
 - Schedule D;
 - Schedule E, Part II;
 - Schedule F;
 - Form 4797; and
 - Form 4835.

Line 4

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

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

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

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

Instructions for 1999 Taxable Income Worksheet

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

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

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

John combines the \$9,000 NOL deduction with the \$3,750 from his 1999 Form 1040, line 37. The result is a negative \$5,250. John subtracts from that amount the \$2,750 deduction for exemptions. That result is a negative \$8,000, John's 1999 taxable income, which he enters as a positive amount on line 1 of the 1999 worksheet.

When John filed his 1999 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$4,000 capital loss carryover to 2000. However, when John carried back the 2000 NOL to 1999, he refigured his 1999 capital loss carryover to 2000 as \$7,000. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John had \$1,000 of taxable income in 1999 that reduced the 2000 NOL carryback. The \$2,750 of exemptions and \$3,000 net capital loss deduction also reduced the amount of the 2000 NOL carryback. Therefore, only \$2,250 was available to carry to 2001 and later years, as shown on his 2000 Form 1045, Schedule B, line 9. John enters the \$2,250 on line 3 of the worksheet, and \$5,250 on line 4. He then subtracts the \$5,250 from the \$8,000 on line 1 and enters the result, \$2,750, on line 5 of the worksheet. He enters a negative \$2,750 on Schedule J. line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$3,250 on Schedule J, line 7.

1999 Taxable Income Worksheet—Line 5

Complete this worksheet if you figured your tax for both 2000 and 2001 without using Schedule J and your 1999 taxable income is zero or less. See the instructions above before completing this worksheet.
1. Figure the taxable income from your 1999 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 1999, do not include any NOL carryovers or carrybacks to 1999. Enter the result as a positive amount
2. If there is a loss on your 1999 Schedule D, line 18, add that loss (as a positive amount) and your 1999 capital loss carryover to 2000. Subtract from that sum the amount of the loss on your 1999 Schedule D, line 17, and enter the result 2
3. If you had an NOL for 1999, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 1999 that were not used in 1999 and were carried to years after 1999 3.
4. Add lines 2 and 3

• The 1999 Capital Gain Tax Worksheet below, or

• The Schedule D you filed for 1999 (but use the 1999 Tax Rate Schedules below instead of the 1999 Tax Table when figuring the tax on Schedule D, lines 33 and 53).

If line 7 is zero, enter zero on line 8. Otherwise, figure the tax on the amount on line 7 using:

• The 1999 Tax Rate Schedules below,

1999 Tax Rate Schedules-Line 8

Schedule X-	-Use if your	1999 filing status was Sing	gle	Schedule Y-	2—Use if you filing sepa	ır 1999 filing status was M arately	arried
If Schedule Juline 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	If Schedule line 7, is: Over—	J, But not over—	Enter on Schedule J, line 8	of the amount over—
\$0 25,750 62,450 130,250 283,150	\$25,750 62,450 130,250 283,150	15% \$3,862.50 + 28% 14,138.50 + 31% 35,156.50 + 36% 90,200.50 + 39.6%	\$0 25,750 62,450 130,250 283,150	\$0 21,525 52,025 79,275 141,575	\$21,525 52,025 79,275 141,575	15% \$3,228.75 + 28% 11,768.75 + 31% 20,216.25 + 36% 42,644.25 + 39.6%	\$0 21,525 52,025 79,275 141,575
Schedule Y-1	•	r 1999 filing status was M tly or Qualifying widow(e		Schedule Z-	—Use if your household	1999 filing status was Hea	d of
If Schedule J. line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	If Schedule line 7, is: Over—	J, But not over—	Enter on Schedule J, line 8	of the amount over—
\$0 43,050 104,050 158,550	\$43,050 104,050 158,550 283,150	15% \$6,457.50 + 28% 23,537.50 + 31% 40,432.50 + 36%	\$0 43,050 104,050 158,550	\$0 34,550 89,150 144,400	\$34,550 89,150 144,400 283,150	15% \$5,182.50 + 28% 20,470.50 + 31% 37,598.00 + 36%	\$0 34,550 89,150 144,400
283,150		85,288,50 + 39,6%	283,150	283,150		87.548.00 + 39.6%	283.15

