

1040

NOTE: THIS BOOKLET DOES NOT CONTAIN TAX FORMS

INSTRUCTIONS

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

2008



makes doing your taxes faster and easier.

Get a faster refund, reduce errors, and save paper. For more information on **IRS e-file**, see **page 5** or click on **IRS e-file** at www.irs.gov.

IRA DEDUCTION INCREASED

You and your spouse, if filing jointly, may each be able to deduct up to \$5,000 (\$6,000 if age 50 or older at the end of 2008).

STANDARD DEDUCTION FOR REAL ESTATE TAXES AND DISASTER LOSSES

You may be able to increase your standard deduction by state and local real estate taxes you paid and certain disaster losses.

FIRST-TIME HOMEBUYER CREDIT

If you bought a home after April 8, 2008, you may be able to take this credit.

RECOVERY REBATE CREDIT

This credit is reduced by any economic stimulus payment you received.

MAILING YOUR RETURN

You may be mailing your return to a different address this year.

For details on these and other changes, see pages 6 and 7.



A Message From the Commissioner

Dear Taxpayer,

U.S. Supreme Court Justice Oliver Wendell Holmes, Jr. notably said “Taxes are what we pay for civilized society.” We should be proud that the vast majority of American citizens pay their taxes honestly and of their own free will. In an ever more complex and global world, we cannot take for granted this cornerstone principle of our democracy.

For the IRS’s part, we owe it to all taxpayers to make the process of paying taxes as easy as possible. IRS employees are dedicated to helping taxpayers to quickly get their questions answered, complete their forms, pay their taxes, and get back to their lives. From the telephone representative who answers tax law questions, to the walk-in site employees who help low-income taxpayers, to the technicians that design and build our website – www.irs.gov – we are committed to providing top quality service.

Unfortunately, there will always be some that cheat their fellow citizens by avoiding the payment of their fair share of taxes. The IRS owes it to the millions of you who promptly pay your taxes in full to pursue these people through strong enforcement programs. I believe this is a basic matter of fairness.

If you need more information about taxes, I hope you’ll visit us online at www.irs.gov, or call us toll free at 1-800-829-1040. Your government works for you, so please do not hesitate to contact us if you need help.

Sincerely,



Douglas H. Shulman

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.



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Department
of the
Treasury

Internal
Revenue
Service

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IRS Customer Service Standards

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

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

- Prompt refunds.
- Canceling penalties.
- Resolving problems.
- Simpler forms.

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

Help With Unresolved Tax Issues

Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. You may be eligible for assistance if:

- You are experiencing economic harm or significant cost (including fees for professional representation),
- You have experienced a delay of more than 30 days to resolve your tax issue, or
- You have not received a response or resolution to the problem by the date promised by the IRS.

The service is free, confidential, tailored to meet your needs, and available for businesses as well as individuals. There is at least one local taxpayer advocate in each state, the District of Columbia, and Puerto Rico. Because advocates are part of the IRS, they know the tax system and how to navigate it. If you qualify for assistance, you will receive personalized service from a knowledgeable advocate who will:

- Listen to your problem,
- Help you understand what needs to be done to resolve it, and
- Stay with you every step of the way until your problem is resolved.

You can contact the Taxpayer Advocate Service by:

- Calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059,
- Calling or writing your local taxpayer advocate, whose address and phone number are listed in the government listings in your local telephone directory and in Pub. 1546, Taxpayer Advocate Service—Your Voice at the IRS,
- Filing Form 911, Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order), with the Taxpayer Advocate Service, or
- Asking an IRS employee to complete Form 911 on your behalf.

To get a copy of Form 911 or learn more about the Taxpayer Advocate Service, go to www.irs.gov/advocate.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers who speak English as a second language. Pub. 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at www.irs.gov or your local IRS office.

e-file! A fast alternative to filing paper returns.

Why do more than 88 million taxpayers file their returns electronically?
It's faster, easier, accurate, and more convenient than paper filing.



With e-file, taxpayers receive these benefits:

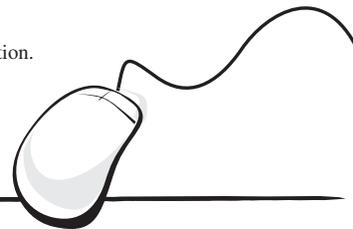
- Faster refunds...in as little as 10 days with Direct Deposit.
- Greater accuracy...a 1% or less error rate.
- Secure and confidential submission.
- Quick notification of receipt of return.
- No paper return to mail.
- File now, pay later.

More than half a billion federal tax returns have been e-filed! e-file helps the environment, uses less paper, and saves taxpayer money—it costs less to process an e-filed return than a paper return.

Totally Safe and Secure

The IRS uses the most secure technology available to safeguard your personal information. Rest assured that when you e-file, your information will be safe.

Visit: www.irs.gov/efile for the latest information.



Make Under \$56,000? e-file For Free!

If your 2008 adjusted gross income was \$56,000 or less, you can electronically file for FREE by using Free File at www.irs.gov!

Use Free File and get these benefits:

- Easy to use, safe, and accurate.
- File your taxes online 24 hours a day, 7 days a week (must access Free File through www.irs.gov).
- Receive your refund in as little as 10 days with Direct Deposit.
- Available in English and Spanish.
- Save paper—help the environment.

Made more than \$56,000? You can still file your taxes online with e-file. Check out the IRS e-file for Individuals page on www.irs.gov for low-cost e-filing options.

Use IRS e-file if you don't qualify for Free File. There are three ways:

→ Use a tax professional.

Many taxpayers rely on tax professionals to handle their returns and most tax professionals can e-file your return—you just have to be sure to ask. Also, tax professionals can charge a fee for IRS e-file. Fees can vary depending on the professional and specific services rendered, so be sure to discuss this up front.

→ Use a computer.

You can easily electronically prepare and e-file your own tax return. To do so, you'll need:

- A computer with Internet access, and
- IRS-approved tax preparation software available via the Internet for online use, for download from the Internet, and in retail stores for offline use. Visit www.irs.gov/efile for details.

→ Use a volunteer.

The VITA Program offers free tax help for low to moderate income (under \$35,000) taxpayers who cannot prepare their own tax returns. The Tax Counseling for the Elderly (TCE) Program provides free tax help to people age 60 and older.

e-IRS

You can accomplish many things electronically within www.irs.gov. The e-IRS is a gateway to the many IRS electronic options and it's available 24 hours a day, 7 days a week. Should you choose to file a paper return, you'll find information, resources, and all of the forms ready to download.

What's New

What's New for 2008

Economic stimulus payment. Any economic stimulus payment you received is not taxable for federal income tax purposes but reduces your recovery rebate credit.

Recovery rebate credit. This credit is figured like last year's economic stimulus payment, except that the amounts are based on tax year 2008 instead of tax year 2007. The maximum credit is \$600 (\$1,200 if married filing jointly) plus \$300 for each qualifying child. See the instructions for line 70 that begin on page 61.

Withdrawal of economic stimulus payment from certain accounts. If your economic stimulus payment was directly deposited to a tax-favored account and you withdraw the payment by the due date of your return (including extensions), the amount withdrawn will not be taxed and no additional tax or penalty will apply. For a Coverdell education savings account, the withdrawal can be made by the later of the above date or June 1, 2009. See the instructions for lines 15a and 15b, 21, and 59.

Alternative minimum tax (AMT) exemption amount increased. The AMT exemption amount is increased to \$46,200 (\$69,950 if married filing jointly or a qualifying widow(er); \$34,975 if married filing separately).

IRA deduction expanded. You and your spouse, if filing jointly, each may be able to deduct up to \$5,000 (\$6,000 if age 50 or older at the end of the year). You may be able to take an IRA deduction if you were covered by a retirement plan and your 2008 modified adjusted gross income (AGI) is less than \$63,000 (\$105,000 if married filing jointly or qualifying widow(er)). If your spouse was covered by a retirement plan, but you were not, you may be able to take an IRA deduction if your 2008 modified AGI is less than \$169,000. See the instructions for line 32 that begin on page 30 for details and exceptions.

Standard deduction increased by real estate taxes and net disaster losses. Your standard deduction is increased by:

- Certain state or local real estate taxes you paid, and
- A net disaster loss attributable to a federally declared disaster.

See the instructions for line 39c on page 34.

First-time homebuyer credit. If you bought a main home after April 8, 2008, and before July 1, 2009, and did not own a main home during the prior 3 years, you may be able to take this credit. See the instructions for line 69 on page 61.

Rollovers to Roth IRAs. You can rollover distributions from an eligible retirement

plan to a Roth IRA. The rollover is not tax-free. See the instructions for lines 16a and 16b for details.

Standard mileage rates. The 2008 rate for business use of your vehicle is 50½ cents a mile (58½ cents a mile after June 30, 2008). The 2008 rate for use of your vehicle to get medical care or to move is 19 cents a mile (27 cents a mile after June 30, 2008).

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

- A child lived with you and you earned less than \$38,646 (\$41,646 if married filing jointly), or
- A child did not live with you and you earned less than \$12,880 (\$15,880 if married filing jointly).

The maximum AGI you can have and still get the credit also has increased. You may be able to take the credit if your AGI is less than the amount in the above list that applies to you. The maximum investment income you can have and still get the credit has increased to \$2,950. See the instructions for lines 64a and 64b that begin on page 46.

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.

Personal exemption and itemized deduction phaseouts reduced. Taxpayers with adjusted gross income above a certain amount may lose part of their deduction for personal exemptions and itemized deductions. The amount by which these deductions are reduced in 2008 is only ½ of the amount of the reduction that otherwise would have applied in 2007.

Tax rate on qualified dividends and net capital gain reduced. The 5% tax rate on qualified dividends and net capital gain is reduced to zero.

Tax on child's investment income. Form 8615 is required to figure the tax for a child with investment income of more than \$1,800 if the child:

1. Was under age 18 at the end of 2008,
2. Was age 18 at the end of 2008 and did not have earned income that was more than half of the child's support, or
3. Was a full-time student over age 18 and under age 24 at the end of 2008 and did not have earned income that was more than half of the child's support.

The election to report a child's investment income on a parent's return and the special rule for when a child must file Form 6251 also now apply to the children listed above.

Tax relief for Kansas disaster area. Temporary tax relief was enacted as a result of May 4, 2007, storms and tornadoes affecting the Kansas disaster area. The tax benefits provided by this relief include suspended limits for certain personal casualty losses and special rules for withdrawals and loans from IRAs and other qualified retirement plans. For more details on these and other tax benefits related to the Kansas disaster area, see Pub. 4492-A.

Tax relief for Midwestern disaster areas. Temporary tax relief was enacted as a result of severe storms, tornadoes, or flooding affecting Midwestern disaster areas after May 19, 2008, and before August 1, 2008. The tax benefits provided by this relief include the following.

- Suspended limits for certain personal casualty losses and cash contributions.
- An additional exemption amount if you provided housing for a person displaced by the Midwestern storms, tornadoes, or flooding.
- An election to use your 2007 earned income to figure your 2008 EIC and additional child tax credit.
- An increased charitable standard mileage rate for using your vehicle for volunteer work related to the Midwestern storms, tornadoes, or flooding.
- Special rules for time and support tests for people who were temporarily relocated because of the Midwestern storms, tornadoes, or flooding.
- Special rules for withdrawals and loans from IRAs and other qualified retirement plans.

For more details on these and other tax benefits related to the Midwestern disaster areas, see Pub. 4492-B.

Credit for nonbusiness energy property expired. The credit for nonbusiness energy property has expired and does not apply for 2008. Form 5695 is now used only to claim the residential energy efficient property credit.

What's New for 2009

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

- A child lived with you and you earned less than \$40,295 (\$43,415 if married filing jointly), or
- A child did not live with you and you earned less than \$13,440 (\$16,560 if married filing jointly).

The maximum AGI you can have and still get the credit also has increased. You may be able to take the credit if your AGI is less than the amount in the above list that applies to you. The maximum investment

income you can have and still get the credit has increased to \$3,100.

IRA deduction expanded. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2009 modified AGI is less than \$65,000 (\$109,000 if married filing jointly or qualifying widow(er)). If your spouse was covered by a retirement plan, but you were not, you may be able to take an IRA deduction if your 2009 modified AGI is less than \$176,000.

Elective salary deferrals. The maximum amount you can defer under all plans is generally limited to \$16,500 (\$11,500 if you only have SIMPLE plans; \$19,500 for section 403(b) plans if you qualify for the 15-year rule). The catch-up contribution limit for individuals age 50 or older at the end of the year is increased to \$5,500 (except for section 401(k)(11) plans and SIMPLE plans, for which this limit remains unchanged).

Divorced or separated parents. A noncustodial parent claiming an exemption for a child can no longer attach certain pages from a divorce decree or separation agreement instead of Form 8332 if the decree or agreement was executed after 2008. The noncustodial parent will have to attach Form 8332 or a similar statement signed by

the custodial parent and whose only purpose is to release a claim to exemption.

Limit on exclusion of gain on sale of main home. Generally, gain from the sale of your main home is no longer excludable from income if it is allocable to periods after 2008 where neither you nor your spouse (or your former spouse) used the property as a main home. See Pub. 553 for more details.

Credit for plug-in electric drive motor vehicles. You may be able to take a credit if you place a plug-in electric drive motor vehicle in service in 2009.

Qualifying child definition revised. The following changes to the definition of a qualifying child apply to years after 2008.

- Your qualifying child must be younger than you.
- A child cannot be your qualifying child if he or she files a joint return, unless the return was filed only as a claim for refund.
- If the parents of a child can claim the child as a qualifying child but no parent so claims the child, no one else can claim the child as a qualifying child unless that person's AGI is higher than the highest AGI of any parent of the child.
- Your child is a qualifying child for purposes of the child tax credit only if you

can and do claim an exemption for him or her.

Credit for nonbusiness energy property. You may be able to take this credit for qualifying energy savings items for your home placed in service in 2009.

Personal casualty and theft loss limit. Generally, a personal casualty or theft loss must exceed \$500 to be allowed for 2009. This is in addition to the 10% of AGI limit that generally applies to the net loss.

Alternative minimum tax (AMT) exemption amount decreased. The AMT exemption amount is decreased to \$33,750 (\$45,000 if married filing jointly or a qualifying widow(er); \$22,500 if married filing separately).

Allowance of certain personal credits against the AMT. The allowance of the following personal credits against the AMT has expired.

- Credit for child and dependent care expenses.
- Credit for the elderly or the disabled.
- Education credits.
- Mortgage interest credit.
- Residential energy credits.
- District of Columbia first-time homebuyer credit.

Filing Requirements

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



Have you tried IRS e-file? It's the fastest way to get your refund and it's free if you are eligible. Visit www.irs.gov for details.

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 84) 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, additional child tax credit, health coverage tax credit, refundable credit for prior year minimum tax, first-time homebuyer credit, or recovery rebate credit.

Exception for certain children under age 19 or full-time students. If certain conditions apply, you can elect to include on your return the income of a child who was under age 19 at the end of 2008 or was a full-time student under age 24 at the end of 2008. To do so, use Form 8814. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 84) or see Form 8814.

A child born on January 1, 1985, is considered to be age 24 at the end of 2008. Do not use Form 8814 for such a child.

Resident aliens. These rules also apply if you were a resident alien. Also, you may qualify for certain tax treaty benefits. See Pub. 519 for details.

Nonresident aliens and dual-status aliens. These rules also apply if you were a nonresident alien or a dual-status alien and both of the following apply.

- You were married to a U.S. citizen or resident alien at the end of 2008.
- You elected to be taxed as a resident alien. See Pub. 519 for details.



Specific rules apply to determine if you are a resident alien, nonresident alien, or dual-status alien. Most nonresident aliens and dual-status aliens have different filing requirements and may have to file Form 1040NR or Form 1040NR-EZ. Pub. 519 discusses these requirements and other information to help aliens comply with U.S. tax law, including tax treaty benefits and special rules for students and scholars.

When and Where Should You File?

File Form 1040 by **April 15, 2009**. If you file after this date, you may have to pay interest and penalties. See page 83.

If you were serving in, or in support of, the U.S. Armed Forces in a designated combat zone, qualified hazardous duty area, or contingency operation, you can file later. See Pub. 3 for details.

See the back cover for filing instructions and addresses. For details on using a private delivery service, see page 8.

What if You Cannot File on Time?

You can get an automatic 6-month extension if, no later than the date your return is due, you file Form 4868. For details, see Form 4868.



An automatic 6-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 alien, you may qualify for an automatic

extension of time to file without filing Form 4868. 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. If you are still unable to file your return by the end of the 2-month period, you can get an addi-

tional 4 months if, no later than June 15, 2009, you file Form 4868. This 4-month extension of time to file does not extend the time to pay your tax. See Form 4868.

Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the “timely mailing as timely filing/paying” rule for tax returns and payments. These private delivery services include only the following.

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

- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Over-

night, 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.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 2008 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65 65 or older	\$8,950 10,300
Married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$17,900 18,950 20,000
Married filing separately (see page 15)	any age	\$3,500
Head of household (see page 15)	under 65 65 or older	\$11,500 12,850
Qualifying widow(er) with dependent child (see page 16)	under 65 65 or older	\$14,400 15,450

* If you were born on January 1, 1944, you are considered to be age 65 at the end of 2008.

** **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 can exclude part or all of it). Do not include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2008 or (b) one-half of your social security benefits plus your other gross income is more than \$25,000 (\$32,000 if married filing jointly). If (a) or (b) applies, see the instructions for lines 20a and 20b to figure the taxable part of social security benefits you must include in gross income.

*** If you did not live with your spouse at the end of 2008 (or on the date your spouse died) and your gross income was at least \$3,500, you must file a return regardless of your age.

Chart B—For Children and Other Dependents (See the instructions for line 6c that begin on page 17 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. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. **Earned income** includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

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 \$900.
 - Your earned income was over \$5,450.
 - Your gross income was more than the **larger** of—
 - \$900, or
 - Your earned income (up to \$5,150) plus \$300.
- Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over \$2,250 (\$3,600 if 65 or older **and** blind).
 - Your earned income was over \$6,800 (\$8,150 if 65 or older **and** blind).
 - Your gross income was more than the **larger** of—
 - \$2,250 (\$3,600 if 65 or older **and** blind), or
 - Your earned income (up to \$5,150) plus \$1,650 (\$3,000 if 65 or older **and** blind).

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

- No.** You must file a return if **any** of the following apply.
- Your unearned income was over \$900.
 - Your earned income was over \$5,450.
 - 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—
 - \$900, or
 - Your earned income (up to \$5,150) plus \$300.
- Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over \$1,950 (\$3,000 if 65 or older **and** blind).
 - Your earned income was over \$6,500 (\$7,550 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—
 - \$1,950 (\$3,000 if 65 or older **and** blind), or
 - Your earned income (up to \$5,150) plus \$1,350 (\$2,400 if 65 or older **and** blind).

Chart C—Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2008.

1. You owe any special taxes, including any of the following.
 - a. Alternative minimum tax.
 - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
 - c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file **Schedule H** by itself.
 - d. Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
 - e. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts. See the instructions for line 61 on page 45.
 - f. Recapture taxes. See the instructions for line 44, that begin on page 36, and line 61, on page 45.
2. You received any advance earned income credit (EIC) payments from your employer. These payments are shown in Form W-2, box 9.
3. You had net earnings from self-employment of at least \$400.
4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

Where To Report Certain Items From 2008 Forms W-2, 1098, and 1099



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

If any federal income tax withheld is shown on these forms, include the tax withheld on Form 1040, line 62. If you itemize your deductions and any state or local income tax withheld is shown on these forms, include the tax withheld on Schedule A, line 5, unless you elect to deduct state and local general sales taxes.

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
W-2	Wages, tips, other compensation (box 1) Allocated tips (box 8) Advance EIC payment (box 9) Dependent care benefits (box 10) Adoption benefits (box 12, code T) Employer contributions to an Archer MSA (box 12, code R) Employer contributions to a health savings account (box 12, code W)	Form 1040, line 7 See <i>Wages, Salaries, Tips, etc.</i> on page 20 Form 1040, line 60 Form 2441, Part III Form 8839, line 22 Form 8853, line 3 Form 8889, line 9
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1) Points (box 2) Refund of overpaid interest (box 3) Mortgage insurance premiums (box 4)	Schedule A, line 10* Form 1040, line 21, but first see the instructions on Form 1098* See the instructions for Schedule A, line 13*
1098-C	Contributions of motor vehicles, boats, and airplanes	Schedule A, line 17
1098-E	Student loan interest (box 1)	See the instructions for Form 1040, line 33, on page 33*
1098-T	Qualified tuition and related expenses (box 1)	See the instructions for Form 1040, line 34, on page 34, or Form 1040, line 50, on page 40, but first see the instructions on Form 1098-T*
1099-A	Acquisition or abandonment of secured property	See Pub. 4681
1099-B	Stocks, bonds, etc. (box 2) Bartering (box 3) Aggregate profit or (loss) (box 11)	See the instructions on Form 1099-B See Pub. 525 Form 6781, line 1
1099-C	Canceled debt (box 2)	See Pub. 4681
1099-DIV	Total ordinary dividends (box 1a) Qualified dividends (box 1b) Total capital gain distributions (box 2a) Unrecaptured section 1250 gain (box 2b) Section 1202 gain (box 2c) Collectibles (28%) gain (box 2d) Nondividend distributions (box 3) Investment expenses (box 5) Foreign tax paid (box 6)	Form 1040, line 9a See the instructions for Form 1040, line 9b, on page 21 Form 1040, line 13, or, if required, Schedule D, line 13 See the instructions for Schedule D, line 19, that begin on page D-8 See <i>Exclusion of Gain on Qualified Small Business (QSB) Stock</i> in the instructions for Schedule D on page D-4 See the instructions for Schedule D, line 18, on page D-7 See the instructions for Form 1040, line 9a, on page 21 Schedule A, line 23 Form 1040, line 47, or Schedule A, line 8. But first see the instructions for line 47 on page 40.
1099-G	Unemployment compensation (box 1) State or local income tax refunds, credits, or offsets (box 2) ATAA payments (box 5) Taxable grants (box 6) Agriculture payments (box 7)	Form 1040, line 19. But if you repaid any unemployment compensation in 2008, see the instructions for line 19 on page 26. See the instructions for Form 1040, line 10, on page 22. If box 8 on Form 1099-G is checked, see the box 8 instructions. Form 1040, line 21 Form 1040, line 21 (but if you received a grant to reimburse a casualty loss to your main home due to Hurricane Katrina, Rita, or Wilma, see the Form 4684 instructions for a special rule that may apply)* See the Instructions for Schedule F or Pub. 225*
* If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.		

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1) Early withdrawal penalty (box 2) Interest on U.S. savings bonds and Treasury obligations (box 3) Investment expenses (box 5) Foreign tax paid (box 6) Tax-exempt interest (box 8) Specified private activity bond interest (box 9)	See the instructions for Form 1040, line 8a, on page 21 Form 1040, line 30 See the instructions for Form 1040, line 8a, on page 21 Schedule A, line 23 Form 1040, line 47, or Schedule A, line 8. But first see the instructions for line 47 on page 40. Form 1040, line 8b Form 6251, line 11
1099-LTC	Long-term care and accelerated death benefits	See Pub. 525 and the Instructions for Form 8853
1099-MISC	Rents (box 1) Royalties (box 2) Other income (box 3) Nonemployee compensation (box 7) Excess golden parachute payments (box 13) Other (boxes 5, 6, 8, 9, 10, and 15b)	See the Instructions for Schedule E* Schedule E, line 4 (for timber, coal, and iron ore royalties, see Pub. 544)* Form 1040, line 21* Schedule C, C-EZ, or F. But if you were not self-employed, see the instructions on Form 1099-MISC. See the instructions for Form 1040, line 61, on page 45 See the instructions on Form 1099-MISC
1099-OID	Original issue discount (box 1) Other periodic interest (box 2) } Early withdrawal penalty (box 3) Original issue discount on U.S. Treasury obligations (box 6) Investment expenses (box 7)	See the instructions on Form 1099-OID Form 1040, line 30 See the instructions on Form 1099-OID Schedule A, line 23
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5) Domestic production activities deduction (box 6) Credits (boxes 7, 8, and 10) Patron's AMT adjustment (box 9) Deduction for small refiner capital costs or qualified refinery property (box 10)	Schedule C, C-EZ, or F or Form 4835, but first see the instructions on Form 1099-PATR Form 8903, line 21 See the instructions on Form 1099-PATR Form 6251, line 27 Schedule C, C-EZ, or F
1099-Q	Qualified education program payments	See the instructions for Form 1040, line 21, on page 28
1099-R	Distributions from IRAs** Distributions from pensions, annuities, etc. Capital gain (box 3)	See the instructions for Form 1040, lines 15a and 15b, that begin on page 23 See the instructions for Form 1040, lines 16a and 16b, that begin on page 24 See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2) Buyer's part of real estate tax (box 5)	Form 4797, Form 6252, or Schedule D. But if the property was your home, see the Instructions for Schedule D to find out if you must report the sale or exchange. Report an exchange of like-kind property on Form 8824 even if no gross proceeds are reported on Form 1099-S. See the instructions for Schedule A, line 6, on page A-5*
1099-SA	Distributions from health savings accounts (HSAs) Distributions from MSAs***	Form 8889, line 14a Form 8853
<p>* If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.</p> <p>** This includes distributions from Roth, SEP, and SIMPLE IRAs.</p> <p>*** This includes distributions from Archer and Medicare Advantage MSAs.</p>		

Tax Return Page Reference

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

Form **1040**

Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 2008

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

Label (14) (See instructions on page 14.)
Use the IRS label. Otherwise, please print or type.

LABEL HERE

For the year Jan. 1–Dec. 31, 2008, or other tax year beginning _____, 2008, ending _____, 20

Your first name and initial _____ Last name _____

If a joint return, spouse's first name and initial _____ Last name _____

Home address (number and street). If you have a P.O. box, see page 14. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, see page 14. _____

OMB No. 1545-0074

Your social security number _____ (14)

Spouse's social security number _____ (14)

▲ You must enter your SSN(s) above. ▲

Checking a box below will not change your tax or refund.