1999 Capital Gain Tax Worksheet—Line 8

	e this worksheet only if you entered capital gain distributions directly on line 13 of your 1999 Form 10 that line and you do not have to use Schedule D to figure your tax.	040 and checked the box
1.	Amount from Schedule J, line 7	
	Amount from your 1999 Form 1040, line 13	
3.	Subtract line 2 from line 1. If zero or less, enter -0	
4.	Figure the tax on the amount on line 3. Use the 1999 Tax Rate Schedules above	4
5.	Enter the smaller of:	
	• The amount on line 1 above or	
	• \$25,750 if single for 1999; \$43,050 if married filing jointly or qualifying widow(er); \$21,525 if married filing separately; or \$34,550 if head of household.	
6.	Enter the amount from line 3	
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	
10.	Enter the amount from line 7	
11.	Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13 . 11.	
12.	Multiply line 11 by 20% (.20)	12
13.	Add lines 4, 8, and 12	13
14.	Figure the tax on the amount on line 1. Use the 1999 Tax Rate Schedules above	14
15.	Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 8	15

If you used Schedule J to figure your tax for 2001 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 40, or on Form 1040X), enter on line 9 the amount from line 15 of your 2001 Schedule J. If you used Schedule J to figure your tax for 2000 but not 2001, enter on line 9 the amount from line 3 of your 2000 Schedule J.

If you figured your tax for both 2000 and 2001 without using Schedule J, enter on line 9 the taxable income from your 2000 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9

If you filed your 2000 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2000, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2000 until at least 3 years after April 15, 2003 (or the date you file your 2002 tax return, if later), even if you did not file a tax return for 2000.

Instructions for 2000 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2000 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2001. This could happen if the taxable income before subtracting exemptions shown on your 2000 Form 1040. line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2000 capital loss carryover to 2001 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2000 Schedule D, line 17, over the loss on your 2000 Schedule D, line 18. If you had any NOL carrybacks to 2000, be sure you refigured your 2000 capital loss carryover to 2001.

Line 3. If you had an NOL for 2000, enter the amount of that NOL as figured on line 27 of the 2000 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2000, enter the portion, if any, of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to years after 2000.

Example. John Farmington did not use farm income averaging for 1999, 2000, nor 2001. The taxable income before subtracting exemptions on his 2000 Form 1040, line 37, is a negative \$30,200. A deduction for exemptions of \$2,800 is shown on line 38, and line 39, taxable income, is limited to zero. John subtracts from the \$30,200 loss the \$2,800 deduction for exemptions. The result is a negative \$33,000, John's 2000 taxable income, which he enters as a positive amount on line 1 of the 2000 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 17 (as adjusted). He also had a \$7,000 capital loss carryover to 2001. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John enters \$22,800 on line 3 of the worksheet, the 2000 NOL from his 2000 Form 1045, Schedule A, line 27. Of the \$33,000 negative taxable income, the \$2,800 deduction for exemptions, the \$3,000 capital loss deduction, and his \$4,400 standard deduction were not allowed in figuring the NOL. John had a \$22,800 loss on his 2000 Schedule F, the only other item on his 2000 tax return.

John enters \$25,800 on line 4 and \$7,200 on line 5. He enters \$7,200 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$1,200 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2003, he will enter the negative \$1,200 amount on his 2003 Schedule J as his 2000 taxable income for farm income averaging purposes.

2000 Taxable Income Worksheet—Line 9

Keep for Your Records

See the instructions above before completing this worksheet.	2000 taxable ilicolle is zero of less.
1. Figure the taxable income from your 2000 tax return (or as previously adjusted) without lir If you had an NOL for 2000, do not include any NOL carryovers or carrybacks to 2000. as a positive amount	Enter the result
 If there is a loss on your 2000 Schedule D, line 18, add that loss (as a positive amount) and your 2000 capital loss carryover to 2001. Subtract from that sum the amount of the loss on your 2000 Schedule D, line 17, and enter the result 	
3. If you had an NOL for 2000, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to years after 2000	
4. Add lines 2 and 3	

Complete this workshoot if you did not use Schodule I to figure your toy for 2001 and your 2000 toyable in

• The 2000 Capital Gain Tax Worksheet below, or

• The Schedule D you filed for 2000 (but use the 2000 Tax Rate Schedules below instead of the 2000 Tax Table when figuring the tax on Schedule D, lines 33 and 53).

If line 11 is zero or less, enter zero on line 12. Otherwise, figure the tax on the amount on line 11 using:

• The 2000 Tax Rate Schedules below,

2000 Tax Rate Schedules—Line 12

Schedule X-	—Use if your	2000 filing status was Sing	gle	Schedule Y-2	2—Use if you filing sepa	r 2000 filing status was M arately	arried
If Schedule J	<i>'</i>	Enter on	of the	If Schedule J	<i>'</i>	Enter on	of the
line 11, is:	But not	Schedule J,	amount	line 11, is:	But not	Schedule J,	amount
Over—	over—	line 12	over—	Over—	over—	line 12	over—
\$0	\$26,250	15%	\$0	\$0	\$21,925	15%	\$0
26,250	63,550	\$3,937.50 + 28%	26,250	21,925	52,975	\$3,288.75 + 28%	21,925
63,550	132,600	14,381.50 + 31%	63,550	52,975	80,725	11,982.75 + 31%	52,975
132,600	288,350	35,787.00 + 36%	132,600	80,725	144,175	20,585.25 + 36%	80,725
288,350		91,857.00 + 39.6%	288,350	144,175		43,427.25 + 39.6%	144,175
Schedule Y-1	•	r 2000 filing status was Matly or Qualifying widow(ea		Schedule Z-	—Use if your household	2000 filing status was Hea	d of
If Schedule J	ſ,	Enter on	of the	If Schedule J	ſ,	Enter on	of the
line 11, is:	But not	Schedule J,	amount	line 11, is:	But not	Schedule J,	amount
Over—	over—	line 12	over—	Over—	over—	line 12	over—
\$0	\$43,850	15%	\$0	\$0	\$35,150	15%	\$0
43,850	105,950	\$6,577.50 + 28%	43,850	35,150	90,800	\$5,272.50 + 28%	35,150
105,950	161,450	23,965.50 + 31%	105,950	90,800	147,050	20,854.50 + 31%	90,800
161,450	288,350	41,170.50 + 36%	161,450	147,050	288,350	38,292.00 + 36%	147,050
288,350		86,854.50 + 39.6%	288,350	288,350		89,160.00 + 39.6%	288,350

2000 Capital Gain Tax Worksheet—Line 12

	e this worksheet only if you entered capital gain distributions directly on line 13 of your 2000 Form 1040 (or line 10 of your 1040A) and checked the box on that line and you do not have to use Schedule D to figure your tax.
	Amount from Schedule J, line 11
_	Amount from your 2000 Form 1040, line 13 (or Form 1040A, line 10) 2
3.	Subtract line 2 from line 1. If zero or less, enter -0
4.	Figure the tax on the amount on line 3. Use the 2000 Tax Rate Schedules above
5.	Enter the smaller of:
	• The amount on line 1 above or
	• \$26,250 if single for 2000; \$43,850 if married filing jointly or qualifying widow(er); \$21,925 if married filing separately; or \$35,150 if head of household.
6.	Enter the amount from line 3
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)
	Enter the smaller of line 1 or line 2
10.	Enter the amount from line 7
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)
13.	Add lines 4, 8, and 12
14.	Figure the tax on the amount on line 1. Use the 2000 Tax Rate Schedules above
15.	Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 12

If you used Schedule J to figure your tax for 2001 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 40, or on Form 1040X), enter on line 13 the amount from line 3 of that Schedule J.

If you did not use Schedule J to figure your tax for 2001, enter on line 13 the taxable income from your 2001 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you filed your 2001 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2001, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2001 until at least 3 years after April 15, 2003 (or the date you file your 2002 tax return, if later), even if you did not file a tax return for 2001.

Instructions for 2001 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2001 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2002. This could happen if the taxable income before subtracting exemptions shown on your 2001 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2001 capital loss carryover to 2002 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2001 Schedule D, line 17, over the loss on your 2001 Schedule D, line 18.

Line 3. If you had an NOL for 2001, enter the amount of that NOL as figured on line 27 of the 2001 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2001, enter the portion, if any, of the NOL carryovers and carrybacks to 2001 that were not used in 2001 and were carried to years after 2001.