Presidential Election Campaign (14) Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) ▶ You Spouse

Filing Status

1 Single (14)

2 Married filing jointly (even if only one had income) (15)

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

4 Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ _____

5 Qualifying widow(er) with dependent child (see page 16)

Exemptions (16)

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

6b Spouse

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 17)
_____	_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	_____	<input type="checkbox"/>

If more than four dependents, see page 17. (17)

d Total number of exemptions claimed _____

Boxes checked on 6a and 6b _____

No. of children on 6c who:

- lived with you _____
- did not live with you due to divorce or separation (see page 18) _____

Dependents on 6c not entered above (18)

Add numbers on lines above ▶

Income (67)

7 Wages, salaries, tips, etc. Attach Form(s) W-2 7 (20)

8a Taxable interest. Attach Schedule B if required 8a (21)

b Tax-exempt interest. Do not include on line 8a 8b (21)

9a Ordinary dividends. Attach Schedule B if required 9a (21)

b Qualified dividends (see page 21) 9b (21)

10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22) 10 (22)

11 Alimony received 11 (23)

12 Business income or (loss). Attach Schedule C or C-EZ 12 (23)

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ 13 (23)

14 Other gains or (losses). Attach Form 4797 14 (23)

15a IRA distributions 15a (23) b Taxable amount (see page 23) 15b (23)

16a Pensions and annuities 16a (24) b Taxable amount (see page 24) 16b (24)

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 17

18 Farm income or (loss). Attach Schedule F 18

19 Unemployment compensation 19 (26)

20a Social security benefits 20a (26) b Taxable amount (see page 26) 20b (26)

21 Other income. List type and amount (see page 28) 21 (28)

22 Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ 22

Adjusted Gross Income (65)

23 Educator expenses (see page 28) 23 (28)

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ 24 (29)

25 Health savings account deduction. Attach Form 8889 25 (29)

26 Moving expenses. Attach Form 3903 26 (29)

27 One-half of self-employment tax. Attach Schedule SE 27 (29)

28 Self-employed SEP, SIMPLE, and qualified plans 28 (29)

29 Self-employed health insurance deduction (see page 29) 29 (29)

30 Penalty on early withdrawal of savings 30 (30)

31a Alimony paid b Recipient's SSN ▶ _____ 31a (30)

32 IRA deduction (see page 30) 32 (30)

33 Student loan interest deduction (see page 33) 33 (33)

34 Tuition and fees deduction. Attach Form 8917 34 (34)

35 Domestic production activities deduction. Attach Form 8903 35 (34)

36 Add lines 23 through 31a and 32 through 35 36 (34)

37 Subtract line 36 from line 22. This is your **adjusted gross income** 37 (34)

Line Instructions for Form 1040



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

Section references are to the Internal Revenue Code.

Name and Address

Use the Peel-Off Label

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

Address Change

If the address on your peel-off label is not your current address, cross out your old address and print your new address. If you plan to move after filing your return, use Form 8822 to notify the IRS of your new address.

Name Change

If you changed your name because of marriage, divorce, etc., be sure to report the change to your local Social Security Administration office before filing your return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. See page 81 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 spouse's name on line 3 instead of below your name.



If you filed a joint return for 2007 and you are filing a joint return for 2008 with the same spouse, be sure to enter your names and SSNs in the same order as on your 2007 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 82.

Social Security Number (SSN)

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

Check that your SSN on your Forms W-2 and 1099 agrees with your social security card. If not, see page 81 for more details.

IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

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

If you already have an ITIN, enter it wherever your SSN is requested on your tax return.

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

Nonresident Alien Spouse

If your spouse is a nonresident alien, he or she must have either an SSN or an ITIN if:

- You file a joint return,
- You file a separate return and claim an exemption for your spouse, or

- Your spouse is filing a separate return.

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 box. If you are filing a joint return, your spouse can also have \$3 go to the fund. If you check a box, your tax or refund will not change.

Filing Status

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

- Married filing separately.
- Single.
- Head of household.
- Married filing jointly or qualifying widow(er) with dependent child.



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

Line 1 Single

You can check the box on line 1 if any of the following was true on December 31, 2008.

- You were never married.
- You were legally separated, according to your state law, under a decree of divorce or separate maintenance.
- You were widowed before January 1, 2008, and did not remarry before the end of 2008. But if you have a dependent child, you may be able to use the qualifying widow(er) filing status. See the instructions for line 5 on page 16.

Line 2

Married Filing Jointly

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

- You were married at the end of 2008, even if you did not live with your spouse at the end of 2008.
- Your spouse died in 2008 and you did not remarry in 2008.
- You were married at the end of 2008, and your spouse died in 2009 before filing a 2008 return.

For federal tax purposes, a marriage means only a legal union between a man and a woman as husband and wife. A husband and wife filing jointly report their combined income and deduct their combined allowable expenses on one return. They can file a joint return even if only one had income or if they did not live together all year. However, both persons must sign the return. Once you file a joint return, you cannot choose to file separate returns for that year after the due date of the return.

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 81.

Nonresident aliens and dual-status aliens. Generally, a husband and wife cannot file a joint return if either spouse is a nonresident alien at any time during the year. However, if you were a nonresident alien or a dual-status alien and were married to a U.S. citizen or resident alien at the end of 2008, you may elect to be treated as a resident alien and file a joint return. See Pub. 519 for details.

Line 3

Married Filing Separately

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

Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people in community property states. See page 20.

Be sure to enter your spouse's SSN or ITIN on Form 1040 unless your spouse does not have and is not required to have an SSN or ITIN.



TIP You may be able to file as head of household if you had a child living with you and you lived apart from your spouse during the last 6 months of 2008. See Married persons who live apart on this page.

Line 4

Head of Household



TIP Special rules may apply for people who had to relocate because of the Midwestern storms, tornadoes, or flooding. For details, see Pub. 4492-B.

This filing status is for unmarried individuals who provide a home for certain other persons. (Some married persons who live apart are considered unmarried. See *Married persons who live apart* on this page. If you are married to a nonresident alien, you may also be considered unmarried. See *Nonresident alien spouse* on page 16.) You can check the box on line 4 only if you were unmarried or legally separated (according to your state law) under a decree of divorce or separate maintenance at the end of 2008 and either *Test 1* or *Test 2* below applies.

Test 1. You paid over half the cost of keeping up a home that was the main home for all of 2008 of your parent whom you can claim as a dependent, except under a multiple support agreement (see page 19). Your parent did not have to live with you.

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

1. Any person whom you can claim as a dependent. But do not include:

a. Your qualifying child (as defined in Step 1 on page 17) whom you claim as your dependent based on the rule for *Children of divorced or separated parents* that begins on page 18,

b. Any person who is your dependent only because he or she lived with you for all of 2008, or

c. Any person you claimed as a dependent under a multiple support agreement. See page 19.

2. Your unmarried qualifying child who is not your dependent.

3. Your married qualifying child who is not your dependent only because you can be claimed as a dependent on someone else's 2008 return.

4. Your child who is neither your dependent nor your qualifying child because of the rule for *Children of divorced or separated parents* that begins on page 18.

If the child is not your dependent, enter the child's name on line 4. If you do not enter the name, it will take us longer to process your return.

Dependent. To find out if someone is your dependent, see the instructions for line 6c that begin on page 17.

Exception to time lived with you. Temporary absences by you or the other person for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time lived in the home. Also see *Kidnapped child* on page 19, if applicable.

If the person for whom you kept up a home was born or died in 2008, you can still file as head of household as long as the home was that person's main home for the part of the year he or she was alive.

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

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

Married persons who live apart. Even if you were not divorced or legally separated at the end of 2008, you are considered unmarried if all of the following apply.

- You lived apart from your spouse for the last 6 months of 2008. Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.

- You file a separate return from your spouse.

- You paid over half the cost of keeping up your home for 2008.

- Your home was the main home of your child, stepchild, or foster child for more than half of 2008 (if half or less, see *Exception to time lived with you* above).

- You can claim this child as your dependent or could claim the child except that the child's other parent can claim him or her under the rule for *Children of divorced or separated parents* that begins on page 18.

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Foster child. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Nonresident alien spouse. You are considered unmarried for head of household filing status if your spouse was a nonresident alien at any time during the year and you do not choose to treat him or her as a resident alien. To claim head of household filing status, you must also meet *Test 1* or *Test 2* on page 15.

Line 5

Qualifying Widow(er) With Dependent Child



Special rules may apply for people who had to relocate because of the Midwestern storms, tornadoes, or flooding.

For details, see Pub. 4492-B.

You can check the box on line 5 and use joint return tax rates for 2008 if all of the following apply.

- Your spouse died in 2006 or 2007 and you did not remarry before the end of 2008.
- You have a child or stepchild whom you claim as a dependent. This does not include a foster child.
- This child lived in your home for all of 2008. If the child did not live with you for the required time, see *Exception to time lived with you* on this page.
- You paid over half the cost of keeping up your home.
- You could have filed a joint return with your spouse the year he or she died, even if you did not actually do so.

If your spouse died in 2008, you cannot file as qualifying widow(er) with dependent child. Instead, see the instructions for line 2 on page 15.

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Dependent. To find out if someone is your dependent, see the instructions for line 6c that begin on page 17.

Exception to time lived with you. Temporary absences by you or the child for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time lived in the home. Also see *Kidnapped child* on page 19, if applicable.

A child is considered to have lived with you for all of 2008 if the child was born or died in 2008 and your home was the child's home for the entire time he or she was alive.

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

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

Exemptions

You usually can deduct \$3,500 on line 42 for each exemption you can take. You may also be able to take an additional exemption amount on line 42 if you provided housing to a person displaced by the Midwestern storms, tornadoes, or flooding.

Line 6b Spouse

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

1. Your filing status is married filing jointly and your spouse cannot be claimed as a dependent on another person's return.
2. You were married at the end of 2008, your filing status is married filing separately or head of household, and both of the following apply.
 - a. Your spouse had no income and is not filing a return.
 - b. Your spouse cannot be claimed as a dependent on another person's return.

If your filing status is head of household and you check the box on line 6b, enter the name of your spouse on the dotted line next to line 6b. Also, enter your spouse's social security number in the space provided at the top of your return.

Line 6c—Dependents

Dependents and Qualifying Child for Child Tax Credit

Follow the steps below to find out if a person qualifies as your dependent, qualifies you to take the child tax credit, or both. If you have more than four dependents, attach a statement to your return with the information required in columns (1) through (4).



Special rules may apply for people who had to relocate because of the Midwestern storms, tornadoes, or flooding. For details, see Pub. 4492-B.

Step 1 Do You Have a Qualifying Child?

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

Son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew)

AND

was ...

Under age 19 at the end of 2008

or

Under age 24 at the end of 2008 and a student (see page 19)

or

Any age and permanently and totally disabled (see page 19)

AND

who...

Did not provide over half of his or her own support for 2008 (see Pub. 501)

AND

who...

Lived with you for more than half of 2008. If the child did not live with you for the required time, see *Exception to time lived with you* on page 19.



If the child meets the conditions to be a qualifying child of any other person (other than your spouse if filing jointly) for 2008, see Qualifying child of more than one person on page 19.

- Do you have a child who meets the conditions to be your qualifying child?
 - Yes.** Go to Step 2.
 - No.** Go to Step 4 on page 18.

Step 2 Is Your Qualifying Child Your Dependent?

- Was the child a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico? If the child was adopted, see *Exception to citizen test* on page 19.
 - Yes.** Continue
 - No.** You cannot claim this child as a dependent. Go to Form 1040, line 7.
- Was the child married?
 - Yes.** See *Married person* on page 19.
 - No.** Continue
- Could you, or your spouse if filing jointly, be claimed as a dependent on someone else's 2008 tax return? See Steps 1, 2, and 4.
 - Yes.** You cannot claim any dependents. Go to Step 3.
 - No.** You can claim this child as a dependent. Complete Form 1040, line 6c, columns (1) through (3) for this child. Then, go to Step 3.

Step 3 Does Your Qualifying Child Qualify You for the Child Tax Credit?

- Was the child under age 17 at the end of 2008?
 - Yes.** Continue
 - No.** This child is not a qualifying child for the child tax credit. Go to Form 1040, line 7.
- Was the child a U.S. citizen, U.S. national, or U.S. resident alien? If the child was adopted, see *Exception to citizen test* on page 19.
 - Yes.** This child is a qualifying child for the child tax credit. If this child is your dependent, check the box on Form 1040, line 6c, column (4), even if you cannot take the child tax credit. Otherwise, you must complete and attach Form 8901.
 - No.** This child is not a qualifying child for the child tax credit. Go to Form 1040, line 7.

Step 4 **Is Your Qualifying Relative Your Dependent?**

A qualifying relative is a person who is your...

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

or

Brother, sister, or a son or daughter of either of them (for example, your niece or nephew)

or

Father, mother, or an ancestor or sibling of either of them (for example, your grandmother, grandfather, aunt, or uncle)

or

Stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law

or

Any other person (other than your spouse) who lived with you all year as a member of your household if your relationship did not violate local law. If the person did not live with you for the required time, see *Exception to time lived with you* on page 19

AND

who was not...

A qualifying child (see Step 1) of any taxpayer for 2008. For this purpose, a person is not a taxpayer if he or she is not required to file a U.S. income tax return **and** either does not file such a return or files only to get a refund of withheld income tax.

AND

who...

Had gross income of less than \$3,500 in 2008. If the person was permanently and totally disabled, see *Exception to gross income test* on page 19

AND

For whom you provided...

Over half of his or her support in 2008. But see the special rule for *Children of divorced or separated parents* that begins on this page, *Multiple support agreements* on page 19, and *Kidnapped child* on page 19.

1. Does any person meet the conditions to be your qualifying relative?

Yes. Continue

No. 

Go to Form 1040, line 7.

2. Was your qualifying relative a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico? If your qualifying relative was adopted, see *Exception to citizen test* on page 19.

Yes. Continue

No. 

You cannot claim this person as a dependent. Go to Form 1040, line 7.

3. Was your qualifying relative married?

Yes. See *Married person* on page 19.

No. Continue

4. Could you, or your spouse if filing jointly, be claimed as a dependent on someone else's 2008 tax return? See Steps 1, 2, and 4.

Yes. 

You cannot claim any dependents. Go to Form 1040, line 7.

No. You can claim this person as a dependent. Complete Form 1040, line 6c, columns (1) through (3). Do not check the box on Form 1040, line 6c, column (4).

Definitions and Special Rules

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Adoption taxpayer identification numbers (ATINs). If you have a dependent who was placed with you for legal adoption and you do not know his or her SSN, you must get an ATIN for the dependent from the IRS. See Form W-7A for details. If the dependent is not a U.S. citizen or resident alien, apply for an ITIN instead, using Form W-7. See page 14.

Children of divorced or separated parents. A child will be treated as being the qualifying child or qualifying relative of his or her noncustodial parent (the parent with whom the child lived for the lesser part of 2008) if all of the following conditions apply.

1. The parents are divorced, legally separated, separated under a written separation agreement, or lived apart at all times during the last 6 months of 2008.
2. The child received over half of his or her support for 2008 from the parents (without regard to the rules on *Multiple support agreements* on page 19). Support of a child received from a parent's spouse is treated as provided by the parent.
3. The child is in custody of one or both of the parents for more than half of 2008.
4. Either of the following applies.
 - a. The custodial parent signs Form 8332 or a substantially similar statement that he or she will not claim the child as a dependent for 2008, and the noncustodial parent attaches the form or statement to his or her return. If the divorce decree or separation agreement went into effect after 1984, the noncustodial parent can attach certain pages from the decree or agreement instead of Form 8332. See *Post-1984 decree or agreement* on page 19.
 - b. A pre-1985 decree of divorce or separate maintenance or written separation agreement between the parents provides that the noncustodial parent can claim the child as a dependent.

dent, and the noncustodial parent provides at least \$600 for support of the child during 2008.

If conditions (1) through (4) apply, only the noncustodial parent can claim the child for purposes of the dependency exemption (line 6c) and the child tax credits (lines 52 and 66). However, this special rule does not apply to head of household filing status, the credit for child and dependent care expenses, the exclusion for dependent care benefits, or the earned income credit. See Pub. 501 for details.

Post-1984 decree or agreement. The decree or agreement must state all three of the following.

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

The noncustodial parent must attach all of the following pages from the decree or agreement.

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



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

Exception to citizen test. If you are a U.S. citizen or U.S. national and your adopted child lived with you all year as a member of your household, that child meets the citizen test.

Exception to gross income test. If your relative (including a person who lived with you all year as a member of your household) is permanently and totally disabled (defined on this page), certain income for services performed at a sheltered workshop may be excluded for this test. For details, see Pub. 501.

Exception to time lived with you. Temporary absences by you or the other person for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time the person lived with you. Also see *Children of divorced or separated parents* that begins on page 18 or *Kidnapped child* below.

A person is considered to have lived with you for all of 2008 if the person was born or died in 2008 and your home was this person's home for the entire time he or she was alive.

Foster child. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Kidnapped child. If your child is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member, you may be able to take the child into account in determining your eligibility for head of household or qualifying widow(er) filing status, the deduction for dependents, child tax credit, and the earned income credit (EIC). For details, see Pub. 501 (Pub. 596 for the EIC).

Married person. If the person is married, you cannot claim that person as your dependent if he or she files a joint return. But this rule does not apply 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. If the person meets this exception, go to Step 2, question 3, on page 17 (for a qualifying child) or Step 4, question 4, on page 18 (for a qualifying relative). If the person does not meet this exception, go to Step 3 on page 17 (for a qualifying child) or Form 1040, line 7 (for a qualifying relative).

Multiple support agreements. If no one person contributed over half of the support of your relative (including a person who lived with you all year as a member of your household) but you and another person(s) provided more than half of your relative's sup-

port, special rules may apply that would treat you as having provided over half of the support. For details, see Pub. 501.

Permanently and totally disabled. A person is permanently and totally disabled if, at any time in 2008, the person 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 be expected to lead to death.

Qualifying child of more than one person. If the child is the qualifying child of more than one person, only one person can claim the child as a qualifying child for all of the following tax benefits, unless the special rule for *Children of divorced or separated parents* beginning on page 18 applies.

1. Dependency exemption (line 6c).
2. Child tax credits (lines 52 and 66).
3. Head of household filing status (line 4).
4. Credit for child and dependent care expenses (line 48).
5. Exclusion for dependent care benefits (Form 2441, Part III).
6. Earned income credit (lines 64a and 64b).

No other person can take any of the six tax benefits listed above unless he or she has a different qualifying child. If you and any other person claim the child as a qualifying child, the IRS will apply the following rules.

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If two of the 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 in 2008. 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 2008.
- If none of the persons are the child's parent, the child will be treated as the qualifying child of the person who had the highest AGI for 2008.

Example. Your daughter meets the conditions to be a qualifying child for both you and your mother. If you and your mother both claim tax benefits based on the child, the rules above apply. Under these rules, you are entitled to treat your daughter as a qualifying child for all of the six tax benefits listed above for which you otherwise qualify. Your mother would not be entitled to take any of the six tax benefits listed above unless she has a different qualifying child.

If you will be claiming the child as a qualifying child, go to Step 2 on page 17. Otherwise, stop; you cannot claim any benefits based on this child. Go to Form 1040, line 7.

Social security number. You must enter each dependent's social security number (SSN). Be sure the name and SSN entered agree with the dependent's social security card. Otherwise, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit) based on that dependent. If the name or SSN on the dependent's social security card is not correct, call the Social Security Administration at 1-800-772-1213. For details on how your dependent can get an SSN, see page 14. If your dependent will not have a number by the date your return is due, see *What if You Cannot File on Time?* on page 7.

If your dependent child was born and died in 2008 and you do not have an SSN for the child, enter "Died" in column (2) and attach a copy of the child's birth certificate, death certificate, or hospital records. The document must show the child was born alive.

Student. A student is a child who during any part of 5 calendar months of 2008 was enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

Income

Foreign-Source Income

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

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

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

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

Chapter 11 Bankruptcy Cases

If you are a debtor in a chapter 11 bankruptcy case, income taxable to the bankruptcy estate and reported on the estate's income tax return includes:

- Earnings from services you performed after the beginning of the case (both wages and self-employment income), and
- Income from property described in section 541 of title 11 of the U.S. Code that you either owned when the case began or that you acquired after the case began and before the case was closed, dismissed, or converted to a case under a different chapter.

Because this income is taxable to the estate, do not include this income on your own individual income tax return. The only exception is for purposes of figuring your self-employment tax. For that purpose, you must take into account all your self-employment income for the year from services performed both before and after the beginning of the case. Also, you (or the trustee, if one is appointed) must allocate between you and the bankruptcy estate the wages, salary, or other compensation and withheld income tax reported to you on Form W-2. A similar allocation is required for income and withheld income tax reported to you on Forms 1099. You must also attach a statement to your tax return that indicates you filed a chapter 11 case and that explains how income and withheld income tax reported to you on Forms W-2 and 1099 are allocated between you and the estate. For more details, including acceptable allocation methods, see Notice 2006-83, 2006-40

I.R.B. 596, available at www.irs.gov/irb/2006-40_IRB/ar12.html.

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.

California domestic partners. A registered domestic partner in California must report all wages, salaries, and other compensation received for his or her personal services on his or her own return. Therefore, a registered domestic partner cannot report half the combined income earned by the individual and his or her domestic partner as a married person filing separately does in California.

Rounding Off to Whole Dollars

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

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Line 7

Wages, Salaries, Tips, etc.

Enter the total of your wages, salaries, tips, etc. If a joint return, also include your spouse's income. For most people, the amount to enter on this line should be shown in 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 Form W-2 because your employer paid you less than \$1,600 in 2008. Also, enter "HSH" and the amount not reported on Form W-2 on the dotted line next to line 7.
- Tip income you did not report to your employer. Also include allocated tips shown on your Form(s) W-2 unless you can prove that you received less. Allocated tips should be shown in box 8 of your Form(s) W-2. They are not included as income in box 1. See Pub. 531 for more details.



You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 58 on

page 44.

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

• Employer-provided adoption benefits, which should be shown in box 12 of your Form(s) W-2 with code T. But see the Instructions for Form 8839 to find out if you can exclude part or all of the benefits. You may also be able to exclude amounts if you adopted a child with special needs and the adoption became final in 2008.

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

• Excess salary deferrals. The amount deferred should be shown in box 12 of your Form W-2, and the "Retirement plan" box in box 13 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 2008 under all plans was more than \$15,500 (excluding catch-up contributions as explained below), include the excess on line 7. This limit is (a) \$10,500 if you only have SIMPLE plans, or (b) \$18,500 for section 403(b) plans if you qualify for the 15-year rule in Pub. 571. Although designated Roth contributions are subject to this limit, do not include the excess attributable to such contributions on line 7. They are already included as income in box 1 of your Form W-2.

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

If you were age 50 or older at the end of 2008, your employer may have allowed an additional deferral (catch-up contributions) of up to \$5,000 (\$2,500 for section 401(k)(11) and SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals.



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

• Disability pensions shown on Form 1099-R if you have not reached the minimum retirement age set by your employer. But see *Insurance Premiums for Retired Public Safety Officers* on page 24. Disability pensions received after you reach minimum retirement age and other payments shown on Form 1099-R (other than payments from an IRA*) are reported on lines 16a and 16b. Payments from an IRA are reported on lines 15a and 15b.

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

- Wages from Form 8919, line 6.

*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 Form W-2 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 Form W-2 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 February 2, 2009. If you do not receive it by early February, use TeleTax topic 154 (see page 84) 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 2008 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial institution may not have to be included in your 2008 income. For details, see Pub. 550.



If you get a 2008 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2008, see Pub. 550.

Line 8b

Tax-Exempt Interest

If you received any tax-exempt interest, such as from municipal bonds, each payer should send you a Form 1099-INT. Your tax-exempt interest, plus any exempt-interest dividends from a mutual fund or other

regulated investment company, should be included in box 8 of Form 1099-INT. Enter the total on line 8b. Do not include interest earned on your IRA, health savings account, Archer or Medicare Advantage MSA, or Coverdell education savings account.

Line 9a

Ordinary Dividends

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

You must fill in and attach Schedule B if the total is over \$1,500 or you received, as a nominee, ordinary dividends that actually belong to someone else.

Nondividend Distributions

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



Dividends on insurance policies are a partial return of the premiums you paid. Do not report them as dividends. Include them in income on line 21 only if they exceed the total of all net premiums you paid for the contract.

Line 9b

Qualified Dividends

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

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

- Dividends you received as a nominee. See the Instructions for Schedule B.

- Dividends you received on any share of stock that you held for less than 61 days during the 121-day period that began 60 days before the ex-dividend date. The ex-dividend date is the first date following the declaration of a dividend on which the purchaser of a stock is not entitled to receive the next dividend payment. When counting the number of days you held the stock, include the day you disposed of the

stock but not the day you acquired it. See the examples on this page. Also, when counting the number of days you held the stock, you cannot count certain days during which your risk of loss was diminished. See Pub. 550 for more details.

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

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

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

Example 1. You bought 5,000 shares of XYZ Corp. common stock on July 1, 2008. XYZ Corp. paid a cash dividend of 10 cents per share. The ex-dividend date was July 9, 2008. Your Form 1099-DIV from XYZ Corp. shows \$500 in box 1a (ordinary dividends) and in box 1b (qualified dividends). However, you sold the 5,000 shares on August 4, 2008. You held your shares of XYZ Corp. for only 34 days of the 121-day period (from July 2, 2008, through August 4, 2008). The 121-day period began on May 10, 2008 (60 days before the ex-dividend date), and ended on September 7, 2008. You have no qualified dividends from XYZ Corp. because you held the XYZ stock for less than 61 days.

Example 2. Assume the same facts as in Example 1 except that you bought the stock on July 8, 2008 (the day before the ex-dividend date), and you sold the stock on September 9, 2008. You held the stock for 63 days (from July 9, 2008, through September 9, 2008). The \$500 of qualified dividends shown in box 1b of Form 1099-DIV are all qualified dividends because you held the stock for 61 days of the 121-day period (from July 9, 2008, through September 7, 2008).

Example 3. You bought 10,000 shares of ABC Mutual Fund common stock on July 1, 2008. ABC Mutual Fund paid a cash dividend of 10 cents a share. The ex-dividend date was July 9, 2008. The ABC Mutual Fund advises you that the portion of the dividend eligible to be treated as qualified dividends equals 2 cents per share. Your Form 1099-DIV from ABC Mutual Fund shows total ordinary dividends of \$1,000 and qualified dividends of \$200. However, you sold the 10,000 shares on

August 4, 2008. You have no qualified dividends from ABC Mutual Fund because you held the ABC Mutual Fund stock for less than 61 days.



Be sure you use the *Qualified Dividends and Capital Gain Tax Worksheet* or the *Schedule D Tax Worksheet*, whichever applies, to figure your tax. Your tax may be less if you use the worksheet that applies. See the instructions for line 44 that begin on page 36 for details.