Example. John Farmington did not use farm income averaging for 1999, 2000, nor 2001. The taxable income before subtracting exemptions on his 2001 Form 1040, line 37, is a negative \$1,000. This amount includes an NOL deduction (NOLD) on his 2001 Form 1040, line 21, of \$2,250. The \$2,250 is the portion of the 2000 NOL that was remaining from 1999 to be carried to 2001. See the examples on pages J-2 and J-4. A deduction for exemptions of \$2,900 is shown on Form 1040, line 38, and line 39, taxable income, is limited to zero. John does not have an NOL for 2001. John subtracts from the \$1,000 negative amount on Form 1040, line 37, the \$2,900 deduction for exemptions. The result is a negative \$3,900, John's 2001 taxable income, which he enters as a positive amount on line 1 of the 2001 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$5,000 capital loss carryover to 2002 (his 2001 capital loss carryover to 2002 was \$5,000, not \$4,000, because the amount on his Form 1040, line 37, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 18, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 17, and enters \$1,000 on line 2 of the worksheet.

John enters zero on line 3 of the worksheet because he does not have an NOL for 2001 and did not have an NOL carryover from 2001 available to carry to 2002 and later years. The NOLD for 2001 of \$2,250 was reduced to zero because it did not exceed his modified taxable income of \$4,250. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$2,900 of exemptions to negative taxable income (figured without regard to the NOLD) of \$1,650. John enters \$1,000 on line 4 and \$2,900 on line 5. He enters \$2,900 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$3,100 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2003, he will enter \$3,100 on his 2003 Schedule J as his 2001 taxable income for farm income averaging purposes.

2001 Taxable Income Worksheet—Line 13

Complete this worksheet if your 2001 taxable income is zero or less. See the instructions above before completing this worksheet.
1. Figure the taxable income from your 2001 tax return (or as previously adjusted) without limiting it to zero.
If you had an NOL for 2001, do not include any NOL carryovers or carrybacks to 2001. Enter the result
as a positive amount
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
4. Add lines 2 and 3
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13

If line 15 is zero or less, enter zero on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2001 Tax Rate Schedules below,
- The 2001 Capital Gain Tax Worksheet below, or
- The Schedule D you filed for 2001 (but use the 2001 Tax Rate Schedules below instead of the 2001 Tax Table when figuring the tax on Schedule D, lines 25 and 39, or

on lines 15 and 36 of the Schedule D Tax Worksheet).

Exception. Use the instructions for the tax return you filed for 2001 to figure the tax on the amount on line 15 if **either** of the following apply.

• You, or your spouse if filing jointly, (a) could be claimed as a dependent on someone's 2001 return and (b) did not receive (before offset) an advance payment of 2001 taxes.

• You filed Form 1040NR for 2001 and you did not receive (before offset) an advance payment of your 2001 taxes.

But, use the 2001 Tax Rate Schedules instead of the 2001 Tax Tables whenever figuring tax.

Lines 18, 19, and 20

If you filed your 1999, 2000, or 2001 tax return using TeleFile, enter your tax from your TeleFile Tax Record. If you amended your return or the IRS made changes to it, enter the corrected amount.

2001 Tax Rate Schedules-Line 16

Schedule X—Use if your 2001 filing status was Single				Schedule Y-2—Use if your 2001 filing status was Married filing separately			
If Schedule J line 15, is:	I, But not	Enter on Schedule J.	of the amount	If Schedule J line 15, is:	, But not	Enter on Schedule J.	of the amount
Over—	over—	line 16	over—	Over—	over—	line 16	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
291,330		93,374.00 ± 39.170	491,330	140,075		44,155.50 57.170	140,075
,	L—Use if you	ar 2001 filing status was M tly or Qualifying widow(6	larried			2001 filing status was Hea	,
,	l—Use if you filing join	r 2001 filing status was M	farried er)		-Use if your household	,	ad of
Schedule Y-1	l—Use if you filing join	ar 2001 filing status was Mtly or Qualifying widow(larried	Schedule Z-	-Use if your household	2001 filing status was Hea	,
Schedule Y-1 If Schedule J	1—Use if you filing join	ar 2001 filing status was M tly or Qualifying widow(or Enter on	larried er) of the	Schedule Z- If Schedule J	-Use if your household	2001 filing status was Hea	of the
Schedule Y-1 If Schedule J line 15, is:	1—Use if you filing join J, But not	ur 2001 filing status was M tly or Qualifying widow(o Enter on Schedule J,	larried er) of the amount	Schedule Z- If Schedule J line 15, is:	-Use if your household	2001 filing status was Hea Enter on Schedule J,	of the amount
If Schedule Jline 15, is: Over—	1—Use if you filing join I, But not over—	er 2001 filing status was M tly or Qualifying widow(or Enter on Schedule J, line 16	larried er) of the amount over—	Schedule Z- If Schedule J line 15, is: Over—	Use if your household , But not over—	2001 filing status was Hea Enter on Schedule J, line 16	of the amount over—
Schedule Y-1 If Schedule J line 15, is: Over— \$0	Use if you filing join J. But not over— \$45,200	er 2001 filing status was M tly or Qualifying widow(or Enter on Schedule J, line 16	of the amount over—	Schedule Z- If Schedule J line 15, is: Over— \$0	-Use if your household But not over— \$36,250	Enter on Schedule J, line 16	of the amount over—
If Schedule John 15, is: Over— \$0 45,200	1—Use if you filing join J. But not over— \$45,200 109,250	Enter on Schedule J, line 16 15% \$6,780.00 + 27.5%	of the amount over— \$0 45,200	Schedule Z- If Schedule J line 15, is: Over— \$0 36,250	-Use if your household S. But not over— \$36,250 93,650	Enter on Schedule J, line 16 15% \$5,437.50 + 27.5%	of the amount over— \$0 36,250

2001 Capital Gain Tax Worksheet-Line 16

	se this worksheet only if you entered capital gain distributions directly on line 13 of your 2001 Form 1040 (2001 Form 1040A) and checked the box on that line and you do not have to use Schedule D to figure your ta	
	Figure the tax on the amount on line 3. Use the 2001 Tax Rate Schedules above	4
	• \$27,050 if single; \$45,200 if married filing jointly or qualifying widow(er); \$22,600 if married filing separately; or \$36,250 if head of household.	
8. 9. 10.	Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	8.
12. 13. 14.	Multiply line 11 by 20% (.20)	2

2002 Instructions for Schedule SE, Self-Employment Tax

Use Schedule SE (Form 1040) to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are and even if you are already getting social security or Medicare benefits.

Additional Information. See Pub. 533.

General Instructions

A Change To Note

For 2002, the maximum amount of selfemployment income subject to social security tax is \$84,900.

Who Must File Schedule SE

You must file Schedule SE if:

- **1.** Your net earnings from self-employment (see page SE-2) from other than church employee income were \$400 or more or
- 2. You had church employee income of \$108.28 or more—see Employees of Churches and Church Organizations below

Who Must Pay Self-Employment (SE) Tax?

Self-Employed Persons

You must pay SE tax if you had net earnings of \$400 or more as a self-employed person. If you are in business for yourself or you are a farmer, you are self-employed.

You must also pay SE tax on your share of certain partnership income and your guaranteed payments. See **Partnership Income or Loss** on page SE-2.

Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you must pay SE tax. **Church employee income** is wages you received as an employee (other than as a minister or member of a religious order) from a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

Ministers and Members of Religious Orders

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a

religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed **Form 4361** and received IRS approval, you will be exempt from paying SE tax on those net earnings. If you had no other income subject to SE tax, write "Exempt–Form 4361" on line 56 of Form 1040. However, if you had other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.

Note. If you have ever filed Form 2031 to elect social security coverage on your earnings as a minister you cannot revoke that election.

If you must pay SE tax, include this income on line 2 of either Short or Long Schedule SE. But do not report it on line 5a of Long Schedule SE; it is not considered church employee income. Also, include on line 2:

- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) and
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience.

However, **do not** include on line 2:

- Retirement benefits you received from a church plan after retirement or
- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. Subtract the allowable amount from your SE earnings when figuring your SE tax.