Line 10

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



None of your refund is taxable if, in the year you paid the tax, you either (a) did not itemize deductions, or (b) elected to deduct state and local general sales taxes instead of state and local income taxes.

If you received a refund, credit, or offset of state or local income taxes in 2008, you may receive a Form 1099-G. If you chose to apply part or all of the refund to your 2008 estimated state or local income tax, the amount applied is treated as received in 2008. If the refund was for a tax you paid in 2007 and you deducted state and local income taxes on line 5 of your 2007 Schedule A, use the worksheet below to see if any of your refund is taxable.

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

1. You received a refund in 2008 that is for a tax year other than 2007.
2. You received a refund other than an income tax refund, such as a general sales tax or real property tax refund, in 2008 of an amount deducted or credit claimed in an earlier year.
3. The amount on your 2007 Form 1040, line 42, was more than the amount on your 2007 Form 1040, line 41.
4. Your 2007 state and local income tax refund is more than your 2007 state and local income tax deduction minus the

amount you could have deducted as your 2007 state and local general sales taxes.

5. You made your last payment of 2007 estimated state or local income tax in 2008.
6. You owed alternative minimum tax in 2007.
7. You could not use the full amount of credits you were entitled to in 2007 because the total credits were more than the amount shown on your 2007 Form 1040, line 46.
8. You could be claimed as a dependent by someone else in 2007.
9. You had to use the *Itemized Deductions Worksheet* in the 2007 Instructions for Schedules A&B because your 2007 adjusted gross income was over \$156,400 (\$78,200 if married filing separately) and both of the following apply.
 - a. You could not deduct all of the amount on the 2007 *Itemized Deductions Worksheet*, line 1.
 - b. The amount on line 8 of that 2007 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 2008.

State and Local Income Tax Refund Worksheet—Line 10

Keep for Your Records

Before you begin: ✓ Be sure you have read the **Exception** above to see if you can use this worksheet instead of Pub. 525 to figure if any of your refund is taxable.

1. Enter the income tax refund from **Form(s) 1099-G** (or similar statement). But **do not** enter more than the amount of your state and local income taxes shown on your 2007 Schedule A, line 5 **1.**
2. Enter your total allowable itemized deductions from your 2007 Schedule A, line 29 **2.**

Note. If the filing status on your 2007 Form 1040 was married filing separately and your spouse itemized deductions in 2007, 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 **2007** Form 1040.
 - Single or married filing separately— \$5,350
 - Married filing jointly or qualifying widow(er)— \$10,700
 - Head of household— \$7,850
 } . . . **3.**

4. Did you fill in line 39a on your 2007 Form 1040?
 - No.** Enter -0-.
 - Yes.** Multiply the number in the box on line 39a of your 2007 Form 1040 by \$1,050 (\$1,300 if your 2007 filing status was single or head of household).
 } **4.**

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

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

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

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, see Pub. 504.

Line 12**Business Income or (Loss)**

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

Line 13**Capital Gain or (Loss)**

If you had a capital gain or loss, including any capital gain distributions or a capital loss carryover from 2007, you must complete and attach Schedule D.

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

- The only amounts you have to report on Schedule D are capital gain distributions from Form(s) 1099-DIV, box 2a, or substitute statements.
- None of the Form(s) 1099-DIV or substitute statements have an amount in box 2b (unrecaptured section 1250 gain), box 2c (section 1202 gain), or box 2d (collectibles (28%) gain).

If both of the above apply, enter your total capital gain distributions (from box 2a of Form(s) 1099-DIV) on line 13 and check the box on that line. If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.



If you do not have to file Schedule D, use the Qualified Dividends and Capital Gain Tax Worksheet on page 38 to figure your tax. Your tax is usually 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**

Special rules may apply to your IRA distributions if your main home was in the Kansas disaster area or a Midwestern disaster area. Special rules may also apply if you received a distribution to buy or construct a main home in a Midwestern disaster area, but that home was not bought or constructed because of the Midwestern storms, tornadoes, or flooding. For details, see Pub. 4492-A (Kansas) or Pub. 4492-B (Midwestern disaster areas).

You should receive a Form 1099-R showing the amount of any distribution from your 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, enter “Rollover” next to line 15b. If the total distribution was rolled over in a qualified rollover, enter -0- on line 15b. If the total distribution was not rolled over in a qualified rollover, enter the part not rolled over on line 15b unless *Exception 2* or *Exception 5* applies to the part not rolled over. Generally, a qualified rollover must be made within 60 days after the day you received the distribution. For more details on rollovers, see Pub. 590.

If you rolled over the distribution into a qualified plan other than an IRA or you made the rollover in 2009, attach a statement explaining what you did.

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

1. You received a distribution from an IRA (other than a Roth IRA) and you made nondeductible contributions to any of your traditional or SEP IRAs for 2008 or an earlier year. If you made nondeductible contributions to these IRAs for 2008, also see Pub. 590.

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

a. Distribution code T is shown in box 7 of Form 1099-R and you made a contribu-

tion (including a conversion) to a Roth IRA for 2003 or an earlier year.

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

3. You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2008.

4. You had a 2007 or 2008 IRA contribution returned to you, with the related earnings or less any loss, by the due date (including extensions) of your tax return for that year.

5. You made excess contributions to your IRA for an earlier year and had them returned to you in 2008.

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

Exception 3. If the distribution is a qualified charitable distribution (QCD), enter the total distribution on line 15a. If the total amount distributed is a QCD, enter -0- on line 15b. If only part of the distribution is a QCD, enter the part that is not a QCD on line 15b unless *Exception 2* or *Exception 5* applies to that part. Enter “QCD” next to line 15b.

A QCD is a distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE IRA) to an organization eligible to receive tax-deductible contributions (with certain exceptions). You must have been at least age 70½ when the distribution was made. Your total QCDs for the year cannot be more than \$100,000. (On a joint return, your spouse can also have a QCD of up to \$100,000.) The amount of the QCD is limited to the amount that would otherwise be included in your income. If your IRA includes nondeductible contributions, the distribution is first considered to be paid out of otherwise taxable income. See Pub. 590 for details.



You cannot claim a charitable contribution deduction for any QCD not included in your income.

Exception 4. If the distribution is a qualified health savings account (HSA) funding distribution (HFD), enter the total distribution on line 15a. If the total amount distributed is an HFD and you elect to exclude it from income, enter -0- on line 15b. If only part of the distribution is an HFD and you elect to exclude that part from income, enter the part that is not an HFD on line 15b unless *Exception 2* or *Exception 5* applies to that part. Enter “HFD” next to line 15b.

An HFD is a distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE IRA) to your HSA. If eligible, you generally can elect to exclude an HFD from your income once in your lifetime. You cannot exclude more than the limit on HSA contributions or more than the amount that would otherwise be in-

cluded in your income. If your IRA includes nondeductible contributions, the HFD is first considered to be paid out of otherwise taxable income. See Pub. 969 for details.



The amount of an HFD reduces the amount you can contribute to your HSA for the year. If you fail to maintain eligibility for an HSA for the 12 months following the month of the HFD, you may have to report the HFD as income and pay an additional tax. See Form 8889, Part III.

Exception 5. If the distribution is the withdrawal of an economic stimulus payment that was directly deposited to your IRA, enter the total distribution on line 15a. If you made the withdrawal by the due date of your return (including extensions):

- Enter “ESP” next to line 15b, and
- If the total distribution was less than or equal to the economic stimulus payment, enter -0- on line 15b. Otherwise, enter the amount by which the distribution was more than the economic stimulus payment on line 15b unless another exception applies to that part.

See Pub. 590 for details.

More than one exception applies. If more than one exception applies, attach a statement showing the amount of each exception, instead of making an entry next to line 15b. For example: “Line 15b – \$1,000 Rollover and \$500 HFD.”

More than one distribution. If you (or your spouse if filing jointly) received more than one distribution, figure the taxable amount of each distribution and enter the total of the taxable amounts on line 15b. Enter the total amount of those distributions on line 15a.



You may have to pay an additional tax if (a) you received an early distribution from your IRA and the total was not rolled over, or (b) you were born before July 1, 1937, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 59 on page 44 for details.

Lines 16a and 16b

Pensions and Annuities



Special rules may apply if you received a distribution from a profit-sharing or retirement plan and your main home was in the Kansas disaster area or a Midwestern disaster area. Special rules may also apply if you received a distribution to buy or construct a main home in a Midwestern disaster area, but that home was not bought or

constructed because of the Midwestern storms, tornadoes, or flooding. For details, see Pub. 4492-A (Kansas) or Pub. 4492-B (Midwestern disaster areas).

You should receive a Form 1099-R showing the amount of your pension and annuity payments, including distributions from 401(k) and 403(b) plans. See page 26 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 (including any earnings) of excess salary deferrals or excess contributions to retirement plans. The plan must advise you of the year(s) the distributions are includible in income.



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

Fully Taxable Pensions and Annuities

If your pension or annuity is fully taxable, enter it on line 16b; do not make an entry on line 16a. Your payments are fully taxable if (a) you did not contribute to the cost (see page 26) of your pension or annuity, or (b) you got your entire cost back tax free before 2008. But see *Insurance Premiums for Retired Public Safety Officers* on this page.

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 2008 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 this page) was after July 1, 1986, see *Simplified Method* on this page to find out if you must use that method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$500 fee. For details, see Pub. 939.

If your Form 1099-R shows a taxable amount, you can 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 or if the exclusion for retired public safety officers, discussed next, applies.

Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. You can do this only if you retired because of disability or because you reached normal retirement age. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or \$3,000. You can only make this election for amounts that would otherwise be included in your income.

An eligible retirement plan is a governmental plan that is:

- A qualified trust,
- A section 403(a) plan,
- A section 403(b) annuity, or
- A section 457(b) plan.

If you make this election, reduce the otherwise taxable amount of your pension or annuity by the amount excluded. The amount shown in box 2a of Form 1099-R does not reflect the exclusion. Report your total distributions on line 16a and the taxable amount on line 16b. Enter “PSO” next to line 16b.

If you are retired on disability and reporting your disability pension on line 7, include only the taxable amount on that line and enter “PSO” and the amount excluded on the dotted line next to line 7.

Annuity Starting Date

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

Simplified Method

You must use the Simplified Method if either of the following applies.

1. Your annuity starting date (defined above) was after July 1, 1986, and you used this method last year to figure the taxable part.
2. Your annuity starting date was after November 18, 1996, and both of the following apply.

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

b. On your annuity starting date, either you were under age 75 or the number of years of guaranteed payments was fewer than 5. See Pub. 575 for the definition of guaranteed payments.

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



If you received U.S. Civil Service retirement benefits and you chose the alternative annuity option, see Pub. 721 to figure the taxable part of your annuity. Do not use the worksheet below.

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

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records 

Before you begin: ✓ If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, include any death benefit exclusion that you are entitled to (up to \$5,000) in the amount entered on line 2 below.
Note. If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 2008 on Form 1040, line 16a.

1. Enter the total pension or annuity payments received in 2008. Also, enter this amount on Form 1040, line 16a	1.	<input style="width:95%;" type="text"/>
2. Enter your cost in the plan at the annuity starting date	2.	<input style="width:95%;" type="text"/>
Note. If you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below (even if the amount of your pension or annuity has changed). Otherwise, go to line 3.		
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below	3.	<input style="width:95%;" type="text"/>
4. Divide line 2 by the number on line 3	4.	<input style="width:95%;" type="text"/>
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6	5.	<input style="width:95%;" type="text"/>
6. Enter the amount, if any, recovered tax free in years after 1986. If you completed this worksheet last year, enter the amount from line 10 of last year's worksheet	6.	<input style="width:95%;" type="text"/>
7. Subtract line 6 from line 2	7.	<input style="width:95%;" type="text"/>
8. Enter the smaller of line 5 or line 7	8.	<input style="width:95%;" type="text"/>
9. Taxable amount. Subtract line 8 from line 1. Enter the result, but not less than zero. Also, enter this amount on Form 1040, line 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R. If you are a retired public safety officer, see <i>Insurance Premiums for Retired Public Safety Officers</i> on page 24 before entering an amount on line 16b.	9.	<input style="width:95%;" type="text"/>
10. Was your annuity starting date before 1987? <input type="checkbox"/> Yes.  Leave line 10 blank. <input type="checkbox"/> No. Add lines 6 and 8. This is the amount you have recovered tax free through 2008. You will need this number when you fill out this worksheet next year	10.	<input style="width:95%;" type="text"/>

Table 1 for Line 3 Above

AND your annuity starting date was—

IF the age at annuity starting date (see page 24) was . . .	before November 19, 1996, enter on line 3 . . .	after November 18, 1996, enter on line 3 . . .
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

Table 2 for Line 3 Above

IF the combined ages at annuity starting date (see page 24) were . . .	THEN enter on line 3 . . .
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

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

Generally, a qualified rollover is a tax-free distribution of cash or other assets from one retirement plan that is contributed to another plan within 60 days of receiving the distribution. However, a qualified rollover to a Roth IRA is not a tax-free distribution. Use lines 16a and 16b to report a qualified rollover, including a direct rollover, from one qualified employer's plan to another or to an IRA or SEP.

For more details on rollovers, including distributions under qualified domestic relations orders, see Pub. 575.

Rollover to a plan other than a Roth IRA.

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 of the qualified rollover. Enter the remaining amount, even if zero, on line 16b. Also, enter "Rollover" next to line 16b.

Special rules apply to partial rollovers of property. See Pub. 575.

Rollover to a Roth IRA. 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. Enter the remaining amount, even if zero, on line 16b.

Lump-Sum Distributions

If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in box 2b checked. You may owe an additional tax if you received an early distribution from a qualified retirement plan and the total amount was not rolled over in a qualified rollover. For details, see the instructions for line 59 on page 44.

Enter the total distribution on line 16a and the taxable part on line 16b. For details, see Pub. 575.



You may be able to pay less tax on the distribution if you were born before January 2, 1936, or you are the beneficiary of a deceased employee who was born before January 2, 1936. For details, see Form 4972.

Line 19 Unemployment Compensation

You should receive a Form 1099-G showing in box 1 the total unemployment compensation paid to you in 2008. Report the amount in box 1 on line 19. However, if you made contributions to a governmental unemployment compensation program and you are not itemizing deductions, reduce the amount you report on line 19 by those contributions.

If you received an overpayment of unemployment compensation in 2008 and you repaid any of it in 2008, 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 2008, you repaid unemployment compensation that you included in gross income in an earlier year, you can deduct the amount repaid on Schedule A, line 23. 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 2008. If you received railroad retirement benefits treated as social security, you should receive a Form RRB-1099.

Use the worksheet on page 27 to see if any of your benefits are taxable.

Exception. Do not use the worksheet on page 27 if any of the following applies.

- You made contributions to a traditional IRA for 2008 and you or your spouse were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in Pub. 590 to see if any of your social security benefits are taxable and to figure your IRA deduction.
- You repaid any benefits in 2008 and your total repayments (box 4) were more than your total benefits for 2008 (box 3). None of your benefits are taxable for 2008. Also, you may be able to take an itemized deduction or a credit for part of the excess repayments if they were for benefits you included in gross income in an earlier year. For more details, see Pub. 915.
- You file Form 2555, 2555-EZ, 4563, or 8815, or you exclude employer-provided adoption benefits or income from sources within Puerto Rico. Instead, use the worksheet in Pub. 915.



Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

- Before you begin:**
- ✓ Complete Form 1040, lines 21 and 23 through 32, if they apply to you.
 - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36 on page 34).
 - ✓ If you are married filing separately and you lived apart from your spouse for all of 2008, enter “D” to the right of the word “benefits” on line 20a. If you do not, you may get a math error notice from the IRS.
 - ✓ Be sure you have read the **Exception** on page 26 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.

<p>1. Enter the total amount from box 5 of all your Forms SSA-1099 and Forms RRB-1099. Also, enter this amount on Form 1040, line 20a</p>	1.				
<p>2. Enter one-half of line 1</p>				2.	
<p>3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21</p>				3.	
<p>4. Enter the amount, if any, from Form 1040, line 8b</p>				4.	
<p>5. Add lines 2, 3, and 4</p>				5.	
<p>6. Enter the total of the amounts from Form 1040, lines 23 through 32, plus any write-in adjustments you entered on the dotted line next to line 36</p>				6.	
<p>7. Is the amount on line 6 less than the amount on line 5?</p> <p><input type="checkbox"/> No. None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b.</p> <p><input type="checkbox"/> Yes. Subtract line 6 from line 5</p>				7.	
<p>8. If you are:</p> <ul style="list-style-type: none"> • Married filing jointly, enter \$32,000 • Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2008, enter \$25,000 • Married filing separately and you lived with your spouse at any time in 2008, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17 				8.	
<p>9. Is the amount on line 8 less than the amount on line 7?</p> <p><input type="checkbox"/> No. None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b. If you are married filing separately and you lived apart from your spouse for all of 2008, be sure you entered “D” to the right of the word “benefits” on line 20a.</p> <p><input type="checkbox"/> Yes. Subtract line 8 from line 7</p>				9.	
<p>10. Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2008 . .</p>				10.	
<p>11. Subtract line 10 from line 9. If zero or less, enter -0-</p>				11.	
<p>12. Enter the smaller of line 9 or line 10</p>				12.	
<p>13. Enter one-half of line 12</p>				13.	
<p>14. Enter the smaller of line 2 or line 13</p>				14.	
<p>15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-</p>				15.	
<p>16. Add lines 14 and 15</p>				16.	
<p>17. Multiply line 1 by 85% (.85)</p>				17.	
<p>18. Taxable social security benefits. Enter the smaller of line 16 or line 17. Also enter this amount on Form 1040, line 20b</p>				18.	

TIP If any of your benefits are taxable for 2008 **and** they include a lump-sum benefit payment that was for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

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 11 to find out where to report that income.

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

Do not report any nontaxable amounts on line 21. Nontaxable amounts include:

- Child support.
- Economic stimulus payments.
- Life insurance proceeds received because of someone's death (other than from certain employer-owned life insurance contracts).
- Gifts and bequests. However, if you received a gift or bequest from a foreign person of more than \$13,561, you may have to report information about it on Form 3520, Part IV. See the instructions for Form 3520.

Examples of income to report on line 21 are:

- Taxable distributions from a Coverdell education savings account (ESA) or a qualified tuition program (QTP). Distributions from these accounts may be taxable if (a) they are more than the qualified higher education expenses of the designated beneficiary in 2008, and (b) they were not included in a qualified rollover. See Pub. 970. Nontaxable distributions from these accounts, including rollovers, do not have to be reported on Form 1040. Withdrawal of an economic stimulus payment that was directly deposited to your account is not taxable if withdrawn by the due date (including extensions) of your 2008 return. For a Coverdell ESA, the withdrawal can be made by the later of the above date or June 1, 2009.



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

- Taxable distributions from a health savings account (HSA) or an Archer MSA. Distributions from these accounts may be taxable if (a) they are more than the unreimbursed qualified medical expenses of the account beneficiary or account holder

in 2008, and (b) they were not included in a qualified rollover. Withdrawal of an economic stimulus payment that was directly deposited to your account is not taxable if withdrawn by the due date (including extensions) of your 2008 return. See Pub. 969.



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

- Amounts deemed to be income from an HSA because you did not remain an eligible individual during the testing period. See Form 8889, Part III.
- 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 28, on page A-10.



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

- Jury duty pay. Also, see the instructions for line 36 on page 34.
- Alaska Permanent Fund dividends.
- Alternative trade adjustment assistance (ATAA) payments. These payments should be shown in box 5 of Form 1099-G.
- Reimbursements or other amounts received for items deducted in an earlier year, such as medical expenses, real estate taxes, general sales 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 36 on page 34.
- 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.
- Dividends on insurance policies if they exceed the total of all net premiums you paid for the contract.
- Recapture of a charitable contribution deduction relating to the contribution of a fractional interest in tangible personal property. See *Fractional Interest in Tangible Personal Property* in Pub. 526. Interest and an additional 10% tax apply to the amount of the recapture. See the instructions for line 61 on page 45.
- Recapture of a charitable contribution deduction if the charitable organization dis-

poses of the donated property within 3 years of the contribution. See *Recapture if no exempt use* in Pub. 526.

- Canceled debts. These amounts may be shown in box 2 of Form 1099-C. However, part or all of your income from the cancellation of debt may be nontaxable. See Pub. 4681 or go to www.irs.gov and enter "canceled debt" or "foreclosure" in the search box.

Adjusted Gross Income**Line 23****Educator Expenses**

If you were an eligible educator in 2008, you can deduct on line 23 up to \$250 of qualified expenses you paid in 2008. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$500. However, neither spouse can deduct more than \$250 of his or her qualified expenses on line 23. You may be able to deduct expenses that are more than the \$250 (or \$500) limit on Schedule A, line 21. An eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year.

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

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

You must reduce your qualified expenses by the following amounts.

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

For more details, use TeleTax topic 458 (see page 84) or see Pub. 529.

Line 24

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

Include the following deductions on line 24.

- Certain business expenses of National Guard and reserve members who traveled more than 100 miles from home to perform services as a National Guard or reserve member.
- Performing-arts-related expenses as a qualified performing artist.
- Business expenses of fee-basis state or local government officials.

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

Line 25

Health Savings Account (HSA) Deduction

You may be able to take this deduction if contributions (other than employer contributions, rollovers, and qualified HSA funding distributions from an IRA) were made to your HSA for 2008. See Form 8889.

Line 26

Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 50 miles from your old home. Use TeleTax topic 455 (see page 84) or see Form 3903.

Line 27

One-Half of Self-Employment Tax

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

Line 28

Self-Employed 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 29

Self-Employed Health Insurance Deduction

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

- You were self-employed and had a net profit for the year.
- You used one of the optional methods to figure your net earnings from self-employment on Schedule SE.
- You received wages in 2008 from an S corporation in which you were a more-than-2% shareholder. Health insurance premiums paid or reimbursed by the S corporation may be shown in box 14 of Form W-2.

The insurance plan must be established under your business. If you are a more-than-2-percent shareholder in an S corporation, the plan must be established by the S corporation. A plan is established by the S corporation if (a) the S corporation makes the premium payments for the policy in 2008 or (b) you make the premium payments and furnish proof of payment to the S corporation and then the S corporation reimburses you for the premium payments in 2008. You can deduct the premiums only if the S corporation reports the premiums paid or reimbursed as wages in box 1 of your Form W-2 in 2008 and you also report the premium payments or reimbursements as wages on Form 1040, line 7.

Self-Employed Health Insurance Deduction Worksheet—Line 29

Keep for Your Records



- Before you begin:**
- ✓ If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, see the Note on page 30.
 - ✓ Be sure you have read the **Exception** on page 30 to see if you can use this worksheet instead of Pub. 535 to figure your deduction.

1. Enter the total amount paid in 2008 for health insurance coverage established under your business (or the S corporation in which you were a more-than-2-percent shareholder) for 2008 for you, your spouse, and your dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan or amounts paid from retirement plan distributions that were nontaxable because you are a retired public safety officer	1.	
2. Enter your net profit* and any other earned income** from the business under which the insurance plan is established, minus any deductions on Form 1040, lines 27 and 28	2.	
3. Self-employed health insurance deduction. Enter the smaller of line 1 or line 2 here and on Form 1040, line 29. Do not include this amount in figuring any medical expense deduction on Schedule A	3.	

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

** **Earned income** includes net earnings and gains from the sale, transfer, or licensing of property you created. However, it does not include capital gain income. If you were a more-than-2% shareholder in the S corporation under which the insurance plan is established, earned income is your Medicare wages (box 5 of Form W-2) from that corporation.

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 2008, 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. Also, amounts paid for health insurance coverage from retirement plan distributions that were nontaxable because you are a retired public safety officer cannot be used to figure the deduction.

For more details, see Pub. 535.

Note. If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing the worksheet on page 29. When figuring the amount to enter on line 1 of the worksheet on page 29, do not include:

- Any amounts you included on Form 8885, line 4,
- Any qualified health insurance premiums you paid to "U.S. Treasury-HCTC," or
- Any health coverage tax credit advance payments shown in box 1 of Form 1099-H.

If you qualify to take the deduction, use the worksheet on page 29 to figure the amount you can deduct.

Exception. Use Pub. 535 instead of the worksheet on page 29 to figure your deduction if any of the following applies.

- 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 30

Penalty on Early Withdrawal of Savings

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

Lines 31a and 31b

Alimony Paid

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take

this deduction. Use TeleTax topic 452 (see page 84) or see Pub. 504.

Line 32

IRA Deduction



If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2008, you must report them on Form 8606.

If you made contributions to a traditional IRA for 2008, you may be able to take an IRA deduction. But you, or your spouse if filing a joint return, must have had earned income to do so. For IRA purposes, earned income includes alimony and separate maintenance payments reported on line 11. If you were a member of the U.S. Armed Forces, earned income includes any nontaxable combat pay you received. If you were self-employed, earned income is generally your net earnings from self-employment if your personal services were a material income-producing factor. For more details, see Pub. 590. A statement should be sent to you by June 1, 2009, that shows all contributions to your traditional IRA for 2008.

Use the worksheet on pages 31 and 32 to figure the amount, if any, of your IRA deduction. But read the following list before you fill in the worksheet.

1. If you were age 70½ or older at the end of 2008, you cannot deduct any contributions made to your traditional IRA for 2008 or treat them as nondeductible contributions.
2. You cannot deduct contributions to a Roth IRA. But you may be able to take the retirement savings contributions credit (saver's credit). See the instructions for line 51 on page 41.



If you are filing a joint return and you or your spouse made contributions to both a traditional IRA and a Roth IRA for 2008, do not use the worksheet on pages 31 and 32. Instead, see Pub. 590 to figure the amount, if any, of your IRA deduction.

3. 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 Form W-2. But you may be able to take the retirement savings contributions credit. See the instructions for line 51 on page 41.

4. If you made contributions to your IRA in 2008 that you deducted for 2007, do not include them in the worksheet.

5. If you received income from a non-qualified deferred compensation plan or nongovernmental section 457 plan that is included in box 1 of your Form W-2, or in box 7 of Form 1099-MISC, do not include that income on line 8 of the worksheet. The

income should be shown in (a) box 11 of your Form W-2, (b) box 12 of your Form W-2 with code Z, or (c) box 15b of Form 1099-MISC. If it is not, contact your employer or the payer for the amount of the income.

6. 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 32.

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

8. 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.

9. Do not include any repayments of qualified reservist distributions. You cannot deduct them. For information on how to report these repayments, see *Qualified reservist repayments* in Pub. 590.

10. If the total of your IRA deduction on line 32 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2008, see Pub. 590 for special rules.

11. You may be able to deduct up to an additional \$3,000 if all the following conditions are met.

- a. You must have been a participant in a 401(k) plan under which the employer matched at least 50% of your contributions to the plan with stock of the company.

- b. You must have been a participant in the 401(k) plan 6 months before the employer filed for bankruptcy.

- c. The employer (or a controlling corporation) must have been a debtor in a bankruptcy case in an earlier year.

- d. The employer (or any other person) must have been subject to indictment or conviction based on business transactions related to the bankruptcy.

If this applies to you, do not use the worksheet on pages 31 and 32. Instead, use the worksheet in Pub. 590.



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 Form W-2 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-em-

ployed 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 2008.



You may be able to take the retirement savings contributions credit. See the instructions for line 51 on page 41.

IRA Deduction Worksheet—Line 32

Keep for Your Records 



If you were age 70½ or older at the end of 2008, you cannot deduct any contributions made to your traditional IRA or treat them as nondeductible contributions. **Do not** complete this worksheet for anyone age 70½ or older at the end of 2008. If you are married filing jointly and only one spouse was under age 70½ at the end of 2008, complete this worksheet only for that spouse.

	Your IRA	Spouse's IRA
Before you begin:		
✓ Be sure you have read the list on page 30. You may not be eligible to use this worksheet.		
✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36 on page 34).		
✓ If you are married filing separately and you lived apart from your spouse for all of 2008, enter "D" on the dotted line next to Form 1040, line 32. If you do not, you may get a math error notice from the IRS.		
1a. Were you covered by a retirement plan (see page 30)?	1a. <input type="checkbox"/> Yes <input type="checkbox"/> No	1b. <input type="checkbox"/> Yes <input type="checkbox"/> No
b. If married filing jointly, was your spouse covered by a retirement plan? Next. If you checked "No" on line 1a (and "No" on line 1b if married filing jointly), skip lines 2 through 6, enter the applicable amount below on line 7a (and line 7b if applicable), and go to line 8.		
<ul style="list-style-type: none"> • \$5,000, if under age 50 at the end of 2008. • \$6,000, if age 50 or older but under age 70½ at the end of 2008. Otherwise, go to line 2.		
2. Enter the amount shown below that applies to you.	2a. <input style="width: 100px;" type="text"/>	2b. <input style="width: 100px;" type="text"/>
<ul style="list-style-type: none"> • Single, head of household, or married filing separately and you lived apart from your spouse for all of 2008, enter \$63,000 • Qualifying widow(er), enter \$105,000 • Married filing jointly, enter \$105,000 in both columns. But if you checked "No" on either line 1a or 1b, enter \$169,000 for the person who was not covered by a plan • Married filing separately and you lived with your spouse at any time in 2008, enter \$10,000 		
3. Enter the amount from Form 1040, line 22	3. <input style="width: 100px;" type="text"/>	
4. Enter the total of the amounts from Form 1040, lines 23 through 31a, plus any write-in adjustments you entered on the dotted line next to line 36	4. <input style="width: 100px;" type="text"/>	
5. Subtract line 4 from line 3. If married filing jointly, enter the result in both columns	5a. <input style="width: 100px;" type="text"/>	5b. <input style="width: 100px;" type="text"/>
6. Is the amount on line 5 less than the amount on line 2?		
<input type="checkbox"/> No.  None of your IRA contributions are deductible. For details on nondeductible IRA contributions, see Form 8606.		
<input type="checkbox"/> Yes. Subtract line 5 from line 2 in each column. Follow the instruction below that applies to you.		
<ul style="list-style-type: none"> • If single, head of household, or married filing separately, and the result is \$10,000 or more, enter the applicable amount below on line 7 for that column and go to line 8. <ul style="list-style-type: none"> i. \$5,000, if under age 50 at the end of 2008. ii. \$6,000, if age 50 or older but under age 70½ at the end of 2008. Otherwise, go to line 7. • If married filing jointly or qualifying widow(er), and the result is \$20,000 or more (\$10,000 or more in the column for the IRA of a person who was not covered by a retirement plan), enter the applicable amount below on line 7 for that column and go to line 8. <ul style="list-style-type: none"> i. \$5,000, if under age 50 at the end of 2008. ii. \$6,000 if age 50 or older but under age 70½ at the end of 2008. Otherwise, go to line 7. 	6a. <input style="width: 100px; height: 80px;" type="text"/>	6b. <input style="width: 100px; height: 80px;" type="text"/>

IRA Deduction Worksheet—Line 32 (continued)

	Your IRA	Spouse's IRA
<p>7. Multiply lines 6a and 6b by the percentage below that applies to you. If the result is not a multiple of \$10, increase it to the next multiple of \$10 (for example, increase \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200.</p> <ul style="list-style-type: none"> • Single, head of household, or married filing separately, multiply by 50% (.50) (or by 60% (.60) in the column for the IRA of a person who is age 50 or older at the end of 2008) • Married filing jointly or qualifying widow(er), multiply by 25% (.25) (or by 30% (.30) in the column for the IRA of a person who is age 50 or older at the end of 2008). But if you checked "No" on either line 1a or 1b, then in the column for the IRA of the person who was not covered by a retirement plan, multiply by 50% (.50) (or by 60% (.60) if age 50 or older at the end of 2008) 	7a.	7b.
	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>
<p>8. Enter the total of your (and your spouse's if filing jointly):</p> <ul style="list-style-type: none"> • Wages, salaries, tips, etc. Generally, this is the amount reported in box 1 of Form W-2. See page 30 for exceptions • Alimony and separate maintenance payments reported on Form 1040, line 11 • Nontaxable combat pay. This amount should be reported in box 12 of Form W-2 with code Q 	8.	
	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>	
<p>9. Enter the earned income you (and your spouse if filing jointly) received as a self-employed individual or a partner. Generally, this is your (and your spouse's if filing jointly) net earnings from self-employment if your personal services were a material income-producing factor, minus any deductions on Form 1040, lines 27 and 28. If zero or less, enter -0-. For more details, see Pub. 590</p>	9.	
	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>	
<p>10. Add lines 8 and 9</p>	10.	
	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>	
<div style="display: flex; align-items: center;"> <p style="font-size: small; margin: 0;">If married filing jointly and line 10 is less than \$10,000 (\$11,000 if one spouse is age 50 or older at the end of 2008; \$12,000 if both spouses are age 50 or older at the end of 2008), stop here and see Pub. 590 to figure your IRA deduction.</p> </div>		
<p>11. Enter traditional IRA contributions made, or that will be made by April 15, 2009, for 2008 to your IRA on line 11a and to your spouse's IRA on line 11b</p>	11a.	11b.
	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>
<p>12. On line 12a, enter the smallest of line 7a, 10, or 11a. On line 12b, enter the smallest of line 7b, 10, or 11b. This is the most you can deduct. Add the amounts on lines 12a and 12b and enter the total on Form 1040, line 32. Or, if you want, you can deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)</p>	12a.	12b.
	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>	<div style="border: 1px solid black; width: 100%; height: 40px;"></div>

Line 33 Student Loan Interest Deduction

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

- You paid interest in 2008 on a qualified student loan (see below).
- Your filing status is any status except married filing separately.
- Your modified adjusted gross income (AGI) is less than: \$70,000 if single, head of household, or qualifying widow(er); \$145,000 if married filing jointly. Use lines 2 through 4 of the worksheet below to figure your modified AGI.
- You, or your spouse if filing jointly, are not claimed as a dependent on someone's (such as your parent's) 2008 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. A qualified student loan is any loan you took out to pay the qualified higher education expenses for any of the following individuals.

1. Yourself or your spouse.
2. Any person who was your dependent when the loan was taken out.
3. Any person you could have claimed as a dependent for the year the loan was taken out except that:
 - a. The person filed a joint return,
 - b. The person had gross income that was equal to or more than the exemption amount for that year (\$3,500 for 2008), or
 - c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's return.

The person for whom the expenses were paid must have been an eligible student (see this page). However, a loan is not a qualified student loan if (a) any of the proceeds were used for other purposes, or (b) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see Pub. 970.

Qualified higher education expenses. Qualified higher education expenses generally include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution includes

most colleges, universities, and certain vocational schools. You must reduce the expenses by the following benefits.

- Employer-provided educational assistance benefits that are not included in box 1 of Form(s) W-2.
- Excludable U.S. series EE and I savings bond interest from Form 8815.
- Any nontaxable distribution of qualified tuition program earnings.
- Any nontaxable distribution of Coverdell education savings account earnings.
- 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.

Eligible student. An eligible student is a person who:

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

Student Loan Interest Deduction Worksheet—Line 33

Keep for Your Records 

Before you begin:		✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36 on page 34).
	✓	Be sure you have read the Exception above to see if you can use this worksheet instead of Pub. 970 to figure your deduction.
1.	Enter the total interest you paid in 2008 on qualified student loans (see above). Do not enter more than \$2,500	1. <input type="text"/>
2.	Enter the amount from Form 1040, line 22	2. <input type="text"/>
3.	Enter the total of the amounts from Form 1040, lines 23 through 32, plus any write-in adjustments you entered on the dotted line next to line 36	3. <input type="text"/>
4.	Subtract line 3 from line 2	4. <input type="text"/>
5.	Enter the amount shown below for your filing status.	
	<ul style="list-style-type: none"> • Single, head of household, or qualifying widow(er)—\$55,000 • Married filing jointly—\$115,000 	5. <input type="text"/>
6.	Is the amount on line 4 more than the amount on line 5?	
	<input type="checkbox"/> No. Skip lines 6 and 7, enter -0- on line 8, and go to line 9.	
	<input type="checkbox"/> Yes. Subtract line 5 from line 4	6. <input type="text"/>
7.	Divide line 6 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	7. <input type="text"/>
8.	Multiply line 1 by line 7	8. <input type="text"/>
9.	Student loan interest deduction. Subtract line 8 from line 1. Enter the result here and on Form 1040, line 33. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	9. <input type="text"/>

Line 34**Tuition and Fees Deduction**

If you paid qualified tuition and fees for yourself, your spouse, or your dependent(s), you may be able to take this deduction. See Form 8917.



You may be able to take a credit for your educational expenses instead of a deduction. See the instructions for line 50 on page 40 for details.

Line 35**Domestic Production Activities Deduction**

You may be able to deduct up to 6% of your qualified production activities income from the following activities.

1. Construction of real property performed in the United States.
2. Engineering or architectural services performed in the United States for construction of real property in the United States.
3. Any lease, rental, license, sale, exchange, or other disposition of:
 - a. Tangible personal property, computer software, and sound recordings that you manufactured, produced, grew, or extracted in whole or in significant part within the United States,
 - b. Any qualified film you produced, or
 - c. Electricity, natural gas, or potable water you produced in the United States.

The deduction does not apply to income derived from:

- The sale of food and beverages you prepared at a retail establishment;
- Property you leased, licensed, or rented for use by any related person;
- The transmission or distribution of electricity, natural gas, or potable water; or
- The lease, rental, license, sale, exchange, or other disposition of land.

For details, see Form 8903 and its instructions.

Line 36

Include in the total on line 36 any of the following write-in adjustments. To find out if you can take the deduction, see the form or publication indicated. On the dotted line next to line 36, enter the amount of your deduction and identify it as indicated.

- Archer MSA deduction (see Form 8853). Identify as "MSA."

- Jury duty pay if you gave the pay to your employer because your employer paid your salary while you served on the jury. Identify as "Jury Pay."

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

- Reforestation amortization and expenses (see Pub. 535). Identify as "RFST."

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

- Contributions to section 501(c)(18)(D) pension plans (see Pub. 525). Identify as "501(c)(18)(D)."

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

- Attorney fees and court costs for actions settled or decided after October 22, 2004, involving certain unlawful discrimination claims, but only to the extent of gross income from such actions (see Pub. 525). Identify as "UDC."

- Attorney fees and court costs paid by you in connection with an award from the IRS for information you provided after December 19, 2006, that substantially contributed to the detection of tax law violations, up to the amount of the award includible in your gross income. Identify as "WBF."

Line 37

If line 37 is less than zero, you may have a net operating loss that you can carry to another tax year. See the Instructions for Form 1045 for details.

Tax and Credits**Line 39a**

If you were born before January 2, 1944, or were blind at the end of 2008, check the appropriate box(es) on line 39a. If you were married and checked the box on Form 1040, line 6b, and your spouse was born before January 2, 1944, or was blind at the end of 2008, also check the appropriate box(es) for your spouse. Be sure to enter the total number of boxes checked.

Blindness

If you were partially blind as of December 31, 2008, 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 39b

If your filing status is married filing separately (box 3 is checked), and your spouse itemizes deductions on his or her return, check the box on line 39b. Also check that box if you were a dual-status alien. 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 alien at the end of 2008 and you and your spouse agree to be taxed on your combined worldwide income, do not check the box.

Line 39c

If you did not check the box on line 39b, your standard deduction is increased by:

- Certain state and local real estate taxes you paid, and
- Your net disaster loss.

Real estate taxes. Your standard deduction is increased by the state and local real estate taxes you paid, up to \$500 (\$1,000 if married filing jointly). The real estate taxes must be taxes that would have been deductible on Schedule A if you had itemized your deductions. Taxes deductible in arriving at adjusted gross income (such as taxes on business real estate) and taxes on foreign real estate cannot be used to increase your standard deduction.

Net disaster loss. Your standard deduction is increased by your net disaster loss. Your net disaster loss is your personal casualty losses from a federally declared disaster minus any personal casualty gains. This amount is shown on Form 4684, line 18a.

Standard deduction amount. Check the box on line 39c if you are claiming the standard deduction and it includes real estate taxes or a net disaster loss. Then see the instructions for line 40, next.

Line 40**Itemized Deductions or Standard Deduction**

In most cases, your federal income tax will be less if you take the larger of your itemized deductions or standard deduction.

Itemized Deductions

To figure your itemized deductions, fill in Schedule A.

Standard Deduction



If you checked the box on line 39b, your standard deduction is zero, even if you were born before January 2, 1944, were

blind, paid real estate taxes, or had a net disaster loss.

Most people can find their standard deduction by looking at the amounts listed under “All others” to the left of Form 1040, line 40. But use the worksheet below to figure your standard deduction if:

- You, or your spouse if filing jointly, can be claimed as a dependent on someone’s 2008 return,

- You checked any box on line 39a,
- You paid state or local real estate taxes in 2008, or
- You have a net disaster loss on Form 4684, line 18a.

Standard Deduction Worksheet—Line 40

Keep for Your Records



Do not complete this worksheet if you checked the box on line 39b; your standard deduction is zero.	
1. Enter the amount shown below for your filing status.	
<ul style="list-style-type: none"> • Single or married filing separately—\$5,450 • Married filing jointly or Qualifying widow(er)—\$10,900 • Head of household—\$8,000	..... 1. <input type="text"/>
2. Can you (or your spouse if filing jointly) be claimed as a dependent?	
<input type="checkbox"/> No. Skip line 3; enter the amount from line 1 on line 4.	
<input type="checkbox"/> Yes. Go to line 3.	
3. Is your earned income* more than \$600?	
<input type="checkbox"/> Yes. Add \$300 to your earned income. Enter the total	} 3. <input type="text"/>
<input type="checkbox"/> No. Enter \$900	
4. Enter the smaller of line 1 or line 3.	4. <input type="text"/>
5. If born before January 2, 1944, or blind, multiply the number on Form 1040, line 39a, by \$1,050 (\$1,350 if single or head of household). Otherwise, enter -0-	5. <input type="text"/>
6. Enter any net disaster loss from Form 4684, line 18a. If more than zero, check the box on Form 1040, line 39c	6. <input type="text"/>
7. Enter the state and local real estate taxes you paid that would be deductible on Schedule A, line 6, if you were itemizing your deductions. See the instructions for Schedule A, line 6. Do not include foreign real estate taxes	7. <input type="text"/>
8. Enter \$500 (\$1,000 if married filing jointly)	8. <input type="text"/>
9. Enter the smaller of line 7 or line 8. If more than zero, check the box on Form 1040, line 39c	9. <input type="text"/>
10. Add lines 4, 5, 6, and 9. Enter the total here and on Form 1040, line 40.	10. <input type="text"/>
* Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 27.	

Line 42

Exemptions

Taxpayers housing Midwestern displaced individuals. You may be able to claim an additional exemption amount of \$500 per person (up to \$2,000) if you provided housing to a person who was displaced from his or her main home because of the storms, tornadoes, or flooding in a Midwestern disaster area and all of the following apply.

- The person displaced lived in your main home for at least 60 consecutive days in 2008.
- You did not receive any rent or other amount from any source for providing the housing.
- The main home of the person displaced was in a Midwestern disaster area on the date the storms, tornadoes, or flooding occurred.
- The person displaced was not your spouse or dependent.

For details, see Form 8914.

Adjusted gross income (line 38) over \$119,975. Use the Deduction for Exemptions Worksheet below to figure your deduction for exemptions unless you are filing Form 8914.

Line 44

Tax

Include in the total on line 44 all of the following taxes that apply.

- Tax on your taxable income. Figure the tax using one of the methods described on this page and page 37.
- Tax from Form 8814 (relating to the election to report child's interest or dividends). Check the appropriate box.
- Tax from Form 4972 (relating to lump-sum distributions). Check the appropriate box.
- Recapture of an education credit. You may owe this tax if you claimed an education credit in an earlier year, and either tax-free educational assistance or a refund of qualified expenses was received in 2008 for the student. See Form 8863 for more details. Enter the amount and "ECR" in the space next to line 44.

Do you want the IRS to figure the tax on your taxable income 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.

Tax Table or Tax Computation Worksheet. If your taxable income is less than \$100,000, you must use the Tax Table that begins on page 68 to figure your tax. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Computation Worksheet on page 80.

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

Form 8615. Form 8615 generally must be used to figure the tax for any child who had more than \$1,800 of investment income, such as taxable interest, ordinary dividends, or capital gains (including capital gain distributions) and who either:

1. Was under age 18 at the end of 2008,
2. Was age 18 at the end of 2008 and did not have earned income that was more than half of the child's support, or
3. Was a full-time student over age 18 and under age 24 at the end of 2008 and did not have earned income that was more than half of the child's support.

But if the child files a joint return for 2008 or if neither of the child's parents was

Deduction for Exemptions Worksheet—Line 42

Keep for Your Records



1.	Is the amount on Form 1040, line 38, more than the amount shown on line 4 below for your filing status?		
	<input type="checkbox"/> No. Multiply \$3,500 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on Form 1040, line 42.		
	<input type="checkbox"/> Yes. <i>Continue</i>		
2.	Multiply \$3,500 by the total number of exemptions claimed on Form 1040, line 6d	2.	<input type="text"/>
3.	Enter the amount from Form 1040, line 38	3.	<input type="text"/>
4.	Enter the amount shown below for your filing status.		
	<ul style="list-style-type: none"> • Single—\$159,950 • Married filing jointly or qualifying widow(er)—\$239,950 • Married filing separately—\$119,975 • Head of household—\$199,950 	4.	<input type="text"/>
5.	Subtract line 4 from line 3	5.	<input type="text"/>
6.	Is line 5 more than \$122,500 (\$61,250 if married filing separately)?		
	<input type="checkbox"/> Yes. Multiply \$2,333 by the total number of exemptions claimed on Form 1040, line 6d. Enter the result here and on Form 1040, line 42. Do not complete the rest of this worksheet.		
	<input type="checkbox"/> No. Divide line 5 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1)	6.	<input type="text"/>
7.	Multiply line 6 by 2% (.02) and enter the result as a decimal	7.	<input type="text"/>
8.	Multiply line 2 by line 7	8.	<input type="text"/>
9.	Divide line 8 by 3.0	9.	<input type="text"/>
10.	Deduction for exemptions. Subtract line 9 from line 2. Enter the result here and on Form 1040, line 42	10.	<input type="text"/>

alive at the end of 2008, do not use Form 8615 to figure the child's tax.

A child born on January 1, 1991, is considered to be age 18 at the end of 2008; a child born on January 1, 1990, is considered to be age 19 at the end of 2008; a child born on January 1, 1985, is considered to be age 24 at the end of 2008.

Schedule D Tax Worksheet. If you have to file Schedule D and Schedule D, line 18 or 19, is more than zero, use the Schedule D Tax Worksheet on page D-10 of the Instructions for Schedule D to figure your tax.

Qualified Dividends and Capital Gain Tax Worksheet. If you do not have to use the Schedule D Tax Worksheet (see this page), use the worksheet on page 38 to figure your tax if any of the following applies.

- You reported qualified dividends on Form 1040, line 9b.
- You do not have to file Schedule D and you reported capital gain distributions on Form 1040, line 13.
- You are filing Schedule D and Schedule D, lines 15 and 16, are both more than zero.

Schedule J. If you had income from farming or fishing (including certain amounts received in connection with the Exxon Valdez litigation), your tax may be less if you choose to figure it using income averaging on Schedule J.

Foreign Earned Income Tax Worksheet. If you claimed the foreign earned income exclusion, housing exclusion, or housing deduction on Form 2555 or Form 2555-EZ, you must figure your tax using the worksheet below.

Foreign Earned Income Tax Worksheet—Line 44

Keep for Your Records



Before you begin:  If Form 1040, line 43, is zero, do not complete this worksheet.

1. Enter the amount from Form 1040, line 43	1.	
2. Enter the amount from your (and your spouse's, if filing jointly) Form 2555, lines 45 and 50, or Form 2555-EZ, line 18	2.	
3. Add lines 1 and 2	3.	
4. Tax on the amount on line 3. Use the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet*, Schedule D Tax Worksheet*, or Form 8615, whichever applies. See the instructions for line 44 that begin on page 36 to see which tax computation method applies	4.	
5. Tax on the amount on line 2. Use the Tax Table or Tax Computation Worksheet, whichever applies	5.	
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on Form 1040, line 44	6.	

**Enter the amount from line 3 above on line 1 of the Qualified Dividends and Capital Gain Tax Worksheet or Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you have a capital gain excess. To find out if you have a capital gain excess, subtract Form 1040, line 43, from line 6 of your Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

If you do not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.

If you have a capital gain excess, complete a second Qualified Dividends and Capital Gain Tax Worksheet or Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the Foreign Earned Income Tax Worksheet above.

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on Form 1040, line 9b, by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your Unrecaptured Section 1250 Gain Worksheet on page D-9 of the Instructions for Schedule D (Form 1040).

Qualified Dividends and Capital Gain Tax Worksheet—Line 44

Keep for Your Records



Before you begin: ✓ See the instructions for line 44 that begin on page 36 to see if you can use this worksheet to figure your tax.
 ✓ If you do not have to file Schedule D and you received capital gain distributions, be sure you checked the box on line 13 of Form 1040.

<p>1. Enter the amount from Form 1040, line 43. However, if you are filing Form 2555 or 2555-EZ (relating to foreign earned income), enter the amount from line 3 of the worksheet on page 37</p> <p>2. Enter the amount from Form 1040, line 9b*</p> <p>3. Are you filing Schedule D?*</p> <p><input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of Schedule D. If either line 15 or line 16 is a loss, enter -0-</p> <p><input type="checkbox"/> No. Enter the amount from Form 1040, line 13</p> <p>4. Add lines 2 and 3</p> <p>5. If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise, enter -0-</p> <p>6. Subtract line 5 from line 4. If zero or less, enter -0-</p> <p>7. Subtract line 6 from line 1. If zero or less, enter -0-</p> <p>8. Enter the smaller of:</p> <ul style="list-style-type: none"> • The amount on line 1, or • \$32,550 if single or married filing separately, \$65,100 if married filing jointly or qualifying widow(er), \$43,650 if head of household. <p>9. Is the amount on line 7 equal to or more than the amount on line 8?</p> <p><input type="checkbox"/> Yes. Skip lines 9 and 10; go to line 11 and check the “No” box.</p> <p><input type="checkbox"/> No. Enter the amount from line 7</p> <p>10. Subtract line 9 from line 8</p> <p>11. Are the amounts on lines 6 and 10 the same?</p> <p><input type="checkbox"/> Yes. Skip lines 11 through 14; go to line 15.</p> <p><input type="checkbox"/> No. Enter the smaller of line 1 or line 6</p> <p>12. Enter the amount from line 10 (if line 10 is blank, enter -0-)</p> <p>13. Subtract line 12 from line 11</p> <p>14. Multiply line 13 by 15% (.15)</p> <p>15. Figure the tax on the amount on line 7. Use the Tax Table or Tax Computation Worksheet, whichever applies</p> <p>16. Add lines 14 and 15</p> <p>17. Figure the tax on the amount on line 1. Use the Tax Table or Tax Computation Worksheet, whichever applies</p> <p>18. Tax on all taxable income. Enter the smaller of line 16 or line 17. Also include this amount on Form 1040, line 44. If you are filing Form 2555 or 2555-EZ, do not enter this amount on Form 1040, line 44. Instead, enter it on line 4 of the worksheet on page 37</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. _____</p> <p>16. _____</p> <p>17. _____</p> <p>18. _____</p>
--	--

*If you are filing Form 2555 or 2555-EZ, see the footnote in the worksheet on page 37 before completing this line.

Line 45

Alternative Minimum Tax

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



An electronic version of this worksheet is available on www.irs.gov. Enter "AMT Assistant" in the search box on the website.

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, re-search, experimental, or mining costs.
- Amortization of pollution-control facilities or depletion.
- Income or (loss) from tax-shelter farm activities or passive activities.

(Continued on page 40)

Worksheet To See if You Should Fill in Form 6251—Line 45

Keep for Your Records



Before you begin:	✓	Be sure you have read the Exception above to see if you must fill in Form 6251 instead of using this worksheet.	
	✓	If you are claiming the foreign tax credit (see the instructions for Form 1040, line 47, on page 40), enter that credit on line 47.	