If you were a U.S. citizen or resident alien serving outside the United States as a minister or member of a religious order and you must pay SE tax, you may not reduce your net earnings by the foreign housing exclusion or deduction.

See **Pub. 517** for details.

Members of Certain Religious Sects

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are exempt from SE tax if you received IRS approval by filing **Form 4029.** In this case, do not file Schedule SE. Instead, write "Exempt–Form 4029" on Form 1040, line 56. See Pub. 517 for details.

U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), or the Virgin Islands. Report income from this employment on line 2 of either Short or Long Schedule SE. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, in most cases you must pay SE tax. You may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Exception. The United States has social security agreements with many countries to eliminate dual taxes under two social security systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following countries:

Australia, Austria, Belgium, Canada, Chile, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. If you have questions about international social security agreements, you can:

- Visit the Social Security Administration (SSA) Web Site at www.ssa.gov/international,
- Call the SSA Office of International Programs at (410) 965-3544 or (410) 965-3554 (long-distance charges may apply), or
- Write to Social Security Administration, Office of International Programs, P.O. Box 17741, Baltimore, MD 21235-7741.

If your self-employment income is exempt from SE tax, you should get a statement from the appropriate agency of the foreign country verifying that your self-employment income is subject to social security coverage in that country. If the foreign country will not issue the statement, contact the SSA at the address shown above. **Do not** complete Schedule SE. Instead, attach a copy of the statement to Form 1040 and enter "Exempt, see attached statement" on Form 1040, line 56.

More Than One Business

If you were a farmer and had at least one other business or you had two or more businesses, your net earnings from self-employment are the combined net earnings from all of your businesses. If you had a loss in one business, it reduces the income from another. Figure the combined SE tax on one Schedule SE.

Joint Returns

Show the name of the spouse with SE income on Schedule SE. If both spouses have SE income, each must file a separate Schedule SE. However, if one spouse qualifies to use Short Schedule SE and the other has to use Long Schedule SE, both can use the **same** form. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Enter the combined SE tax on Form 1040, line 56.

Community Income

In most cases, if any of the income from a business (including farming) is community income, all of the income from that business is SE earnings of the spouse who carried on the business. The facts in each case will determine which spouse carried on the business. If you and your spouse are partners in

a partnership, see **Partnership Income or Loss** on this page.

If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also, attach Schedule(s) C, C-EZ, or F to the return of each spouse.

If you are the spouse who carried on the business, you must include on line 3, Schedule SE, the net profit or (loss) reported on the other spouse's Schedule C, C-EZ, or F (except income not included in net earnings from self-employment as explained on page SE-3). Enter on the dotted line to the left of line 3, Schedule SE, "Community Income Taxed to Spouse" and the amount of any net profit or (loss) allocated to your spouse as community income. Combine that amount with the total of lines 1 and 2 and enter the result on line 3.

If you are not the spouse who carried on the business and you had no other income subject to SE tax, enter "Exempt Community Income" on Form 1040, line 56; do not file Schedule SE. However, if you had other earnings subject to SE tax of \$400 or more, enter on the dotted line to the left of line 3, Schedule SE, "Exempt Community Income" and the amount of the net profit or (loss) from Schedule C, C-EZ, or F allocated to you as community income. If that amount is a net profit, subtract it from the total of lines 1 and 2, and enter the result on line 3. If that amount is a loss, treat it as a positive amount, add it to the total of lines 1 and 2, and enter the result on line 3.



Community income included on Schedule(s) C, C-EZ, or F must be divided for income tax purposes on the basis of the commu-

nity property laws.

Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

Specific Instructions

Read the chart on page 1 of Schedule SE to see if you can use **Section A**, Short Schedule SE, or if you must use **Section B**, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the following instructions to see what to include as net earnings and how to fill in lines 1 and 2 of either Short or Long Schedule SE. Enter all negative amounts in parentheses.

Net Earnings From Self-Employment

What Is Included in Net Earnings From Self-Employment?

In most cases, net earnings include your net profit from a farm or nonfarm business. If you were a partner in a partnership, see the following instructions.

Partnership Income or Loss

If you were a general or limited partner in a partnership, include on line 1 or line 2, whichever applies, the amount from line 15a of Schedule K-1 (Form 1065) or the amount identified as net earnings from self-employment in box 9 of Schedule K-1 (Form 1065-B). General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you reduce the amount you enter on Schedule SE, attach an explanation.