1.	Are you filing Schedule A ?					
	<input type="checkbox"/> No. Skip lines 1 through 3; enter on line 4 the amount from Form 1040, line 38, minus the total of (a) any amount from Form 8914, line 2, and (b) if you are claiming the standard deduction, any amount from line 6 of the Standard Deduction Worksheet on page 35. Then go to line 5.					
	<input type="checkbox"/> Yes. Enter the amount from Form 1040, line 41, minus any amount from Form 8914, line 2	1.				
2.	Enter the smaller of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 38. If zero or less, enter -0-	2.				
3.	Enter the total of the amounts from Schedule A, lines 9 and 27	3.				
4.	Add lines 1 through 3 above	4.				
5.	Enter any tax refund from Form 1040, lines 10 and 21	5.				
6.	Subtract line 5 from line 4	6.				
7.	Enter the amount shown below for your filing status.					
	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <ul style="list-style-type: none"> • Single or head of household—\$46,200 • Married filing jointly or qualifying widow(er)—\$69,950 • Married filing separately—\$34,975 </td> <td style="width: 5%; border: none; text-align: center; vertical-align: middle;">}</td> <td style="width: 45%; border: none;">.</td> </tr> </table>	<ul style="list-style-type: none"> • Single or head of household—\$46,200 • Married filing jointly or qualifying widow(er)—\$69,950 • Married filing separately—\$34,975 	}	7.	
<ul style="list-style-type: none"> • Single or head of household—\$46,200 • Married filing jointly or qualifying widow(er)—\$69,950 • Married filing separately—\$34,975 	}				
8.	Is the amount on line 6 more than the amount on line 7?					
	<input type="checkbox"/> No. You do not need to fill in Form 6251.					
	<input type="checkbox"/> Yes. Subtract line 7 from line 6	8.				
9.	Enter the amount shown below for your filing status.					
	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <ul style="list-style-type: none"> • Single or head of household—\$112,500 • Married filing jointly or qualifying widow(er)—\$150,000 • Married filing separately—\$75,000 </td> <td style="width: 5%; border: none; text-align: center; vertical-align: middle;">}</td> <td style="width: 45%; border: none;">.</td> </tr> </table>	<ul style="list-style-type: none"> • Single or head of household—\$112,500 • Married filing jointly or qualifying widow(er)—\$150,000 • Married filing separately—\$75,000 	}	9.	
<ul style="list-style-type: none"> • Single or head of household—\$112,500 • Married filing jointly or qualifying widow(er)—\$150,000 • Married filing separately—\$75,000 	}				
10.	Is the amount on line 6 more than the amount on line 9?					
	<input type="checkbox"/> No. Skip lines 10 and 11; enter on line 12 the amount from line 8, and go to line 13.					
	<input type="checkbox"/> Yes. Subtract line 9 from line 6	10.				
11.	Multiply line 10 by 25% (.25) and enter the smaller of the result or line 7 above	11.				
12.	Add lines 8 and 11	12.				
13.	Is the amount on line 12 more than \$175,000 (\$87,500 if married filing separately)?					
	<input type="checkbox"/> Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.					
	<input type="checkbox"/> No. Multiply line 12 by 26% (.26)	13.				
14.	Enter the amount from Form 1040, line 44, minus the total of any tax from Form 4972 and any amount on Form 1040, line 47. If you used Schedule J to figure your tax, the amount for Form 1040, line 44, must be refigured without using Schedule J	14.				
Next.	Is the amount on line 13 more than the amount on line 14?					
	<input type="checkbox"/> Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.					
	<input type="checkbox"/> No. You do not owe alternative minimum tax and do not need to fill in Form 6251. Leave line 45 blank.					

- Income from long-term contracts not figured using the percentage-of-completion method.
- Interest paid on a home mortgage not used to buy, build, or substantially improve your home.
- Investment interest expense reported on Form 4952.
- Net operating loss deduction.
- Alternative minimum tax adjustments from an estate, trust, electing large partnership, or cooperative.
- Section 1202 exclusion.
- Any general business credit on Form 3800.
- Empowerment zone and renewal community employment credit.
- Qualified electric vehicle credit.
- Alternative motor vehicle credit.
- Alternative fuel vehicle refueling property credit.
- Credit for prior year minimum tax.



Form 6251 should be filled in for a child if Form 8615 must be used to figure the child's tax and the child's adjusted gross income on Form 1040, line 38, exceeds the child's earned income by more than \$6,400. To find out when Form 8615 must be used, see page 36.

Line 47 Foreign Tax Credit

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

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

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

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

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

Do you meet all five requirements above?

- Yes.** Enter on line 47 the smaller of (a) your total foreign taxes, or (b) the amount on Form 1040, line 44.
- 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 48 Credit for Child and Dependent Care Expenses

You may be able to take this credit if you paid someone to care for any of the following persons.

1. Your qualifying child under age 13 whom you claim as your dependent.
2. Your disabled spouse who could not care for himself or herself, and who lived with you for more than half the year.
3. Any disabled person not able to care for himself or herself, who lived with you for more than half the year, and whom you claim as a dependent.
4. Any disabled person not able to care for himself or herself, who lived with you for more than half the year, and whom you could have claimed as a dependent except that:
 - a. The person filed a joint return,
 - b. The person had \$3,500 or more of gross income, or
 - c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2008 return.
5. Your child whom you could not claim as a dependent because of the rules for *Children of divorced or separated parents* that begin on page 18.

For details, use TeleTax topic 602 (see page 84) or see Form 2441.

For details, use TeleTax topic 602 (see page 84) or see Form 2441.

Line 49 Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 2008 (a) you were age 65 or older, or (b) you retired on permanent and total disability and you had taxable disability income. But you cannot take the credit if:

1. The amount on Form 1040, line 38, is \$17,500 or more (\$20,000 or more if mar-

ried 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), or

2. You received one or more of the following benefits totaling \$5,000 or more (\$7,500 or more if married filing jointly and both spouses are eligible for the credit; \$3,750 or more if married filing separately and you lived apart from your spouse all year).

- a. Nontaxable part of social security benefits.
- b. Nontaxable part of tier 1 railroad retirement benefits treated as social security.
- c. Nontaxable veterans' pensions (excluding military disability pensions).

d. Any other nontaxable pensions, annuities, or disability income excluded from income under any provision of law other than the Internal Revenue Code.

For this purpose, do not include amounts treated as a return of your cost of a pension or annuity. Also, do not include a disability annuity payable under section 808 of the Foreign Service Act of 1980 or any pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country, the National Oceanic and Atmospheric Administration, or the Public Health Service. 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 50 Education Credits

If you (or your dependent) paid qualified expenses in 2008 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 applies.

- You, or your spouse if filing jointly, are claimed as a dependent on someone's (such as your parent's) 2008 tax return.
- Your filing status is married filing separately.
- The amount on Form 1040, line 38, is \$58,000 or more (\$116,000 or more if married filing jointly).
- You are taking a deduction for tuition and fees on Form 1040, line 34, for the same student.
- You, or your spouse, were a nonresident alien for any part of 2008 unless your filing status is married filing jointly.

Line 51**Retirement Savings
Contributions Credit
(Saver's Credit)**

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

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

1. The amount on Form 1040, line 38, is more than \$26,500 (\$39,750 if head of household; \$53,000 if married filing jointly).

2. The person(s) who made the qualified contribution or elective deferral (a) was born after January 1, 1991, (b) is claimed as a dependent on someone else's 2008 tax return, or (c) was a student (defined below).

You were a student if during any part of 5 calendar months of 2008 you:

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

A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

For more details, use TeleTax topic 610 (see page 84) or see Form 8880.

Line 52—Child Tax Credit

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).
- Step 2.** Make sure that for each qualifying child you either checked the box on Form 1040, line 6c, column (4), or completed Form 8901 (if the child is not your dependent).
- Step 3.** Answer the questions on this page to see if you can use the worksheet on page 43 to figure your credit or if you must use Pub. 972.

Questions

Who Must Use Pub. 972



1. Is the amount on Form 1040, line 38, 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
- Yes.** You must use Pub. 972 to figure your credit.
- No.** Go to question 2.

2. Are you claiming any of the following credits?
- Mortgage interest credit, Form 8396.
 - Adoption credit, Form 8839.
 - District of Columbia first-time homebuyer credit, Form 8859.
 - Residential energy efficient property credit, Form 5695.

- 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.
- No.** Continue

3. 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).
- Yes.** You must use Pub. 972 to figure your credit.
- No.** Use the worksheet on page 43 to figure your credit.

Child Tax Credit Worksheet—Line 52

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 2008 and meet the other requirements listed on page 17.
- **Do not** use this worksheet if you answered “Yes” to question 1, 2, or 3 on page 42. Instead, use Pub. 972.

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

2. Enter the amount from Form 1040, line 46. 2

3. Add the amounts from Form 1040:

Line 47 _____

Line 48 + _____

Line 49 + _____

Line 50 + _____

Line 51 + _____ Enter the total. 3

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

Yes.

You cannot take this credit because there is no tax to reduce. However, you may be able to take the **additional child tax credit**. See the **TIP** below.

No. Subtract line 3 from line 2. 4

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

Yes. Enter the amount from line 4. Also, you may be able to take the **additional child tax credit**. See the **TIP** below.

This is your child tax credit.

No. Enter the amount from line 1. 5

Enter this amount on Form 1040, line 52.



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 53

Include the following credits on line 53 and check the appropriate box(es). To find out if you can take the credit, see the form indicated.

- Mortgage interest credit. If a state or local government gave you a mortgage credit certificate, see Form 8396.
- Adoption credit. You may be able to take this credit if you paid expenses to adopt a child or you adopted a child with special needs and the adoption became final in 2008. See the Instructions for Form 8839.
- Residential energy efficient property credit. You may be able to take this credit if you paid qualified solar electric, solar water heating, fuel cell, small wind energy, or geothermal heat pump property costs for your home located in the United States.

If you are a member of a condominium management association for a condominium you own or a tenant-stockholder in a cooperative housing corporation, you are treated as having paid your proportionate share of any costs of such association or corporation for purposes of this credit.

See Form 5695.

Line 54 Other Credits

Include the following credits on line 54 and check the appropriate box(es). If box c is checked, also enter the applicable form number. To find out if you can take the credit, see the form or publication indicated.

- District of Columbia first-time homebuyer credit. See Form 8859.
- Qualified electric vehicle credit. You cannot claim this credit for a vehicle placed in service after 2006. You can claim this credit only if you have a passive activity electric vehicle credit carried forward from a prior year. See Form 8834.
- Alternative motor vehicle credit. If you placed an alternative motor vehicle (such as a qualified hybrid vehicle) in service during 2008, see Form 8910.
- Alternative fuel vehicle refueling property credit. See Form 8911.
- 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.
- Credit for prior year minimum tax. If you paid alternative minimum tax in a prior year, see Form 8801.
- Qualified zone academy bond credit. This credit applies only to S corporation shareholders. See Form 8860.
- Credit to holders of tax credit bonds. See Form 8912.

Need more information or forms? See page 87.

Other Taxes

Line 58

Unreported Social Security and Medicare Tax from Forms 4137 and 8919

Enter the total of any taxes from Form 4137 and Form 8919. Check the appropriate box(es).

Form 4137. If you received tips of \$20 or more in any month and you did not report the full amount to your employer, you must pay the social security and Medicare or railroad retirement (RRTA) tax on the unreported tips. You must also pay this tax if your Form(s) W-2 shows allocated tips that you are including in your income on Form 1040, line 7.

To figure the social security and Medicare tax, use Form 4137. If you owe RRTA tax, contact your employer. Your employer will figure and collect the RRTA tax.



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

Form 8919. If you are an employee who received wages from an employer who did not withhold social security and Medicare tax from your wages, use Form 8919 to figure your share of the unreported tax. Include on line 58 the amount from line 13 of Form 8919. Include the amount from line 6 of Form 8919 on Form 1040, line 7.

Line 59

Additional Tax on IRAs, Other Qualified Retirement Plans, etc.



You may not owe this tax if the distribution was made or repaid because of the May 4, 2007, Kansas storms and tornadoes or the storms, tornadoes, or flooding in a Midwestern disaster area. For details, see Pub. 4492-A (Kansas) or Pub. 4492-B (Midwestern disaster areas).

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

1. You received an early distribution from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988, and the total distribution was not rolled over in a qualified rollover contribution.

2. Excess contributions were made to your IRAs, Coverdell education savings accounts (ESAs), Archer MSAs, or health savings accounts (HSAs).

3. You received taxable distributions from Coverdell ESAs or qualified tuition programs.

4. You were born before July 1, 1937, and did not take the minimum required distribution from your IRA or other qualified retirement plan.

Exception. If only item (1) applies and distribution code 1 is correctly shown in box 7 of 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 59. The taxable amount of the distribution is the part of the distribution you reported on Form 1040, line 15b or line 16b, or on Form 4972. Also, enter "No" under the heading "Other Taxes" to the left of line 59 to indicate that you do not have to file Form 5329. But if distribution code 1 is incorrectly shown in box 7 of Form 1099-R or you qualify for an exception for qualified medical expenses, qualified higher education expenses, qualified first-time homebuyer distributions, or a qualified reservist distribution, you must file Form 5329.

Economic stimulus payment. If your economic stimulus payment was directly deposited to your IRA, Coverdell ESA, Archer MSA, HSA, or qualified tuition program account and you withdraw it by the due date (including extensions) of your 2008 return, you do not have to file Form 5329 and you do not owe this tax on the contribution or distribution of the economic stimulus payment. For a Coverdell ESA, the withdrawal can be made by the later of the above date or June 1, 2009. If you did not withdraw the economic stimulus payment by that date, see Form 5329 and its instructions.

Line 60

Additional Taxes

Enter the total of any advance earned income credit (AEIC) payments you received and household employment taxes from Schedule H. Check the appropriate box(es).

AEIC payments. Enter the amount of AEIC payments you received. These payments are shown in box 9 of Form(s) W-2.

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 on page 45) cash wages of \$1,600 or more in 2008. Cash wages include wages paid by check, money order, etc.

2. You withheld federal income tax during 2008 at the request of any household employee.

3. You paid total cash wages of \$1,000 or more in any calendar quarter of 2007 or 2008 to household employees.



For item (1), do not count amounts paid to an employee who was under age 18 at any time in 2008 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.

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

2. Additional tax on an HSA because you did not remain an eligible individual during the testing period (see Form 8889, Part III). Identify as "HDHP."

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

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

5. Recapture of the following credits.

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

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

c. Qualified electric vehicle credit (see Form 8834). Identify as "QEVCR."

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

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

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

g. Alternative motor vehicle credit (see Form 8910). Identify as "AMVCR."

h. Alternative fuel vehicle refueling property credit (see Form 8911). Identify as "ARPCR."

6. Recapture of federal mortgage subsidy. If you sold your home in 2008 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."

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

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

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

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

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

12. Additional tax on income you received from a nonqualified deferred compensation plan that fails to meet certain requirements. This income should be shown in box 12 of Form W-2 with code Z, or in box 15b of Form 1099-MISC. The tax is 20% of the amount required to be included in income plus an interest amount determined under section 409A(a)(1)(B)(ii). See section 409A(a)(1)(B) for details. Identify as "NQDC."

13. Interest on the tax due on installment income from the sale of certain residential lots and timeshares. Identify as "453(l)(3)."

14. Interest on the deferred tax on gain from certain installment sales with a sales price over \$150,000. Identify as "453A(c)."

15. Additional tax on recapture of a charitable contribution deduction relating to a fractional interest in tangible personal property. See Pub. 526. Identify as "FITPP."

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. Attach Forms W-2G and 1099-R to the front of your return if federal income tax was withheld.

If you received a 2008 Form 1099 showing federal income tax withheld on dividends, taxable or tax-exempt 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 Form 1099 or box 6 of Form SSA-1099.

Line 63 2008 Estimated Tax Payments

Enter any estimated federal income tax payments you made for 2008. Include any overpayment from your 2007 return that you applied to your 2008 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 2008. 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 2008 or in 2009 before filing a 2008 return.

Divorced Taxpayers

If you got divorced in 2008 and you made joint estimated tax payments with your former spouse, enter your former spouse's SSN in the space provided on the front of Form 1040. If you were divorced and remarried in 2008, enter 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, enter 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 2008 and the name(s) and SSN(s) under which you made them.

Lines 64a and 64b— 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.

TIP You may be able to elect to use your 2007 earned income to figure your EIC if (a) your 2007 earned income is more than your 2008 earned income, and (b) your main home was in a Midwestern disaster area. Also, special rules may apply for people who had to relocate because of the storms, tornadoes, or flooding in a Midwestern disaster area. For details, see Pub. 4492-B.

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.

For help in determining if you are eligible for the EIC, go to www.irs.gov/eitc and click on “EITC Assistant.” This service is available in English and Spanish.

CAUTION If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. See Form 8862, who must file, on page 49. You may also have to pay penalties.

Step 1 All Filers

- If, in 2008:
 - 2 children lived with you, is the amount on Form 1040, line 38, less than \$38,646 (\$41,646 if married filing jointly)?
 - 1 child lived with you, is the amount on Form 1040, line 38, less than \$33,995 (\$36,995 if married filing jointly)?
 - No children lived with you, is the amount on Form 1040, line 38, less than \$12,880 (\$15,880 if married filing jointly)?

Yes. Continue  **No.**  You cannot take the credit.
- Do you, and your spouse if filing a joint return, have a social security number that allows you to work or is valid for EIC purposes (see page 49)?

Yes. Continue  **No.**  You cannot take the credit. Enter “No” on the dotted line next to line 64a.
- Is your filing status married filing separately?

Yes.  You cannot take the credit. **No.** Go to question 4.

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

Yes.  You cannot take the credit. **No.** Continue 
- Were you or your spouse a nonresident alien for any part of 2008?

Yes. See *Nonresident aliens* on page 49. **No.** Go to Step 2.

Step 2 Investment Income

- Add the amounts from Form 1040:

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

Investment Income =

*If line 13 is a loss, enter -0-.
- Is your investment income more than \$2,950?

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

Yes. See *Form 4797 filers* on page 49. **No.**  You cannot take the credit.
- Do any of the following apply for 2008?
 - You are filing Schedule E.
 - You are reporting income from the rental of personal property not used in a trade or business.
 - You are reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child’s interest and dividends).

Yes. You must use Worksheet 1 in Pub. 596 to see if you can take the credit. **No.** Go to Step 3.

Continued from page 46

Step 3 Qualifying Child

A qualifying child for the EIC is a child who is your...

Son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew)

AND

was ...

Under age 19 at the end of 2008

or

Under age 24 at the end of 2008 and a student (see page 49)

or

Any age and permanently and totally disabled (see page 49)

AND

who...

Lived with you in the United States for more than half of 2008.

If the child did not live with you for the required time, see *Exception to time lived with you* on page 49.



If the child meets the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2008, or the child was married, see page 49.

- Do you have at least one child who meets the conditions to be your qualifying child?
 - Yes.** The child must have a valid social security number as defined on page 49 unless the child was born and died in 2008. Go to question 2.
 - No.** Skip question 2; go to Step 4.

- Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2008?
 - Yes.** You cannot take the credit. Enter "No" on the dotted line next to line 64a.
 - No.** Skip Step 4; go to Step 5 on page 48.

Step 4 Filers Without a Qualifying Child

- Is the amount on Form 1040, line 38, less than \$12,880 (\$15,880 if married filing jointly)?
 - Yes.** Continue →
 - No.** You cannot take the credit.
- Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2008?
 - Yes.** You cannot take the credit. Enter "No" on the dotted line next to line 64a. →
 - No.** Continue →
- Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2008 tax return?
 - Yes.** You cannot take the credit. →
 - No.** Continue →
- Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2008?
 - Yes.** Continue →
 - No.** You cannot take the credit.
- Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2008? Members of the military stationed outside the United States, see page 49 before you answer.
 - Yes.** Go to Step 5 on page 48.
 - No.** You cannot take the credit. Enter "No" on the dotted line next to line 64a.

Continued from page 47

Step 5 Earned Income

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

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

2. Figure earned income*:

Form 1040, line 7 _____

Subtract, if included on line 7, any:

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

Add all of your nontaxable combat pay if you elect to include it in earned income. Also enter this amount on Form 1040, line 64b. See *Combat pay, nontaxable* on this page.

+ _____



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

Earned Income =

*You may be able to elect to use your 2007 earned income instead of your 2008 earned income to figure your 2008 EIC if (a) your 2007 earned income is more than your 2008 earned income, and (b) your main home was in a Midwestern disaster area. For details, see Pub. 4492-B. If you make this election, skip questions 2 and 3 and go to question 4.



Electing to use your 2007 earned income may increase or decrease your EIC. Figure the credit using your 2008 earned income. Then figure the credit using your 2007 earned income. Compare the total of your EIC and additional child tax credit, if any, using the earned income for both 2007 and 2008 before making the election. If you elect to use your 2007 earned income, enter "PYEI" and the amount of your 2007 earned income on the dotted line next to line 64a.

3. Were you self-employed at any time in 2008, or are you filing Schedule SE because you were a member of the clergy or you had church employee income, or are you filing Schedule C or C-EZ as a statutory employee?

- Yes.** Skip question 4 and Step 6; go to Worksheet B on page 51. **No.** Continue

4. If you have:

- 2 or more qualifying children, is your earned income less than \$38,646 (\$41,646 if married filing jointly)?
- 1 qualifying child, is your earned income less than \$33,995 (\$36,995 if married filing jointly)?
- No qualifying children, is your earned income less than \$12,880 (\$15,880 if married filing jointly)?

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

Step 6 How To Figure the Credit

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

- Yes.** See *Credit figured by the IRS* on page 49. **No.** Go to Worksheet A on page 50.

Definitions and Special Rules

(listed in alphabetical order)

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

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

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

1. Enter "Clergy" on the dotted line next to Form 1040, line 64a.
2. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
3. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 5, line 2.
4. Be sure to answer "Yes" to question 3 in Step 5.

Combat pay, nontaxable. If you were a member of the U.S. Armed Forces who served in a combat zone, certain pay is excluded from your income. See *Combat Zone Exclusion* in Pub. 3. You can elect

to include this pay in your earned income when figuring the EIC. The amount of your nontaxable combat pay should be shown in box 12 of Form(s) W-2 with code Q. If you are filing a joint return and both you and your spouse received nontaxable combat pay, you can each make your own election.

Credit figured by the IRS. To have the IRS figure your EIC:

1. Enter "EIC" on the dotted line next to Form 1040, line 64a.
2. Be sure you enter the nontaxable combat pay you elect to include in earned income on Form 1040, line 64b. See *Combat pay, nontaxable* on page 48.
3. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see *Form 8862, who must file* below.

Exception to time lived with you. Temporary absences by you or the child for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time the child lived with you. Also see *Kidnapped child* on page 19 or *Members of the military* below. A child is considered to have lived with you for all of 2008 if the child was born or died in 2008 and your home was this child's home for the entire time he or she was alive in 2008.

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

Form 8862, who must file. You must file Form 8862 if your EIC for a year after 1996 was reduced or disallowed for any reason other than a math or clerical error. But do not file Form 8862 if either of the following applies.

- You filed Form 8862 for another year, the EIC was allowed for that year, and your EIC has not been reduced or disallowed again for any reason other than a math or clerical error.
 - You are taking the EIC without a qualifying child and the only reason your EIC was reduced or disallowed in the other year was because it was determined that a child listed on Schedule EIC was not your qualifying child.
- Also, do not file Form 8862 or take the credit for the:
- 2 years after the most recent tax year for which there was a final determination that your EIC claim was due to reckless or intentional disregard of the EIC rules, or
 - 10 years after the most recent tax year for which there was a final determination that your EIC claim was due to fraud.

Foster child. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. For more details on authorized placement agencies, see Pub. 596.

Married child. A child who was married at the end of 2008 is a qualifying child only if (a) you can claim him or her as your dependent on Form 1040, line 6c, or (b) you could have claimed him or her as your dependent except for the special rule for *Children of divorced or separated parents* that begins on page 18.

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 do not serve more than 90 days.

Nonresident aliens. If your filing status is married filing jointly, go to Step 2 on page 46. Otherwise, stop; you cannot take the EIC. Enter "No" on the dotted line next to line 64a.

Permanently and totally disabled. A person is permanently and totally disabled if, at any time in 2008, the person cannot engage in any substantial gainful activity because of a physical or mental

condition and a doctor has determined that this condition (a) has lasted or can be expected to last continuously for at least a year, or (b) can be expected to lead to death.

Qualifying child of more than one person. If the child is the qualifying child of more than one person, only one person can claim the child as a qualifying child for all of the following tax benefits, unless the special rule for *Children of divorced or separated parents* beginning on page 18 applies.

1. Dependency exemption (line 6c).
2. Child tax credits (lines 52 and 66).
3. Head of household filing status (line 4).
4. Credit for child and dependent care expenses (line 48).
5. Exclusion for dependent care benefits (Form 2441, Part III).
6. Earned income credit (lines 64a and 64b).

No other person can take any of the six tax benefits listed above unless he or she has a different qualifying child. If you and any other person claim the child as a qualifying child, the IRS will apply the following rules.

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If two of the 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 in 2008. 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 2008.
- 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 2008.

Example. Your daughter meets the conditions to be a qualifying child for both you and your mother. If you and your mother both claim tax benefits based on the child, the rules above apply. Under these rules, you are entitled to treat your daughter as a qualifying child for all of the six tax benefits listed on this page for which you otherwise qualify. Your mother would not be entitled to take any of the six tax benefits listed on this page unless she has a different qualifying child.

If you will not be taking the EIC with a qualifying child, enter "No" on the dotted line next to line 64a. Otherwise, go to Step 3, question 1, on page 47.

Social security number (SSN). For 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 14. If you will not have an SSN by the date your return is due, see *What if You Cannot File on Time?* on page 7.

Student. A student is a child who during any part of 5 calendar months of 2008 was enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

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 can 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.



Before you begin: ✓ Be sure you are using the correct worksheet. Use this worksheet only if you answered “No” to Step 5, question 3, on page 48 or you elect to use your 2007 earned income to figure your EIC (see page 48). Otherwise, use Worksheet B that begins on page 51.

Part 1
All Filers Using Worksheet A

1. Enter your earned income from Step 5 on page 48. 1

2. Look up the amount on line 1 above in the EIC Table on pages 53–60 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 2

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

3. Enter the amount from Form 1040, line 38. 3

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

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

No. Go to line 5.

Part 2
Filers Who Answered “No” on Line 4

5. If you have:

- No qualifying children, is the amount on line 3 less than \$7,200 (\$10,200 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 3 less than \$15,750 (\$18,750 if married filing jointly)?

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

No. Look up the amount on line 3 in the EIC Table on pages 53–60 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 5

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

Part 3
Your Earned Income Credit

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

Enter this amount on Form 1040, line 64a. ⋮

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 49 to find out if you must file Form 8862 to take the credit for 2008.



Use this worksheet if you answered “Yes” to Step 5, question 3, on page 48, and you do not elect to use your 2007 earned income to figure your EIC (see page 48).

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

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

<p>Part 2</p> <p>Self-Employed NOT Required To File Schedule SE</p> <p><small>For example, your net earnings from self-employment were less than \$400.</small></p>	2. Do not include on these lines any statutory employee income, any net profit from services performed as a notary public, or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.			
	a. Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), box 14, code A*.	2a		
	b. Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1*.	+	2b	
	c. Combine lines 2a and 2b.	=	2c	

*Reduce any Schedule K-1 amounts by any partnership section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule SE, Section A. Enter your name and social security number on Schedule SE and attach it to your return.

<p>Part 3</p> <p>Statutory Employees Filing Schedule C or C-EZ</p>	3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.	3	
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<p>Part 4</p> <p>All Filers Using Worksheet B</p> <p><small>Note. If line 4b includes income on which you should have paid self-employment tax but did not, we may reduce your credit by the amount of self-employment tax not paid.</small></p>	4a. Enter your earned income from Step 5 on page 48.	4a	
	b. Combine lines 1e, 2c, 3, and 4a. This is your total earned income.	4b	

If line 4b is zero or less, You cannot take the credit. Enter “No” on the dotted line next to line 64a.

5. If you have:

- 2 or more qualifying children, is line 4b less than \$38,646 (\$41,646 if married filing jointly)?
- 1 qualifying child, is line 4b less than \$33,995 (\$36,995 if married filing jointly)?
- No qualifying children, is line 4b less than \$12,880 (\$15,880 if married filing jointly)?

Yes. If you want the IRS to figure your credit, see page 48. If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 52).

No. You cannot take the credit. Enter “No” on the dotted line next to line 64a.



Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4b, on page 51. 6

7. Look up the amount on line 6 above in the EIC Table on pages 53–60 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 7

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

8. Enter the amount from Form 1040, line 38. 8

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

Part 6

Filers Who Answered “No” on Line 9

10. If you have:

- No qualifying children, is the amount on line 8 less than \$7,200 (\$10,200 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 8 less than \$15,750 (\$18,750 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 53–60 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. 10

Look at the amounts on lines 10 and 7. Then, enter the **smaller** amount on line 11.

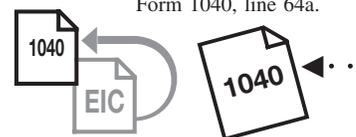
Part 7

Your Earned Income Credit

This is your earned income credit. 11

Reminder—

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



Enter this amount on Form 1040, line 64a.



If your EIC for a year after 1996 was reduced or disallowed, see page 49 to find out if you must file Form 8862 to take the credit for 2008.

2008 Earned Income Credit (EIC) Table

Caution. This is not a tax table.

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

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

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

If the amount you are looking up from the worksheet is—		And your filing status is—		
		Single, head of household, or qualifying widow(er) and you have—	One child	Two children
At least	But less than	Your credit is—		
2,400	2,450	186	825	970
2,450	2,500	189	842	990

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
At least	But less than	No children	One child	Two children	No children	One child	Two children
Your credit is—		Your credit is—					
\$1	\$50	\$2	\$9	\$10	\$2	\$9	\$10
50	100	6	26	30	6	26	30
100	150	10	43	50	10	43	50
150	200	13	60	70	13	60	70
200	250	17	77	90	17	77	90
250	300	21	94	110	21	94	110
300	350	25	111	130	25	111	130
350	400	29	128	150	29	128	150
400	450	33	145	170	33	145	170
450	500	36	162	190	36	162	190
500	550	40	179	210	40	179	210
550	600	44	196	230	44	196	230
600	650	48	213	250	48	213	250
650	700	52	230	270	52	230	270
700	750	55	247	290	55	247	290
750	800	59	264	310	59	264	310
800	850	63	281	330	63	281	330
850	900	67	298	350	67	298	350
900	950	71	315	370	71	315	370
950	1,000	75	332	390	75	332	390
1,000	1,050	78	349	410	78	349	410
1,050	1,100	82	366	430	82	366	430
1,100	1,150	86	383	450	86	383	450
1,150	1,200	90	400	470	90	400	470
1,200	1,250	94	417	490	94	417	490
1,250	1,300	98	434	510	98	434	510
1,300	1,350	101	451	530	101	451	530
1,350	1,400	105	468	550	105	468	550
1,400	1,450	109	485	570	109	485	570
1,450	1,500	113	502	590	113	502	590
1,500	1,550	117	519	610	117	519	610
1,550	1,600	120	536	630	120	536	630
1,600	1,650	124	553	650	124	553	650
1,650	1,700	128	570	670	128	570	670
1,700	1,750	132	587	690	132	587	690
1,750	1,800	136	604	710	136	604	710
1,800	1,850	140	621	730	140	621	730
1,850	1,900	143	638	750	143	638	750
1,900	1,950	147	655	770	147	655	770
1,950	2,000	151	672	790	151	672	790
2,000	2,050	155	689	810	155	689	810
2,050	2,100	159	706	830	159	706	830
2,100	2,150	163	723	850	163	723	850
2,150	2,200	166	740	870	166	740	870
2,200	2,250	170	757	890	170	757	890
2,250	2,300	174	774	910	174	774	910
2,300	2,350	178	791	930	178	791	930
2,350	2,400	182	808	950	182	808	950
2,400	2,450	186	825	970	186	825	970
2,450	2,500	189	842	990	189	842	990
2,500	2,550	193	859	1,010	193	859	1,010
2,550	2,600	197	876	1,030	197	876	1,030
2,600	2,650	201	893	1,050	201	893	1,050
2,650	2,700	205	910	1,070	205	910	1,070
2,700	2,750	208	927	1,090	208	927	1,090
2,750	2,800	212	944	1,110	212	944	1,110
2,800	2,850	216	961	1,130	216	961	1,130
2,850	2,900	220	978	1,150	220	978	1,150
2,900	2,950	224	995	1,170	224	995	1,170
2,950	3,000	228	1,012	1,190	228	1,012	1,190
3,000	3,050	231	1,029	1,210	231	1,029	1,210
3,050	3,100	235	1,046	1,230	235	1,046	1,230
3,100	3,150	239	1,063	1,250	239	1,063	1,250
3,150	3,200	243	1,080	1,270	243	1,080	1,270
3,200	3,250	247	1,097	1,290	247	1,097	1,290
3,250	3,300	251	1,114	1,310	251	1,114	1,310
3,300	3,350	254	1,131	1,330	254	1,131	1,330
3,350	3,400	258	1,148	1,350	258	1,148	1,350
3,400	3,450	262	1,165	1,370	262	1,165	1,370
3,450	3,500	266	1,182	1,390	266	1,182	1,390
3,500	3,550	270	1,199	1,410	270	1,199	1,410
3,550	3,600	273	1,216	1,430	273	1,216	1,430
3,600	3,650	277	1,233	1,450	277	1,233	1,450
3,650	3,700	281	1,250	1,470	281	1,250	1,470
3,700	3,750	285	1,267	1,490	285	1,267	1,490
3,750	3,800	289	1,284	1,510	289	1,284	1,510
3,800	3,850	293	1,301	1,530	293	1,301	1,530
3,850	3,900	296	1,318	1,550	296	1,318	1,550
3,900	3,950	300	1,335	1,570	300	1,335	1,570
3,950	4,000	304	1,352	1,590	304	1,352	1,590
4,000	4,050	308	1,369	1,610	308	1,369	1,610
4,050	4,100	312	1,386	1,630	312	1,386	1,630
4,100	4,150	316	1,403	1,650	316	1,403	1,650
4,150	4,200	319	1,420	1,670	319	1,420	1,670
4,200	4,250	323	1,437	1,690	323	1,437	1,690
4,250	4,300	327	1,454	1,710	327	1,454	1,710
4,300	4,350	331	1,471	1,730	331	1,471	1,730
4,350	4,400	335	1,488	1,750	335	1,488	1,750
4,400	4,450	339	1,505	1,770	339	1,505	1,770
4,450	4,500	342	1,522	1,790	342	1,522	1,790
4,500	4,550	346	1,539	1,810	346	1,539	1,810
4,550	4,600	350	1,556	1,830	350	1,556	1,830
4,600	4,650	354	1,573	1,850	354	1,573	1,850
4,650	4,700	358	1,590	1,870	358	1,590	1,870
4,700	4,750	361	1,607	1,890	361	1,607	1,890
4,750	4,800	365	1,624	1,910	365	1,624	1,910
4,800	4,850	369	1,641	1,930	369	1,641	1,930
4,850	4,900	373	1,658	1,950	373	1,658	1,950
4,900	4,950	377	1,675	1,970	377	1,675	1,970
4,950	5,000	381	1,692	1,990	381	1,692	1,990

(Continued on page 54)

2008 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children			No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
5,000	5,050	384	1,709	2,010	384	1,709	2,010	8,000	8,050	371	2,729	3,210	438	2,729	3,210
5,050	5,100	388	1,726	2,030	388	1,726	2,030	8,050	8,100	368	2,746	3,230	438	2,746	3,230
5,100	5,150	392	1,743	2,050	392	1,743	2,050	8,100	8,150	364	2,763	3,250	438	2,763	3,250
5,150	5,200	396	1,760	2,070	396	1,760	2,070	8,150	8,200	360	2,780	3,270	438	2,780	3,270
5,200	5,250	400	1,777	2,090	400	1,777	2,090	8,200	8,250	356	2,797	3,290	438	2,797	3,290
5,250	5,300	404	1,794	2,110	404	1,794	2,110	8,250	8,300	352	2,814	3,310	438	2,814	3,310
5,300	5,350	407	1,811	2,130	407	1,811	2,130	8,300	8,350	348	2,831	3,330	438	2,831	3,330
5,350	5,400	411	1,828	2,150	411	1,828	2,150	8,350	8,400	345	2,848	3,350	438	2,848	3,350
5,400	5,450	415	1,845	2,170	415	1,845	2,170	8,400	8,450	341	2,865	3,370	438	2,865	3,370
5,450	5,500	419	1,862	2,190	419	1,862	2,190	8,450	8,500	337	2,882	3,390	438	2,882	3,390
5,500	5,550	423	1,879	2,210	423	1,879	2,210	8,500	8,550	333	2,899	3,410	438	2,899	3,410
5,550	5,600	426	1,896	2,230	426	1,896	2,230	8,550	8,600	329	2,917	3,430	438	2,917	3,430
5,600	5,650	430	1,913	2,250	430	1,913	2,250	8,600	8,650	326	2,917	3,450	438	2,917	3,450
5,650	5,700	434	1,930	2,270	434	1,930	2,270	8,650	8,700	322	2,917	3,470	438	2,917	3,470
5,700	5,750	438	1,947	2,290	438	1,947	2,290	8,700	8,750	318	2,917	3,490	438	2,917	3,490
5,750	5,800	438	1,964	2,310	438	1,964	2,310	8,750	8,800	314	2,917	3,510	438	2,917	3,510
5,800	5,850	438	1,981	2,330	438	1,981	2,330	8,800	8,850	310	2,917	3,530	438	2,917	3,530
5,850	5,900	438	1,998	2,350	438	1,998	2,350	8,850	8,900	306	2,917	3,550	438	2,917	3,550
5,900	5,950	438	2,015	2,370	438	2,015	2,370	8,900	8,950	303	2,917	3,570	438	2,917	3,570
5,950	6,000	438	2,032	2,390	438	2,032	2,390	8,950	9,000	299	2,917	3,590	438	2,917	3,590
6,000	6,050	438	2,049	2,410	438	2,049	2,410	9,000	9,050	295	2,917	3,610	438	2,917	3,610
6,050	6,100	438	2,066	2,430	438	2,066	2,430	9,050	9,100	291	2,917	3,630	438	2,917	3,630
6,100	6,150	438	2,083	2,450	438	2,083	2,450	9,100	9,150	287	2,917	3,650	438	2,917	3,650
6,150	6,200	438	2,100	2,470	438	2,100	2,470	9,150	9,200	283	2,917	3,670	438	2,917	3,670
6,200	6,250	438	2,117	2,490	438	2,117	2,490	9,200	9,250	280	2,917	3,690	438	2,917	3,690
6,250	6,300	438	2,134	2,510	438	2,134	2,510	9,250	9,300	276	2,917	3,710	438	2,917	3,710
6,300	6,350	438	2,151	2,530	438	2,151	2,530	9,300	9,350	272	2,917	3,730	438	2,917	3,730
6,350	6,400	438	2,168	2,550	438	2,168	2,550	9,350	9,400	268	2,917	3,750	438	2,917	3,750
6,400	6,450	438	2,185	2,570	438	2,185	2,570	9,400	9,450	264	2,917	3,770	438	2,917	3,770
6,450	6,500	438	2,202	2,590	438	2,202	2,590	9,450	9,500	260	2,917	3,790	438	2,917	3,790
6,500	6,550	438	2,219	2,610	438	2,219	2,610	9,500	9,550	257	2,917	3,810	438	2,917	3,810
6,550	6,600	438	2,236	2,630	438	2,236	2,630	9,550	9,600	253	2,917	3,830	438	2,917	3,830
6,600	6,650	438	2,253	2,650	438	2,253	2,650	9,600	9,650	249	2,917	3,850	438	2,917	3,850
6,650	6,700	438	2,270	2,670	438	2,270	2,670	9,650	9,700	245	2,917	3,870	438	2,917	3,870
6,700	6,750	438	2,287	2,690	438	2,287	2,690	9,700	9,750	241	2,917	3,890	438	2,917	3,890
6,750	6,800	438	2,304	2,710	438	2,304	2,710	9,750	9,800	238	2,917	3,910	438	2,917	3,910
6,800	6,850	438	2,321	2,730	438	2,321	2,730	9,800	9,850	234	2,917	3,930	438	2,917	3,930
6,850	6,900	438	2,338	2,750	438	2,338	2,750	9,850	9,900	230	2,917	3,950	438	2,917	3,950
6,900	6,950	438	2,355	2,770	438	2,355	2,770	9,900	9,950	226	2,917	3,970	438	2,917	3,970
6,950	7,000	438	2,372	2,790	438	2,372	2,790	9,950	10,000	222	2,917	3,990	438	2,917	3,990
7,000	7,050	438	2,389	2,810	438	2,389	2,810	10,000	10,050	218	2,917	4,010	438	2,917	4,010
7,050	7,100	438	2,406	2,830	438	2,406	2,830	10,050	10,100	215	2,917	4,030	438	2,917	4,030
7,100	7,150	438	2,423	2,850	438	2,423	2,850	10,100	10,150	211	2,917	4,050	438	2,917	4,050
7,150	7,200	438	2,440	2,870	438	2,440	2,870	10,150	10,200	207	2,917	4,070	438	2,917	4,070
7,200	7,250	433	2,457	2,890	438	2,457	2,890	10,200	10,250	203	2,917	4,090	433	2,917	4,090
7,250	7,300	429	2,474	2,910	438	2,474	2,910	10,250	10,300	199	2,917	4,110	429	2,917	4,110
7,300	7,350	425	2,491	2,930	438	2,491	2,930	10,300	10,350	195	2,917	4,130	425	2,917	4,130
7,350	7,400	421	2,508	2,950	438	2,508	2,950	10,350	10,400	192	2,917	4,150	421	2,917	4,150
7,400	7,450	417	2,525	2,970	438	2,525	2,970	10,400	10,450	188	2,917	4,170	417	2,917	4,170
7,450	7,500	413	2,542	2,990	438	2,542	2,990	10,450	10,500	184	2,917	4,190	413	2,917	4,190
7,500	7,550	410	2,559	3,010	438	2,559	3,010	10,500	10,550	180	2,917	4,210	410	2,917	4,210
7,550	7,600	406	2,576	3,030	438	2,576	3,030	10,550	10,600	176	2,917	4,230	406	2,917	4,230
7,600	7,650	402	2,593	3,050	438	2,593	3,050	10,600	10,650	173	2,917	4,250	402	2,917	4,250
7,650	7,700	398	2,610	3,070	438	2,610	3,070	10,650	10,700	169	2,917	4,270	398	2,917	4,270
7,700	7,750	394	2,627	3,090	438	2,627	3,090	10,700	10,750	165	2,917	4,290	394	2,917	4,290
7,750	7,800	391	2,644	3,110	438	2,644	3,110	10,750	10,800	161	2,917	4,310	391	2,917	4,310
7,800	7,850	387	2,661	3,130	438	2,661	3,130	10,800	10,850	157	2,917	4,330	387	2,917	4,330
7,850	7,900	383	2,678	3,150	438	2,678	3,150	10,850	10,900	153	2,917	4,350	383	2,917	4,350
7,900	7,950	379	2,695	3,170	438	2,695	3,170	10,900	10,950	150	2,917	4,370	379	2,917	4,370
7,950	8,000	375	2,712	3,190	438	2,712	3,190	10,950	11,000	146	2,917	4,390	375	2,917	4,390

(Continued on page 55)

2008 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
11,000	11,050	142	2,917	4,410	371	2,917	4,410
11,050	11,100	138	2,917	4,430	368	2,917	4,430
11,100	11,150	134	2,917	4,450	364	2,917	4,450
11,150	11,200	130	2,917	4,470	360	2,917	4,470
11,200	11,250	127	2,917	4,490	356	2,917	4,490
11,250	11,300	123	2,917	4,510	352	2,917	4,510
11,300	11,350	119	2,917	4,530	348	2,917	4,530
11,350	11,400	115	2,917	4,550	345	2,917	4,550
11,400	11,450	111	2,917	4,570	341	2,917	4,570
11,450	11,500	107	2,917	4,590	337	2,917	4,590
11,500	11,550	104	2,917	4,610	333	2,917	4,610
11,550	11,600	100	2,917	4,630	329	2,917	4,630
11,600	11,650	96	2,917	4,650	326	2,917	4,650
11,650	11,700	92	2,917	4,670	322	2,917	4,670
11,700	11,750	88	2,917	4,690	318	2,917	4,690
11,750	11,800	85	2,917	4,710	314	2,917	4,710
11,800	11,850	81	2,917	4,730	310	2,917	4,730
11,850	11,900	77	2,917	4,750	306	2,917	4,750
11,900	11,950	73	2,917	4,770	303	2,917	4,770
11,950	12,000	69	2,917	4,790	299	2,917	4,790
12,000	12,050	65	2,917	4,810	295	2,917	4,810
12,050	12,100	62	2,917	4,824	291	2,917	4,824
12,100	12,150	58	2,917	4,824	287	2,917	4,824
12,150	12,200	54	2,917	4,824	283	2,917	4,824
12,200	12,250	50	2,917	4,824	280	2,917	4,824
12,250	12,300	46	2,917	4,824	276	2,917	4,824
12,300	12,350	42	2,917	4,824	272	2,917	4,824
12,350	12,400	39	2,917	4,824	268	2,917	4,824
12,400	12,450	35	2,917	4,824	264	2,917	4,824
12,450	12,500	31	2,917	4,824	260	2,917	4,824
12,500	12,550	27	2,917	4,824	257	2,917	4,824
12,550	12,600	23	2,917	4,824	253	2,917	4,824
12,600	12,650	20	2,917	4,824	249	2,917	4,824
12,650	12,700	16	2,917	4,824	245	2,917	4,824
12,700	12,750	12	2,917	4,824	241	2,917	4,824
12,750	12,800	8	2,917	4,824	238	2,917	4,824
12,800	12,850	4	2,917	4,824	234	2,917	4,824
12,850	12,900	*	2,917	4,824	230	2,917	4,824
12,900	12,950	0	2,917	4,824	226	2,917	4,824
12,950	13,000	0	2,917	4,824	222	2,917	4,824
13,000	13,050	0	2,917	4,824	218	2,917	4,824
13,050	13,100	0	2,917	4,824	215	2,917	4,824
13,100	13,150	0	2,917	4,824	211	2,917	4,824
13,150	13,200	0	2,917	4,824	207	2,917	4,824
13,200	13,250	0	2,917	4,824	203	2,917	4,824
13,250	13,300	0	2,917	4,824	199	2,917	4,824
13,300	13,350	0	2,917	4,824	195	2,917	4,824
13,350	13,400	0	2,917	4,824	192	2,917	4,824
13,400	13,450	0	2,917	4,824	188	2,917	4,824
13,450	13,500	0	2,917	4,824	184	2,917	4,824
13,500	13,550	0	2,917	4,824	180	2,917	4,824
13,550	13,600	0	2,917	4,824	176	2,917	4,824
13,600	13,650	0	2,917	4,824	173	2,917	4,824
13,650	13,700	0	2,917	4,824	169	2,917	4,824
13,700	13,750	0	2,917	4,824	165	2,917	4,824
13,750	13,800	0	2,917	4,824	161	2,917	4,824
13,800	13,850	0	2,917	4,824	157	2,917	4,824
13,850	13,900	0	2,917	4,824	153	2,917	4,824
13,900	13,950	0	2,917	4,824	150	2,917	4,824
13,950	14,000	0	2,917	4,824	146	2,917	4,824
14,000	14,050	0	2,917	4,824	142	2,917	4,824
14,050	14,100	0	2,917	4,824	138	2,917	4,824
14,100	14,150	0	2,917	4,824	134	2,917	4,824
14,150	14,200	0	2,917	4,824	130	2,917	4,824
14,200	14,250	0	2,917	4,824	127	2,917	4,824
14,250	14,300	0	2,917	4,824	123	2,917	4,824
14,300	14,350	0	2,917	4,824	119	2,917	4,824
14,350	14,400	0	2,917	4,824	115	2,917	4,824
14,400	14,450	0	2,917	4,824	111	2,917	4,824
14,450	14,500	0	2,917	4,824	107	2,917	4,824
14,500	14,550	0	2,917	4,824	104	2,917	4,824
14,550	14,600	0	2,917	4,824	100	2,917	4,824
14,600	14,650	0	2,917	4,824	96	2,917	4,824
14,650	14,700	0	2,917	4,824	92	2,917	4,824
14,700	14,750	0	2,917	4,824	88	2,917	4,824
14,750	14,800	0	2,917	4,824	85	2,917	4,824
14,800	14,850	0	2,917	4,824	81	2,917	4,824
14,850	14,900	0	2,917	4,824	77	2,917	4,824
14,900	14,950	0	2,917	4,824	73	2,917	4,824
14,950	15,000	0	2,917	4,824	69	2,917	4,824
15,000	15,050	0	2,917	4,824	65	2,917	4,824
15,050	15,100	0	2,917	4,824	62	2,917	4,824
15,100	15,150	0	2,917	4,824	58	2,917	4,824
15,150	15,200	0	2,917	4,824	54	2,917	4,824
15,200	15,250	0	2,917	4,824	50	2,917	4,824
15,250	15,300	0	2,917	4,824	46	2,917	4,824
15,300	15,350	0	2,917	4,824	42	2,917	4,824
15,350	15,400	0	2,917	4,824	39	2,917	4,824
15,400	15,450	0	2,917	4,824	35	2,917	4,824
15,450	15,500	0	2,917	4,824	31	2,917	4,824
15,500	15,550	0	2,917	4,824	27	2,917	4,824
15,550	15,600	0	2,917	4,824	23	2,917	4,824
15,600	15,650	0	2,917	4,824	20	2,917	4,824
15,650	15,700	0	2,917	4,824	16	2,917	4,824
15,700	15,750	0	2,917	4,824	12	2,917	4,824
15,750	15,800	0	2,912	4,817	8	2,917	4,824
15,800	15,850	0	2,904	4,806	4	2,917	4,824
15,850	15,900	0	2,896	4,796	*	2,917	4,824
15,900	15,950	0	2,888	4,785	0	2,917	4,824
15,950	16,000	0	2,880	4,775	0	2,917	4,824

*If the amount you are looking up from the worksheet is at least \$12,850 (\$15,850 if married filing jointly) but less than \$12,880 (\$15,880 if married filing jointly), your credit is \$1. Otherwise, you cannot take the credit.