If a partner died and the partnership continued, include in SE income the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she died. See Internal Revenue Code section 1402(f).

If you were married and both you and your spouse were partners in a partnership, each of you must pay SE tax on your own share of the partnership income. Each of you must file a Schedule SE and report the partnership income or loss on **Schedule E** (Form 1040), Part II, for income tax purposes.

SE income belongs to the person who is the member of the partnership and cannot be treated as SE income by the nonmember spouse even in community property states.

Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or a share of the proceeds from the sale of them). This applies even if you paid another person (an agent) to do the actual work or management for you. Report your net earnings for income tax purposes on **Schedule F** (Form 1040) and for SE tax purposes on Schedule SE. See **Pub. 225** for details.

Other Income and Losses Included in Net Earnings From Self-Employment

• Rental income from a farm if, as landlord, you materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you materially participated in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests are explained in Pub. 225.

- Cash or a payment-in-kind from the Department of Agriculture for participating in a land diversion program.
- Payments for the use of rooms or other space when you also provided substantial services. Examples are hotel rooms, boarding houses, tourist camps or homes, parking lots, warehouses, and storage garages.
- Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.
- Amounts received by current or former self-employed insurance agents and salespersons that are:
- 1. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement,
 - 2. Renewal commissions, or
- **3.** Deferred commissions paid after retirement for sales made before retirement.

However, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment (as explained under Income and Losses Not Included in Net Earnings From Self-Employment on this page).

- Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See **Pub. 595** for details.
- Fees as a state or local government employee if you were paid only on a fee basis and the job was not covered under a Federal-state social security coverage agreement.
- Interest received in the course of any trade or business, such as interest on notes or accounts receivable.
- Fees and other payments received by you for services as a director of a corporation.
- Recapture amounts under sections 179 and 280F that you included in gross income because the business use of the property dropped to 50% or less. Do not include amounts you recaptured on the disposition of property. See **Form 4797.**
- Fees you received as a professional fiduciary. This may also apply to fees paid to you as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's business, or the management of an estate that required extensive management activities over a long period of time.
- Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

Income and Losses Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security or Medicare tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained earlier under Other Income and Losses Included in Net Earnings From Self-Employment) or as an employee or employee representative under the railroad retirement system.
- Fees received for services performed as a notary public. If you had no other income subject to SE tax, enter "Exempt-Notary" on Form 1040, line 56. However, if you had other earnings of \$400 or more subject to SE tax, enter "Exempt-Notary" and the amount of your net profit as a notary public from Schedule C or Schedule C-EZ on the dotted line to the left of line 3, Schedule SE. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.
- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.
- Income from real estate rentals if you did not receive the income in the course of a trade or business as a real estate dealer. Report this income on Schedule E.
- Income from farm rentals (including rentals paid in crop shares) if, as landlord, you did not materially participate in the production or management of the production of farm products on the land. See Pub. 225 for details.
- Dividends on shares of stock and interest on bonds, notes, etc., if you did not receive the income in the course of your trade or business as a dealer in stocks or securities.
 - Gain or loss from:
 - 1. The sale or exchange of a capital asset;
- 2. The sale, exchange, involuntary conversion, or other disposition of property unless the property is stock in trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or
- **3.** Certain transactions in timber, coal, or domestic iron ore.
 - Net operating losses from other years.
- Termination payments you received as a former insurance salesperson if **all** of the following conditions are met.
- **1.** The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

- **2.** The payment was received after termination of your agreement to perform services for the company.
- **3.** You did not perform any services for the company after termination and before the end of the year in which you received the payment.
- **4.** You entered into a covenant not to compete against the company for at least a 1-year period beginning on the date of termination.
- **5.** The amount of the payment depended primarily on policies sold by or credited to your account during the last year of the agreement, or the extent to which those policies remain in force for some period after termination, or both.
- **6.** The amount of the payment did not depend to any extent on length of service or overall earnings from services performed for the company (regardless of whether eligibility for the payment depended on length of service).