(Continued on page 56)

2008 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
16,000	16,050	0	2,872	4,764	0	2,917	4,824
16,050	16,100	0	2,864	4,753	0	2,917	4,824
16,100	16,150	0	2,856	4,743	0	2,917	4,824
16,150	16,200	0	2,848	4,732	0	2,917	4,824
16,200	16,250	0	2,840	4,722	0	2,917	4,824
16,250	16,300	0	2,832	4,711	0	2,917	4,824
16,300	16,350	0	2,824	4,701	0	2,917	4,824
16,350	16,400	0	2,816	4,690	0	2,917	4,824
16,400	16,450	0	2,808	4,680	0	2,917	4,824
16,450	16,500	0	2,800	4,669	0	2,917	4,824
16,500	16,550	0	2,792	4,659	0	2,917	4,824
16,550	16,600	0	2,784	4,648	0	2,917	4,824
16,600	16,650	0	2,776	4,638	0	2,917	4,824
16,650	16,700	0	2,768	4,627	0	2,917	4,824
16,700	16,750	0	2,760	4,617	0	2,917	4,824
16,750	16,800	0	2,752	4,606	0	2,917	4,824
16,800	16,850	0	2,744	4,595	0	2,917	4,824
16,850	16,900	0	2,736	4,585	0	2,917	4,824
16,900	16,950	0	2,728	4,574	0	2,917	4,824
16,950	17,000	0	2,720	4,564	0	2,917	4,824
17,000	17,050	0	2,712	4,553	0	2,917	4,824
17,050	17,100	0	2,704	4,543	0	2,917	4,824
17,100	17,150	0	2,696	4,532	0	2,917	4,824
17,150	17,200	0	2,688	4,522	0	2,917	4,824
17,200	17,250	0	2,680	4,511	0	2,917	4,824
17,250	17,300	0	2,672	4,501	0	2,917	4,824
17,300	17,350	0	2,664	4,490	0	2,917	4,824
17,350	17,400	0	2,656	4,480	0	2,917	4,824
17,400	17,450	0	2,648	4,469	0	2,917	4,824
17,450	17,500	0	2,640	4,459	0	2,917	4,824
17,500	17,550	0	2,632	4,448	0	2,917	4,824
17,550	17,600	0	2,624	4,438	0	2,917	4,824
17,600	17,650	0	2,616	4,427	0	2,917	4,824
17,650	17,700	0	2,608	4,416	0	2,917	4,824
17,700	17,750	0	2,600	4,406	0	2,917	4,824
17,750	17,800	0	2,592	4,395	0	2,917	4,824
17,800	17,850	0	2,584	4,385	0	2,917	4,824
17,850	17,900	0	2,576	4,374	0	2,917	4,824
17,900	17,950	0	2,568	4,364	0	2,917	4,824
17,950	18,000	0	2,560	4,353	0	2,917	4,824
18,000	18,050	0	2,552	4,343	0	2,917	4,824
18,050	18,100	0	2,544	4,332	0	2,917	4,824
18,100	18,150	0	2,536	4,322	0	2,917	4,824
18,150	18,200	0	2,528	4,311	0	2,917	4,824
18,200	18,250	0	2,520	4,301	0	2,917	4,824
18,250	18,300	0	2,512	4,290	0	2,917	4,824
18,300	18,350	0	2,504	4,280	0	2,917	4,824
18,350	18,400	0	2,496	4,269	0	2,917	4,824
18,400	18,450	0	2,488	4,259	0	2,917	4,824
18,450	18,500	0	2,480	4,248	0	2,917	4,824
18,500	18,550	0	2,472	4,237	0	2,917	4,824
18,550	18,600	0	2,464	4,227	0	2,917	4,824
18,600	18,650	0	2,456	4,216	0	2,917	4,824
18,650	18,700	0	2,448	4,206	0	2,917	4,824
18,700	18,750	0	2,440	4,195	0	2,917	4,824
18,750	18,800	0	2,432	4,185	0	2,912	4,817
18,800	18,850	0	2,424	4,174	0	2,904	4,806
18,850	18,900	0	2,416	4,164	0	2,896	4,796
18,900	18,950	0	2,408	4,153	0	2,888	4,785
18,950	19,000	0	2,400	4,143	0	2,880	4,775
19,000	19,050	0	2,392	4,132	0	2,872	4,764
19,050	19,100	0	2,384	4,122	0	2,864	4,753
19,100	19,150	0	2,376	4,111	0	2,856	4,743
19,150	19,200	0	2,368	4,101	0	2,848	4,732
19,200	19,250	0	2,360	4,090	0	2,840	4,722
19,250	19,300	0	2,352	4,080	0	2,832	4,711
19,300	19,350	0	2,344	4,069	0	2,824	4,701
19,350	19,400	0	2,336	4,058	0	2,816	4,690
19,400	19,450	0	2,328	4,048	0	2,808	4,680
19,450	19,500	0	2,320	4,037	0	2,800	4,669
19,500	19,550	0	2,312	4,027	0	2,792	4,659
19,550	19,600	0	2,304	4,016	0	2,784	4,648
19,600	19,650	0	2,296	4,006	0	2,776	4,638
19,650	19,700	0	2,288	3,995	0	2,768	4,627
19,700	19,750	0	2,280	3,985	0	2,760	4,617
19,750	19,800	0	2,272	3,974	0	2,752	4,606
19,800	19,850	0	2,264	3,964	0	2,744	4,595
19,850	19,900	0	2,256	3,953	0	2,736	4,585
19,900	19,950	0	2,248	3,943	0	2,728	4,574
19,950	20,000	0	2,240	3,932	0	2,720	4,564
20,000	20,050	0	2,232	3,922	0	2,712	4,553
20,050	20,100	0	2,224	3,911	0	2,704	4,543
20,100	20,150	0	2,216	3,901	0	2,696	4,532
20,150	20,200	0	2,208	3,890	0	2,688	4,522
20,200	20,250	0	2,200	3,879	0	2,680	4,511
20,250	20,300	0	2,193	3,869	0	2,672	4,501
20,300	20,350	0	2,185	3,858	0	2,664	4,490
20,350	20,400	0	2,177	3,848	0	2,656	4,480
20,400	20,450	0	2,169	3,837	0	2,648	4,469
20,450	20,500	0	2,161	3,827	0	2,640	4,459
20,500	20,550	0	2,153	3,816	0	2,632	4,448
20,550	20,600	0	2,145	3,806	0	2,624	4,438
20,600	20,650	0	2,137	3,795	0	2,616	4,427
20,650	20,700	0	2,129	3,785	0	2,608	4,416
20,700	20,750	0	2,121	3,774	0	2,600	4,406
20,750	20,800	0	2,113	3,764	0	2,592	4,395
20,800	20,850	0	2,105	3,753	0	2,584	4,385
20,850	20,900	0	2,097	3,743	0	2,576	4,374
20,900	20,950	0	2,089	3,732	0	2,568	4,364
20,950	21,000	0	2,081	3,722	0	2,560	4,353
21,000	21,050	0	2,073	3,711	0	2,552	4,343
21,050	21,100	0	2,065	3,700	0	2,544	4,332
21,100	21,150	0	2,057	3,690	0	2,536	4,322
21,150	21,200	0	2,049	3,679	0	2,528	4,311
21,200	21,250	0	2,041	3,669	0	2,520	4,301
21,250	21,300	0	2,033	3,658	0	2,512	4,290
21,300	21,350	0	2,025	3,648	0	2,504	4,280
21,350	21,400	0	2,017	3,637	0	2,496	4,269
21,400	21,450	0	2,009	3,627	0	2,488	4,259
21,450	21,500	0	2,001	3,616	0	2,480	4,248
21,500	21,550	0	1,993	3,606	0	2,472	4,237
21,550	21,600	0	1,985	3,595	0	2,464	4,227
21,600	21,650	0	1,977	3,585	0	2,456	4,216
21,650	21,700	0	1,969	3,574	0	2,448	4,206
21,700	21,750	0	1,961	3,564	0	2,440	4,195
21,750	21,800	0	1,953	3,553	0	2,432	4,185
21,800	21,850	0	1,945	3,542	0	2,424	4,174
21,850	21,900	0	1,937	3,532	0	2,416	4,164
21,900	21,950	0	1,929	3,521	0	2,408	4,153
21,950	22,000	0	1,921	3,511	0	2,400	4,143

(Continued on page 57)

2008 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
22,000	22,050	0	1,913	3,500	0	2,392	4,132
22,050	22,100	0	1,905	3,490	0	2,384	4,122
22,100	22,150	0	1,897	3,479	0	2,376	4,111
22,150	22,200	0	1,889	3,469	0	2,368	4,101
22,200	22,250	0	1,881	3,458	0	2,360	4,090
22,250	22,300	0	1,873	3,448	0	2,352	4,080
22,300	22,350	0	1,865	3,437	0	2,344	4,069
22,350	22,400	0	1,857	3,427	0	2,336	4,058
22,400	22,450	0	1,849	3,416	0	2,328	4,048
22,450	22,500	0	1,841	3,406	0	2,320	4,037
22,500	22,550	0	1,833	3,395	0	2,312	4,027
22,550	22,600	0	1,825	3,385	0	2,304	4,016
22,600	22,650	0	1,817	3,374	0	2,296	4,006
22,650	22,700	0	1,809	3,363	0	2,288	3,995
22,700	22,750	0	1,801	3,353	0	2,280	3,985
22,750	22,800	0	1,793	3,342	0	2,272	3,974
22,800	22,850	0	1,785	3,332	0	2,264	3,964
22,850	22,900	0	1,777	3,321	0	2,256	3,953
22,900	22,950	0	1,769	3,311	0	2,248	3,943
22,950	23,000	0	1,761	3,300	0	2,240	3,932
23,000	23,050	0	1,753	3,290	0	2,232	3,922
23,050	23,100	0	1,745	3,279	0	2,224	3,911
23,100	23,150	0	1,737	3,269	0	2,216	3,901
23,150	23,200	0	1,729	3,258	0	2,208	3,890
23,200	23,250	0	1,721	3,248	0	2,200	3,879
23,250	23,300	0	1,713	3,237	0	2,193	3,869
23,300	23,350	0	1,705	3,227	0	2,185	3,858
23,350	23,400	0	1,697	3,216	0	2,177	3,848
23,400	23,450	0	1,689	3,206	0	2,169	3,837
23,450	23,500	0	1,681	3,195	0	2,161	3,827
23,500	23,550	0	1,673	3,184	0	2,153	3,816
23,550	23,600	0	1,665	3,174	0	2,145	3,806
23,600	23,650	0	1,657	3,163	0	2,137	3,795
23,650	23,700	0	1,649	3,153	0	2,129	3,785
23,700	23,750	0	1,641	3,142	0	2,121	3,774
23,750	23,800	0	1,633	3,132	0	2,113	3,764
23,800	23,850	0	1,625	3,121	0	2,105	3,753
23,850	23,900	0	1,617	3,111	0	2,097	3,743
23,900	23,950	0	1,609	3,100	0	2,089	3,732
23,950	24,000	0	1,601	3,090	0	2,081	3,722
24,000	24,050	0	1,593	3,079	0	2,073	3,711
24,050	24,100	0	1,585	3,069	0	2,065	3,700
24,100	24,150	0	1,577	3,058	0	2,057	3,690
24,150	24,200	0	1,569	3,048	0	2,049	3,679
24,200	24,250	0	1,561	3,037	0	2,041	3,669
24,250	24,300	0	1,553	3,027	0	2,033	3,658
24,300	24,350	0	1,545	3,016	0	2,025	3,648
24,350	24,400	0	1,537	3,005	0	2,017	3,637
24,400	24,450	0	1,529	2,995	0	2,009	3,627
24,450	24,500	0	1,521	2,984	0	2,001	3,616
24,500	24,550	0	1,513	2,974	0	1,993	3,606
24,550	24,600	0	1,505	2,963	0	1,985	3,595
24,600	24,650	0	1,497	2,953	0	1,977	3,585
24,650	24,700	0	1,489	2,942	0	1,969	3,574
24,700	24,750	0	1,481	2,932	0	1,961	3,564
24,750	24,800	0	1,473	2,921	0	1,953	3,553
24,800	24,850	0	1,465	2,911	0	1,945	3,542
24,850	24,900	0	1,457	2,900	0	1,937	3,532
24,900	24,950	0	1,449	2,890	0	1,929	3,521
24,950	25,000	0	1,441	2,879	0	1,921	3,511
25,000	25,050	0	1,433	2,869	0	1,913	3,500
25,050	25,100	0	1,425	2,858	0	1,905	3,490
25,100	25,150	0	1,417	2,848	0	1,897	3,479
25,150	25,200	0	1,409	2,837	0	1,889	3,469
25,200	25,250	0	1,401	2,826	0	1,881	3,458
25,250	25,300	0	1,394	2,816	0	1,873	3,448
25,300	25,350	0	1,386	2,805	0	1,865	3,437
25,350	25,400	0	1,378	2,795	0	1,857	3,427
25,400	25,450	0	1,370	2,784	0	1,849	3,416
25,450	25,500	0	1,362	2,774	0	1,841	3,406
25,500	25,550	0	1,354	2,763	0	1,833	3,395
25,550	25,600	0	1,346	2,753	0	1,825	3,385
25,600	25,650	0	1,338	2,742	0	1,817	3,374
25,650	25,700	0	1,330	2,732	0	1,809	3,363
25,700	25,750	0	1,322	2,721	0	1,801	3,353
25,750	25,800	0	1,314	2,711	0	1,793	3,342
25,800	25,850	0	1,306	2,700	0	1,785	3,332
25,850	25,900	0	1,298	2,690	0	1,777	3,321
25,900	25,950	0	1,290	2,679	0	1,769	3,311
25,950	26,000	0	1,282	2,669	0	1,761	3,300
26,000	26,050	0	1,274	2,658	0	1,753	3,290
26,050	26,100	0	1,266	2,647	0	1,745	3,279
26,100	26,150	0	1,258	2,637	0	1,737	3,269
26,150	26,200	0	1,250	2,626	0	1,729	3,258
26,200	26,250	0	1,242	2,616	0	1,721	3,248
26,250	26,300	0	1,234	2,605	0	1,713	3,237
26,300	26,350	0	1,226	2,595	0	1,705	3,227
26,350	26,400	0	1,218	2,584	0	1,697	3,216
26,400	26,450	0	1,210	2,574	0	1,689	3,206
26,450	26,500	0	1,202	2,563	0	1,681	3,195
26,500	26,550	0	1,194	2,553	0	1,673	3,184
26,550	26,600	0	1,186	2,542	0	1,665	3,174
26,600	26,650	0	1,178	2,532	0	1,657	3,163
26,650	26,700	0	1,170	2,521	0	1,649	3,153
26,700	26,750	0	1,162	2,511	0	1,641	3,142
26,750	26,800	0	1,154	2,500	0	1,633	3,132
26,800	26,850	0	1,146	2,489	0	1,625	3,121
26,850	26,900	0	1,138	2,479	0	1,617	3,111
26,900	26,950	0	1,130	2,468	0	1,609	3,100
26,950	27,000	0	1,122	2,458	0	1,601	3,090
27,000	27,050	0	1,114	2,447	0	1,593	3,079
27,050	27,100	0	1,106	2,437	0	1,585	3,069
27,100	27,150	0	1,098	2,426	0	1,577	3,058
27,150	27,200	0	1,090	2,416	0	1,569	3,048
27,200	27,250	0	1,082	2,405	0	1,561	3,037
27,250	27,300	0	1,074	2,395	0	1,553	3,027
27,300	27,350	0	1,066	2,384	0	1,545	3,016
27,350	27,400	0	1,058	2,374	0	1,537	3,005
27,400	27,450	0	1,050	2,363	0	1,529	2,995
27,450	27,500	0	1,042	2,353	0	1,521	2,984
27,500	27,550	0	1,034	2,342	0	1,513	2,974
27,550	27,600	0	1,026	2,332	0	1,505	2,963
27,600	27,650	0	1,018	2,321	0	1,497	2,953
27,650	27,700	0	1,010	2,310	0	1,489	2,942
27,700	27,750	0	1,002	2,300	0	1,481	2,932
27,750	27,800	0	994	2,289	0	1,473	2,921
27,800	27,850	0	986	2,279	0	1,465	2,911
27,850	27,900	0	978	2,268	0	1,457	2,900
27,900	27,950	0	970	2,258	0	1,449	2,890
27,950	28,000	0	962	2,247	0	1,441	2,879

(Continued on page 58)

2008 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
28,000	28,050	0	954	2,237	0	1,433	2,869
28,050	28,100	0	946	2,226	0	1,425	2,858
28,100	28,150	0	938	2,216	0	1,417	2,848
28,150	28,200	0	930	2,205	0	1,409	2,837
28,200	28,250	0	922	2,195	0	1,401	2,826
28,250	28,300	0	914	2,184	0	1,394	2,816
28,300	28,350	0	906	2,174	0	1,386	2,805
28,350	28,400	0	898	2,163	0	1,378	2,795
28,400	28,450	0	890	2,153	0	1,370	2,784
28,450	28,500	0	882	2,142	0	1,362	2,774
28,500	28,550	0	874	2,131	0	1,354	2,763
28,550	28,600	0	866	2,121	0	1,346	2,753
28,600	28,650	0	858	2,110	0	1,338	2,742
28,650	28,700	0	850	2,100	0	1,330	2,732
28,700	28,750	0	842	2,089	0	1,322	2,721
28,750	28,800	0	834	2,079	0	1,314	2,711
28,800	28,850	0	826	2,068	0	1,306	2,700
28,850	28,900	0	818	2,058	0	1,298	2,690
28,900	28,950	0	810	2,047	0	1,290	2,679
28,950	29,000	0	802	2,037	0	1,282	2,669
29,000	29,050	0	794	2,026	0	1,274	2,658
29,050	29,100	0	786	2,016	0	1,266	2,647
29,100	29,150	0	778	2,005	0	1,258	2,637
29,150	29,200	0	770	1,995	0	1,250	2,626
29,200	29,250	0	762	1,984	0	1,242	2,616
29,250	29,300	0	754	1,974	0	1,234	2,605
29,300	29,350	0	746	1,963	0	1,226	2,595
29,350	29,400	0	738	1,952	0	1,218	2,584
29,400	29,450	0	730	1,942	0	1,210	2,574
29,450	29,500	0	722	1,931	0	1,202	2,563
29,500	29,550	0	714	1,921	0	1,194	2,553
29,550	29,600	0	706	1,910	0	1,186	2,542
29,600	29,650	0	698	1,900	0	1,178	2,532
29,650	29,700	0	690	1,889	0	1,170	2,521
29,700	29,750	0	682	1,879	0	1,162	2,511
29,750	29,800	0	674	1,868	0	1,154	2,500
29,800	29,850	0	666	1,858	0	1,146	2,489
29,850	29,900	0	658	1,847	0	1,138	2,479
29,900	29,950	0	650	1,837	0	1,130	2,468
29,950	30,000	0	642	1,826	0	1,122	2,458
30,000	30,050	0	634	1,816	0	1,114	2,447
30,050	30,100	0	626	1,805	0	1,106	2,437
30,100	30,150	0	618	1,795	0	1,098	2,426
30,150	30,200	0	610	1,784	0	1,090	2,416
30,200	30,250	0	602	1,773	0	1,082	2,405
30,250	30,300	0	595	1,763	0	1,074	2,395
30,300	30,350	0	587	1,752	0	1,066	2,384
30,350	30,400	0	579	1,742	0	1,058	2,374
30,400	30,450	0	571	1,731	0	1,050	2,363
30,450	30,500	0	563	1,721	0	1,042	2,353
30,500	30,550	0	555	1,710	0	1,034	2,342
30,550	30,600	0	547	1,700	0	1,026	2,332
30,600	30,650	0	539	1,689	0	1,018	2,321
30,650	30,700	0	531	1,679	0	1,010	2,310
30,700	30,750	0	523	1,668	0	1,002	2,300
30,750	30,800	0	515	1,658	0	994	2,289
30,800	30,850	0	507	1,647	0	986	2,279
30,850	30,900	0	499	1,637	0	978	2,268
30,900	30,950	0	491	1,626	0	970	2,258
30,950	31,000	0	483	1,616	0	962	2,247
31,000	31,050	0	475	1,605	0	954	2,237
31,050	31,100	0	467	1,594	0	946	2,226
31,100	31,150	0	459	1,584	0	938	2,216
31,150	31,200	0	451	1,573	0	930	2,205
31,200	31,250	0	443	1,563	0	922	2,195
31,250	31,300	0	435	1,552	0	914	2,184
31,300	31,350	0	427	1,542	0	906	2,174
31,350	31,400	0	419	1,531	0	898	2,163
31,400	31,450	0	411	1,521	0	890	2,153
31,450	31,500	0	403	1,510	0	882	2,142
31,500	31,550	0	395	1,500	0	874	2,131
31,550	31,600	0	387	1,489	0	866	2,121
31,600	31,650	0	379	1,479	0	858	2,110
31,650	31,700	0	371	1,468	0	850	2,100
31,700	31,750	0	363	1,458	0	842	2,089
31,750	31,800	0	355	1,447	0	834	2,079
31,800	31,850	0	347	1,436	0	826	2,068
31,850	31,900	0	339	1,426	0	818	2,058
31,900	31,950	0	331	1,415	0	810	2,047
31,950	32,000	0	323	1,405	0	802	2,037
32,000	32,050	0	315	1,394	0	794	2,026
32,050	32,100	0	307	1,384	0	786	2,016
32,100	32,150	0	299	1,373	0	778	2,005
32,150	32,200	0	291	1,363	0	770	1,995
32,200	32,250	0	283	1,352	0	762	1,984
32,250	32,300	0	275	1,342	0	754	1,974
32,300	32,350	0	267	1,331	0	746	1,963
32,350	32,400	0	259	1,321	0	738	1,952
32,400	32,450	0	251	1,310	0	730	1,942
32,450	32,500	0	243	1,300	0	722	1,931
32,500	32,550	0	235	1,289	0	714	1,921
32,550	32,600	0	227	1,279	0	706	1,910
32,600	32,650	0	219	1,268	0	698	1,900
32,650	32,700	0	211	1,257	0	690	1,889
32,700	32,750	0	203	1,247	0	682	1,879
32,750	32,800	0	195	1,236	0	674	1,868
32,800	32,850	0	187	1,226	0	666	1,858
32,850	32,900	0	179	1,215	0	658	1,847
32,900	32,950	0	171	1,205	0	650	1,837
32,950	33,000	0	163	1,194	0	642	1,826

(Continued on page 59)

2008 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
33,000	33,050	0	155	1,184	0	634	1,816
33,050	33,100	0	147	1,173	0	626	1,805
33,100	33,150	0	139	1,163	0	618	1,795
33,150	33,200	0	131	1,152	0	610	1,784
33,200	33,250	0	123	1,142	0	602	1,773
33,250	33,300	0	115	1,131	0	595	1,763
33,300	33,350	0	107	1,121	0	587	1,752
33,350	33,400	0	99	1,110	0	579	1,742
33,400	33,450	0	91	1,100	0	571	1,731
33,450	33,500	0	83	1,089	0	563	1,721
33,500	33,550	0	75	1,078	0	555	1,710
33,550	33,600	0	67	1,068	0	547	1,700
33,600	33,650	0	59	1,057	0	539	1,689
33,650	33,700	0	51	1,047	0	531	1,679
33,700	33,750	0	43	1,036	0	523	1,668
33,750	33,800	0	35	1,026	0	515	1,658
33,800	33,850	0	27	1,015	0	507	1,647
33,850	33,900	0	19	1,005	0	499	1,637
33,900	33,950	0	11	994	0	491	1,626
33,950	34,000	0	*	984	0	483	1,616
34,000	34,050	0	0	973	0	475	1,605
34,050	34,100	0	0	963	0	467	1,594
34,100	34,150	0	0	952	0	459	1,584
34,150	34,200	0	0	942	0	451	1,573
34,200	34,250	0	0	931	0	443	1,563
34,250	34,300	0	0	921	0	435	1,552
34,300	34,350	0	0	910	0	427	1,542
34,350	34,400	0	0	899	0	419	1,531
34,400	34,450	0	0	889	0	411	1,521
34,450	34,500	0	0	878	0	403	1,510
34,500	34,550	0	0	868	0	395	1,500
34,550	34,600	0	0	857	0	387	1,489
34,600	34,650	0	0	847	0	379	1,479
34,650	34,700	0	0	836	0	371	1,468
34,700	34,750	0	0	826	0	363	1,458
34,750	34,800	0	0	815	0	355	1,447
34,800	34,850	0	0	805	0	347	1,436
34,850	34,900	0	0	794	0	339	1,426
34,900	34,950	0	0	784	0	331	1,415
34,950	35,000	0	0	773	0	323	1,405
35,000	35,050	0	0	763	0	315	1,394
35,050	35,100	0	0	752	0	307	1,384
35,100	35,150	0	0	742	0	299	1,373
35,150	35,200	0	0	731	0	291	1,363
35,200	35,250	0	0	720	0	283	1,352
35,250	35,300	0	0	710	0	275	1,342
35,300	35,350	0	0	699	0	267	1,331
35,350	35,400	0	0	689	0	259	1,321
35,400	35,450	0	0	678	0	251	1,310
35,450	35,500	0	0	668	0	243	1,300

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
35,500	35,550	0	0	657	0	235	1,289
35,550	35,600	0	0	647	0	227	1,279
35,600	35,650	0	0	636	0	219	1,268
35,650	35,700	0	0	626	0	211	1,257
35,700	35,750	0	0	615	0	203	1,247
35,750	35,800	0	0	605	0	195	1,236
35,800	35,850	0	0	594	0	187	1,226
35,850	35,900	0	0	584	0	179	1,215
35,900	35,950	0	0	573	0	171	1,205
35,950	36,000	0	0	563	0	163	1,194
36,000	36,050	0	0	552	0	155	1,184
36,050	36,100	0	0	541	0	147	1,173
36,100	36,150	0	0	531	0	139	1,163
36,150	36,200	0	0	520	0	131	1,152
36,200	36,250	0	0	510	0	123	1,142
36,250	36,300	0	0	499	0	115	1,131
36,300	36,350	0	0	489	0	107	1,121
36,350	36,400	0	0	478	0	99	1,110
36,400	36,450	0	0	468	0	91	1,100
36,450	36,500	0	0	457	0	83	1,089
36,500	36,550	0	0	447	0	75	1,078
36,550	36,600	0	0	436	0	67	1,068
36,600	36,650	0	0	426	0	59	1,057
36,650	36,700	0	0	415	0	51	1,047
36,700	36,750	0	0	405	0	43	1,036
36,750	36,800	0	0	394	0	35	1,026
36,800	36,850	0	0	383	0	27	1,015
36,850	36,900	0	0	373	0	19	1,005
36,900	36,950	0	0	362	0	11	994
36,950	37,000	0	0	352	0	*	984
37,000	37,050	0	0	341	0	0	973
37,050	37,100	0	0	331	0	0	963
37,100	37,150	0	0	320	0	0	952
37,150	37,200	0	0	310	0	0	942
37,200	37,250	0	0	299	0	0	931
37,250	37,300	0	0	289	0	0	921
37,300	37,350	0	0	278	0	0	910
37,350	37,400	0	0	268	0	0	899
37,400	37,450	0	0	257	0	0	889
37,450	37,500	0	0	247	0	0	878
37,500	37,550	0	0	236	0	0	868
37,550	37,600	0	0	226	0	0	857
37,600	37,650	0	0	215	0	0	847
37,650	37,700	0	0	204	0	0	836
37,700	37,750	0	0	194	0	0	826
37,750	37,800	0	0	183	0	0	815
37,800	37,850	0	0	173	0	0	805
37,850	37,900	0	0	162	0	0	794
37,900	37,950	0	0	152	0	0	784
37,950	38,000	0	0	141	0	0	773

*If the amount you are looking up from the worksheet is at least \$33,950 (\$36,950 if married filing jointly) but less than \$33,995 (\$36,995 if married filing jointly), your credit is \$4. Otherwise, you cannot take the credit.