Statutory Employee Income

If you were required to check the box on line 1 of Schedule C or C-EZ because you were a statutory employee, **do not** include the net profit or (loss) from line 31 of that Schedule C (or the net profit from line 3 of Schedule C-EZ) on line 2 of Short or Long Schedule SE. But if you file Long Schedule SE, be sure to include statutory employee social security wages and tips from Form W-2 on line 8a.

Optional Methods

How Can the Optional Methods Help You?

Social Security Coverage. The optional methods may give you credit toward your social security coverage even though you have a loss or a small amount of income from self-employment.

Earned Income Credit (EIC). Using the optional methods may qualify you to claim the EIC or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the EIC with and without using the optional methods to see if the optional methods will benefit you.

Additional Child Tax Credit. Using the optional methods may qualify you to claim the additional child tax credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the additional child tax credit with and without using the optional methods to see if the optional methods will benefit you.

Child and Dependent Care Credit. The optional methods may also help you qualify for this credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure this credit with and without using the optional methods to see if the optional methods will benefit you.

Note. Using the optional methods may give you the benefits described above but they may also increase your SE tax.

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$2,400 or less **or** your net farm profits (defined on this page) were less than \$1,733. There is no limit on how many years you can use this method.

Under this method, you report on line 15, Part II, two-thirds of your gross farm income, up to \$1,600, as your net earnings. This method can increase or decrease your net earnings from farm self-employment even if the farming business had a loss.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do this, file **Form 1040X**.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. If you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Net farm profits is the total of the amounts from Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), line 15a, from farm partnerships.

Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm selfemployment if your net nonfarm profits (defined on this page) were less than \$1,733 and also less than 72.189% of your gross nonfarm income. To use this method, you also must be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were \$400 or more in 2 of the 3 years preceding the year you use the nonfarm method. The net earnings of \$400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of partnership income or loss subject to SE tax. Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, you report on line 17, Part II, two-thirds of your gross nonfarm income, up to \$1,600, as your net earnings. But **you may not report less than your actual net earnings** from nonfarm self-employment.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do so, file Form 1040X.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See **Farm Optional Method** on this page for details.

Net nonfarm profits is the total of the amounts from Schedule C (Form 1040), line 31 (or Schedule C-EZ (Form 1040), line 3), Schedule K-1 (Form 1065), line 15a (from other than farm partnerships), and Schedule K-1 (Form 1065-B), box 9.

Using Both Optional Methods

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm self-employment, but you cannot report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you **cannot** report more than \$1,600 of net earnings from self-employment.

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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.



If an envelope addressed to "Internal Revenue Service Center" came with this booklet, please use it. If you do not have one or if you moved during the year, mail your return to the Internal Revenue Service Center shown that applies to you.



Envelopes without enough postage will be returned to you by the post office. Your envelope may need additional postage if it contains more than five oversized (for example, it is over 1/4")

pages or is oversized (for example, it is over ½" thick). Also, include your complete return address.

	THEN use this address if you:			
IF you live in	Are not enclosing a check or money order	Are enclosing a check or money order		
Florida, Georgia, Mississippi, North Carolina, South Carolina, West Virginia	Internal Revenue Service Center Atlanta, GA 39901-0002	Internal Revenue Service Center Atlanta, GA 39901-0102		
New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Internal Revenue Service Center Holtsville, NY 00501-0002	Internal Revenue Service Center Holtsville, NY 00501-0102		
New York (all other counties), Maine, Massachusetts, Michigan, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center Andover, MA 05501-0002	Internal Revenue Service Center Andover, MA 05501-0102		
Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Utah, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999-0002	Internal Revenue Service Center Kansas City, MO 64999-0102		
Connecticut, Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania	Internal Revenue Service Center Philadelphia, PA 19255-0002	Internal Revenue Service Center Philadelphia, PA 19255-0102		
Colorado, Kentucky, Louisiana, Montana, New Mexico, Oklahoma, Texas, Wyoming	Internal Revenue Service Center Austin, TX 73301-0002	Internal Revenue Service Center Austin, TX 73301-0102		
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Alabama, Arkansas, Ohio, Tennessee, Virginia	Internal Revenue Service Center Memphis, TN 37501-0002	Internal Revenue Service Center Memphis, TN 37501-0102		
All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (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		

^{*} 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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