(Continued on page 60)

2008 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
38,000	38,050	0	0	131	0	0	763
38,050	38,100	0	0	120	0	0	752
38,100	38,150	0	0	110	0	0	742
38,150	38,200	0	0	99	0	0	731
38,200	38,250	0	0	89	0	0	720
38,250	38,300	0	0	78	0	0	710
38,300	38,350	0	0	68	0	0	699
38,350	38,400	0	0	57	0	0	689
38,400	38,450	0	0	47	0	0	678
38,450	38,500	0	0	36	0	0	668
38,500	38,550	0	0	25	0	0	657
38,550	38,600	0	0	15	0	0	647
38,600	38,650	0	0	*	0	0	636
38,650	38,700	0	0	0	0	0	626
38,700	38,750	0	0	0	0	0	615
38,750	38,800	0	0	0	0	0	605
38,800	38,850	0	0	0	0	0	594
38,850	38,900	0	0	0	0	0	584
38,900	38,950	0	0	0	0	0	573
38,950	39,000	0	0	0	0	0	563
39,000	39,050	0	0	0	0	0	552
39,050	39,100	0	0	0	0	0	541
39,100	39,150	0	0	0	0	0	531
39,150	39,200	0	0	0	0	0	520
39,200	39,250	0	0	0	0	0	510
39,250	39,300	0	0	0	0	0	499
39,300	39,350	0	0	0	0	0	489
39,350	39,400	0	0	0	0	0	478
39,400	39,450	0	0	0	0	0	468
39,450	39,500	0	0	0	0	0	457
39,500	39,550	0	0	0	0	0	447
39,550	39,600	0	0	0	0	0	436
39,600	39,650	0	0	0	0	0	426
39,650	39,700	0	0	0	0	0	415
39,700	39,750	0	0	0	0	0	405
39,750	39,800	0	0	0	0	0	394
39,800	39,850	0	0	0	0	0	383
39,850	39,900	0	0	0	0	0	373
39,900	39,950	0	0	0	0	0	362
39,950	40,000	0	0	0	0	0	352
40,000	40,050	0	0	0	0	0	341
40,050	40,100	0	0	0	0	0	331
40,100	40,150	0	0	0	0	0	320
40,150	40,200	0	0	0	0	0	310
40,200	40,250	0	0	0	0	0	299
40,250	40,300	0	0	0	0	0	289
40,300	40,350	0	0	0	0	0	278
40,350	40,400	0	0	0	0	0	268
40,400	40,450	0	0	0	0	0	257
40,450	40,500	0	0	0	0	0	247
40,500	40,550	0	0	0	0	0	236
40,550	40,600	0	0	0	0	0	226
40,600	40,650	0	0	0	0	0	215
40,650	40,700	0	0	0	0	0	204
40,700	40,750	0	0	0	0	0	194
40,750	40,800	0	0	0	0	0	183
40,800	40,850	0	0	0	0	0	173
40,850	40,900	0	0	0	0	0	162
40,900	40,950	0	0	0	0	0	152
40,950	41,000	0	0	0	0	0	141
41,000	41,050	0	0	0	0	0	131
41,050	41,100	0	0	0	0	0	120
41,100	41,150	0	0	0	0	0	110
41,150	41,200	0	0	0	0	0	99
41,200	41,250	0	0	0	0	0	89
41,250	41,300	0	0	0	0	0	78
41,300	41,350	0	0	0	0	0	68
41,350	41,400	0	0	0	0	0	57
41,400	41,450	0	0	0	0	0	47
41,450	41,500	0	0	0	0	0	36
41,500	41,550	0	0	0	0	0	25
41,550	41,600	0	0	0	0	0	15
41,600	41,646	0	0	0	0	0	5

*If the amount you are looking up from the worksheet is at least \$38,600 but less than \$38,646, your credit is \$5. 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 2008 and total wages of more than \$102,000, 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 \$6,324. But if any one employer withheld more than \$6,324, you cannot claim the excess on your return. The employer should adjust the tax for you. If the employer does not adjust the overcollection, you can file a claim for refund using Form 843. 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 on page 17. 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 52 that begin on page 42.

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 2350.

Line 68

Check the box(es) on line 68 to report any credit from Form 2439, 4136, 8801 (line 30), or 8885.

Line 69**First-Time Homebuyer Credit**

You may be able to take this credit if you bought a main home in the United States after April 8, 2008, and did not own any other main home during the 3-year period ending on the date you bought the home. If you constructed your main home, you are treated as having bought it on the date you first occupied it. However, you cannot take the credit if your modified adjusted gross income is \$95,000 or more (\$170,000 or more if married filing jointly). If you bought the home in 2009 before July 1, you can take the credit on either your 2008 or 2009 return. The credit operates much like an interest-free loan. You generally must repay it over a 15-year period. See Form 5405 for more details.

Line 70**Recovery Rebate Credit**

This credit is figured in the same manner as the economic stimulus payment you may have received in 2008 except that your 2008 tax information is used to figure this credit. Your 2007 tax information was used to figure your economic stimulus payment.

You may be able to take this credit only if:

- You did not get an economic stimulus payment, or
- Your economic stimulus payment was less than \$600 (\$1,200 if married filing jointly for 2007) plus \$300 for each qualifying child you had for 2008.

However, you do not qualify for this credit if all of the following apply.

- You received an economic stimulus payment of \$300 (\$600 if married filing jointly for 2007) before any offset (see *Re-fund Offset* on page 63),
- Your 2008 tax on Form 1040, line 46, is \$300 or less (\$600 or less if married filing jointly for 2008),
- Your 2008 filing status is the same as your 2007 filing status, and
- You do not have any qualifying children.

Use the worksheet that begins on page 62 to figure the credit you can take, if any. Or you can use the recovery rebate credit calculator on www.irs.gov.

If you are not required to file a return but are filing only to get this credit, be sure to fill in lines 7, 20a, and 70 of your Form 1040.

Credit figured by the IRS. If you want us to figure the credit for you, enter "RRC" next to line 70. If you (or your spouse, if filing jointly) received any nontaxable veterans' disability or death benefits, also enter "VA" next to line 70. If you (or your spouse, if filing jointly) had nontaxable combat pay, did not file Form 8812, and did not enter an amount on line 64b, also enter "NCP" next to line 70.

Recovery Rebate Credit Worksheet—Line 70

Keep for Your Records 

Before you begin:  See the instructions for line 70 on page 61 to find out if you can take this credit.

TIP If you received Notice 1378, have it available. The notice shows the amount of your economic stimulus payment, which you will need to fill in line 28 on page 63. If you do not have Notice 1378, you can find the amount of your economic stimulus payment on www.irs.gov.

1.	Can you, or your spouse if filing a joint return, be claimed as a dependent on another person's return?	
	<input type="checkbox"/> No. Go to line 2.	
	<input type="checkbox"/> Yes. You cannot take the credit. Stop here.	
2.	Does your tax return include a valid social security number for you and, if filing a joint return, your spouse?	
	<input type="checkbox"/> Yes. Skip lines 3 and 4 and go to line 5.	
	<input type="checkbox"/> No. Go to line 3.	
3.	Are you filing a joint return for 2008?	
	<input type="checkbox"/> Yes. Go to line 4.	
	<input type="checkbox"/> No. You cannot take the credit. Stop here.	
4.	Were either you or your spouse a member of the U.S. Armed Forces at any time during 2008?	
	<input type="checkbox"/> Yes. Go to line 5.	
	<input type="checkbox"/> No. You cannot take the credit. Stop here.	
5.	Enter the amount from Form 1040, line 56	5. <input type="text"/>
6.	Enter the amount from Form 1040, line 52	6. <input type="text"/>
7.	Add lines 5 and 6	7. <input type="text"/>
8.	Enter \$600 (\$1,200 if married filing jointly)	8. <input type="text"/>
9.	Enter the smaller of line 7 or line 8	9. <input type="text"/>
10.	Is the amount on line 9 at least \$300 (\$600 if married filing jointly)?	
	<input type="checkbox"/> Yes. If you have at least one qualifying child for whom you entered a valid social security number* on Form 1040, line 6c, column (2), and checked the box in column (4), or have at least one qualifying child with a valid social security number* for whom you completed Form 8901, go to line 11. Otherwise, skip lines 11 through 21 and enter the amount from line 9 on line 22.	
	<input type="checkbox"/> No. If line 7 is more than zero, go to line 11. Otherwise, skip line 11 and go to line 12.	
11.	Is your gross income** more than the amount shown below for your filing status?	
	• Single or married filing separately – \$8,950	
	• Married filing jointly – \$17,900	
	• Head of household – \$11,500	
	• Qualifying widow(er) – \$14,400	
	<input type="checkbox"/> No. Go to line 12.	
	<input type="checkbox"/> Yes. Skip lines 12 through 18 and go to line 19.	
12.	Enter the amount from Form 1040, line 20a	12. <input type="text"/>
13.	Enter the amount of any nontaxable veterans' disability or death benefits you received in 2008	13. <input type="text"/>
14.	Are you filing Form 8812?	
	<input type="checkbox"/> Yes. Skip line 15. Enter on line 16 the amount from Form 8812, line 4a.	
	<input type="checkbox"/> No. Go to line 15.	
15.	Are you filing Form 2555 or 2555-EZ to exclude foreign earned income, or using one of the optional methods to figure your net earnings from self-employment on Schedule SE, or are you a church employee or member of the clergy?	
	<input type="checkbox"/> Yes. Fill out the Earned Income Worksheet on page 8 of Pub. 972 and enter on line 16 the amount from line 8 of that worksheet.	
	<input type="checkbox"/> No. Go to line 16.	
16.	Earned income. If you did not already enter an amount on this line as instructed on line 14 or 15, complete Worksheet B on page 51 through line 4b. Enter the amount from Worksheet B, line 4b. (If you (or your spouse, if filing jointly) had nontaxable combat pay, did not file Form 8812, and did not enter an amount on line 64b, add your (and your spouse's) nontaxable combat pay to the amount on this line	16. <input type="text"/>
17.	Qualifying income. Add lines 12, 13, and 16	17. <input type="text"/>
18.	Is line 17 at least \$3,000?	
	<input type="checkbox"/> No. Skip lines 19 through 21 and enter the amount from line 9 on line 22.	
	<input type="checkbox"/> Yes. Go to line 19.	

Recovery Rebate Credit — Line 70 (continued)

19.	Enter \$300 (\$600 if married filing jointly)	19.	
20.	Enter the larger of line 9 or line 19	20.	
21.	Multiply \$300 by the number of qualifying children for whom you entered a valid social security number* on: <ul style="list-style-type: none"> • Form 1040, line 6c, column (2), and checked the box in column (4), or • Form 8901, column (b) 	21.	
22.	Add lines 20 and 21	22.	
23.	Enter the amount from Form 1040, line 38	23.	
24.	Enter \$75,000 (\$150,000 if married filing jointly)	24.	
25.	Is the amount on line 23 more than the amount on line 24? <input type="checkbox"/> No. Skip line 26. Enter the amount from line 22 on line 27 below. <input type="checkbox"/> Yes. Subtract line 24 from line 23	25.	
26.	Multiply line 25 by 5% (.05)	26.	
27.	Subtract line 26 from line 22. If zero or less, enter -0-	27.	
28.	Enter the amount, if any, of the economic stimulus payment you received (before offset) as shown on Notice 1378 or <i>www.irs.gov</i> . If you received more than one payment, enter the total of all payments you received as shown on all Notices 1378 or on <i>www.irs.gov</i> . If filing a joint return, include your spouse's payment as shown on your spouse's Notice 1378 or on <i>www.irs.gov</i> . If you filed a joint return for 2007 and received an economic stimulus payment, you and your spouse are each treated as having received half of the payment	28.	
29.	Recovery rebate credit. Subtract line 28 from line 27. If zero or less, enter -0-. Enter the result here and, if more than zero, on Form 1040, line 70. If you entered an amount on line 13 on page 62, enter "VA" on the dotted line to the left of Form 1040, line 70. If you (or your spouse, if filing jointly) had nontaxable combat pay, did not file Form 8812, and did not enter an amount on line 64b, enter "NCP" to the left of Form 1040, line 70. If line 28 is more than line 27, you do not have to pay back the difference	29.	

*A valid social security number is not required for a qualifying child if you file a joint return AND either you or your spouse was a member of the U.S. Armed Forces at any time during 2008.

Your gross income includes the total of the following amounts: Form 1040, lines 7, 8a, 9a, 10, 11, 13 (if you were not required to file Schedule D), 15b, 16b, 19, 20b, and 21 (excluding any negative amounts); Schedule C, line 7; Schedule C-EZ, line 1; Schedule E, lines 3 and 4; Schedule F, line 11; Form 4835, line 7; Schedule K-1 (Form 1065), box 14, codes B and C; Schedule K-1 (Form 1065-B), box 9, code K-2; Schedule K-1 (Form 1120S), box 14, code B. But **do not include on this line any amount for which you claimed the foreign earned income exclusion or the housing exclusion on Form 2555 or 2555-EZ.

Your gross income also includes the total of all gains from Schedule D, lines 1, 8, and 13; Schedule D-1, lines 1 and 8; Form 4684, line 14, and column (c) of lines 35 and 40; Form 4797, lines 2, 10, and 30; Form 6252, lines 24 and 35; Form 6781, lines 1 and 12; Form 8824, lines 14, 23, 35, and 36; and Form 2439, line 1a. But subtract from this total any section 1202 exclusion, any section 1045 or section 1397B rollover, any exclusion of gain from DC Zone assets or qualified community assets, and any section 121 exclusion shown on Schedule D or Form 4797.

Refund

Line 72

Amount Overpaid

If line 72 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 72 hours after IRS acknowledges receipt of your e-filed return (3 to 4 weeks after you mail a paper return) to do so. But if you filed Form 8379 with your return, allow 14 weeks (11 weeks if you filed electronically). See page 84 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 Withhold-

ing and Estimated Tax Payments for 2009 on page 81.

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 72 may be used (offset) to pay the past-due amount. Offsets for federal taxes are made by the IRS. All other offsets are made by the Treasury Department's Financial Management Service (FMS). For federal tax offsets, you will receive a notice from the IRS. For all other offsets, you will receive a notice from FMS. To find out if you may have an offset or if you have any questions about it, contact the agency to which you owe the debt.

Injured Spouse

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

72 may be used (offset) to pay the past-due amount. But your part of the overpayment may be refunded to you if certain conditions apply and you complete Form 8379. For details, use TeleTax topic 203 (see page 84) or see Form 8379.

Lines 73a Through 73d

DIRECT DEPOSIT

Simple. Safe. Secure.

Fast Refunds! Choose direct deposit—a fast, simple, safe, secure way to have your refund deposited automatically to your checking or savings account, including an individual retirement arrangement (IRA). See the information about IRAs on page 64.

Why Use Direct Deposit?

- You get your refund faster by direct deposit than you do by check.
- Payment is more secure. There is no check that can get lost or stolen.
- It is more convenient. You do not have to make a trip to the bank to deposit your check.
- It saves tax dollars. It costs the government less to refund by direct deposit.

If you want us to directly deposit the amount shown on line 73a to your checking or savings account, including an IRA, at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States:

- Check the box on line 73a and attach Form 8888 if you want to split the direct deposit of your refund among two or three accounts, or
- Complete lines 73b through 73d if you want your refund deposited to only one account. Otherwise, we will send you a check.

Note. If you do not want your refund directly deposited to your account, do not check the box on line 73a. Draw a line through the boxes on lines 73b and 73d.



The IRS is not responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted. Do not use the routing number on a deposit slip if it is different from the routing number on your checks.

If you file a joint return and check the box on line 73a and attach Form 8888 or fill in lines 73b through 73d, your spouse may get at least part of the refund.

If the direct deposit to your account(s) is different from the amount you expected, you will receive an explanation in the mail

about 2 weeks after your refund is deposited.

TreasuryDirect. You can request a deposit of your refund to a TreasuryDirect online account to buy U.S. Treasury marketable securities and savings bonds. For more information, go to www.treasurydirect.gov.

Line 73a

You cannot file Form 8888 and split your refund among two or three accounts if Form 8379 is filed with your return.

Line 73b

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 below, the routing number is 250250025. Jeffrey and Suzanne Maple would use that routing number unless their financial institution instructed them to use a different routing number for direct deposits.

Ask your financial institution for the correct routing number to enter on line 73b if:

- Your deposit is to a savings account that does not allow you to write checks, or
- Your checks state they are payable through a financial institution different from the one at which you have your checking account.

Line 73c

Check the appropriate box for the type of account. Do not check more than one box. If the deposit is to an account such as an IRA, health savings account, brokerage account, or other similar account, ask your financial institution whether you should check the “Checking” or “Savings” box. You must check the correct box to ensure your deposit is accepted. For a TreasuryDirect online account, check the “Savings” box.

Line 73d

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 below, the account number is 20202086. Do not include the check number.

You cannot request a deposit of your refund to an account that is not in your name (such as your tax preparer’s own account).



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

Individual Retirement Arrangement (IRA)

You can have your refund directly deposited to a traditional IRA, Roth IRA, or SEP-IRA, but not a SIMPLE IRA. You must establish the IRA at a bank or other financial institution before you request direct deposit. Make sure your direct deposit will be accepted. You must also notify the trustee of your account of the year to which the deposit is to be applied unless the trustee will not accept a deposit for 2008. If you do not, the trustee can assume the deposit is for the year during which you are filing the return. For example, if you file your 2008 return during 2009 and do not notify the trustee in advance, the trustee can assume the deposit to your IRA is for 2009. If you designate your deposit to be for 2008, you must verify that the deposit was actually made to the account by the due date of the return (without regard to extensions). If the deposit is not made by that date, the deposit is not an IRA contribution for 2008. In that case, you must file an amended 2008 return and reduce any IRA deduction and any retirement savings contributions credit you claimed.



You and your spouse, if filing jointly, each may be able to contribute up to \$5,000 (\$6,000 if age 50 or older at the end of the year) to a traditional IRA or Roth IRA for 2008 or 2009. A higher limit may apply for 2008 and 2009 if you were a participant in a 401(k) plan and your employer was in bankruptcy in an earlier year. You may owe a penalty if your contributions exceed these limits.



For more information on IRAs, see Pub. 590.

Sample Check—Lines 73b Through 73d

JEFFREY MAPLE
SUZANNE MAPLE
123 Pear Lane
Anyplace, VA 20000

PAY TO THE ORDER OF _____ \$ 1234.00

ANYPLACE BANK
Anyplace, VA 20000

For _____

Routing number (line 73b): 250250025
Account number (line 73d): 20202086

Do not include the check number.



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

Line 74**Applied to Your 2009 Estimated Tax**

Enter on line 74 the amount, if any, of the overpayment on line 72 you want applied to your 2009 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 2009 estimated tax cannot be changed later.

Amount You Owe

 IRS e-file offers you the electronic payment option of electronic funds withdrawal (EFW). EFW can be used to pay your current year balance due and can be used to make up to four estimated tax payments. If you are filing early, you can schedule your payment for withdrawal from your account on a future date, up to and including April 15, 2009. If you file your return after April 15, 2009, you can include interest and penalty in your payment. Visit www.irs.gov and enter "e-pay" in the search box for details.

You can also pay using EFTPS, a free tax payment system that allows you to make payments online or by phone. For more information or details on enrolling, visit www.eftps.gov or call Customer Service at 1-800-316-6541. TTY/TDD help is available by calling 1-800-733-4829.

Line 75**Amount You Owe**

To save interest and penalties, pay your taxes in full by April 15, 2009. You do not have to pay if line 75 is under \$1.

Include any estimated tax penalty from line 76 in the amount you enter on line 75.

You can pay by check, money order, or credit card. Do not include any estimated tax payment for 2009 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 "2008 Form 1040" and your name, address, daytime phone number, and social security number (SSN) on your payment. If you are filing a joint return, enter the SSN shown first on your tax return.

To help process your payment, enter the amount on the right side of the check like

this: \$ XXX.XX. Do not use dashes or lines (for example, do not enter "\$ XXX-" or "\$ XXX^{XX}").

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

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, (b) increase the tax withheld from other income by filing Form W-4P or W-4V, or (c) make estimated tax payments for 2009. See Income Tax Withholding and Estimated Tax Payments for 2009 on page 81.

What If You Cannot Pay?

If you cannot pay the full amount shown on line 75 when you file, you can ask to make monthly installment payments for the full or a partial amount. You may have up to 60 months to pay. However, even if your request to pay in installments is granted, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2009. You must also pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan or credit card payment.

To ask for an installment agreement, you can apply online or use Form 9465. To apply online, go to www.irs.gov, use the pull-down menu under "I need to..." and select "Set Up a Payment Plan." If you use Form 9465, you should receive a response to your request to make installment payments within 30 days. But if you file your return after March 31, it may take us longer to reply.

Line 76**Estimated Tax Penalty**

You may owe this penalty if:

- Line 75 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 your 2008 Form 1040, line 61, minus the total of any amounts shown on lines 64a, 66, 69, and 70 and Forms 8828, 4137, 4136, 5329 (Parts III through VIII only), 8801 (line 30 only), 8885, and 8919. Also subtract from line 61 any tax on an excess parachute payment, any excise tax on insider stock compensation of an expatriated corporation, and any uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. When figuring the amount on line 61, include household employment taxes 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 household employment taxes on Form 1040, line 60.

Exception. You will not owe the penalty if your 2007 tax return was for a tax year of 12 full months and either of the following applies.

1. You had no tax shown on your 2007 return and you were a U.S. citizen or resident for all of 2007, or
2. The total of lines 62, 63, and 65 on your 2008 return is at least 100% of the tax shown on your 2007 return (110% of that amount if you are not a farmer or fisherman and your adjusted gross income shown on that return is more than \$150,000, or if married filing separately for 2008, more than \$75,000). Your estimated tax payments for 2008 must have been made on time and for the required amount.

For most people, the "tax shown on your 2007 return" is the amount on your 2007 Form 1040, line 63, minus the total of any amounts shown on lines 66a, 68, and 71, and Forms 8828, 4137, 4136, 5329 (Parts III through VIII only), 8885, and 8919. Also subtract from line 63 any tax on an excess parachute payment, any excise tax on insider stock compensation of an expatriated corporation, and any uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. When figuring the amount on line 63, include the amount on line 62 only if line 64 is more than zero or you would have owed the estimated tax penalty for 2007 even if you did not include those taxes. But if you entered an amount on your 2007 Schedule H, line 7, include the total of that amount plus the amount on your 2007 Form 1040, line 62.

Figuring the Penalty

If the *Exception* on page 65 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 76. Add the penalty to any tax due and enter the total on line 75. If you are due a refund, subtract the penalty from the overpayment you show on line 72. 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, you can leave line 76 blank and the IRS will figure the penalty and send you a bill.

We will not charge you interest on the penalty if you pay by the date specified on the bill. If your income varied during the year, the annualized income installment method may reduce the amount of your penalty. But you must file Form 2210 because the IRS cannot figure your penalty under this method. See the Instructions for Form 2210 for other situations in which you may be able to lower your penalty by filing Form 2210.

Third Party Designee

If you want to allow a friend, family member, or any other person you choose to discuss your 2008 tax return with the IRS, check the “Yes” box in the “Third Party Designee” area of your return. Also, enter the designee’s name, phone number, and any five digits the designee chooses as his or her personal identification number (PIN). But if you want to allow the paid preparer who signed your return to discuss it with the IRS, just enter “Preparer” in the space for the designee’s name. You do not have to provide the other information requested.

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

- Give the IRS any information that is missing from your return,
- Call the IRS for information about the processing of your return or the status of your refund or payment(s),
- Receive copies of notices or transcripts related to your return, upon request, and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

You are not authorizing the designee to receive any refund check, bind you to anything (including any additional tax liability),

or otherwise represent you before the IRS. If you want to expand the designee’s authorization, see Pub. 947.

The authorization will automatically end no later than the due date (without regard to extensions) for filing your 2009 tax return. This is April 15, 2010, for most people. If you wish to revoke the authorization before it ends, see Pub. 947.

Sign Your Return

Form 1040 is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. If your spouse cannot sign the return, see Pub. 501. Be sure to date your return and enter your occupation(s). If you have someone prepare your return, you are still responsible for the correctness of the return. If your return is signed by a representative for you, you must have a power of attorney attached that specifically authorizes the representative to sign your return. To do this, you can use Form 2848. If you are filing a joint return as a surviving spouse, see *Death of a Taxpayer* on page 82.

Child’s Return

If your child cannot sign the return, either parent can sign the child’s name in the space provided. Then, enter “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. If you answer 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 can enter either your or your spouse’s daytime phone number.

Paid Preparer Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it in the space provided. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.



Electronic Return Signatures!

To file your return electronically, you must sign the return electronically using a personal identification number (PIN). If you are filing online using software, you must

use a Self-Select PIN. If you are filing electronically using a tax practitioner, you can use a Self-Select PIN or a Practitioner PIN.

Self-Select PIN. The Self-Select PIN method allows you to create your own PIN. If you are married filing jointly, you and your spouse will each need to create a PIN and enter these PINs as your electronic signatures.

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

To verify your identity, you will be prompted to enter your adjusted gross income (AGI) from your originally filed 2007 federal income tax return, if applicable. Do not use your AGI from an amended return (Form 1040X) or a math error correction made by IRS. AGI is the amount shown on your 2007 Form 1040, line 38; Form 1040A, line 22; or Form 1040EZ, line 4. If you do not have your 2007 income tax return, call the IRS at 1-800-829-1040 to get a free transcript of your return. (If you filed electronically last year, you may use your prior year PIN to verify your identity instead of your prior year AGI. The prior year PIN is the five digit PIN you used to electronically sign your 2007 return.) You will also be prompted to enter your date of birth (DOB). Make sure your DOB is accurate and matches the information on record with the Social Security Administration by checking your annual social security statement.



You cannot use the Self-Select PIN method if you are a first-time filer under age 16 at the end of 2008.

Practitioner PIN. The Practitioner PIN method allows you to authorize your tax practitioner to enter or generate your PIN. The practitioner can provide you with details.

Form 8453. You must send in a paper Form 8453 if you are attaching or filing Form 1098-C, 2848 (for an electronic return signed by an agent), 3115, 3468 (if attachments are required), 4136 (if certificate or statement required), 5713, 8283 (if a statement is required for Section A or if Section B is completed), 8332 (or certain pages from a post-1984 decree or agreement), 8858, 8864 (if certification or statement required), 8885, Schedule D-1 (Form 1040) (if you elect not to include your transactions on the electronic STCGL or LTCGL records), or Worksheets 1 through 4 from Pub. 517 (or other statement showing the required information and computations).

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

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 and 2439 to the front of Form 1040. If

you received a Form W-2c (a corrected Form W-2), attach a copy of your original Forms W-2 and any Forms W-2c. Also attach Forms W-2G and 1099-R to the front of Form 1040 if tax was withheld.

2008 Tax Table



See the instructions for line 44 that begin on page 36 to see if you must use the Tax Table below to figure your tax.

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on Form 1040, line 43, is \$25,300. First, they find the \$25,300–25,350 taxable income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the taxable income line and filing status column meet is \$2,996. This is the tax amount they should enter on Form 1040, line 44.

Sample Table

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
25,200	25,250	3,383	2,981	3,383	3,211
25,250	25,300	3,390	2,989	3,390	3,219
25,300	25,350	3,398	2,996	3,398	3,226
25,350	25,400	3,405	3,004	3,405	3,234

If line 43 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
0	5	0	0	0	0
5	15	1	1	1	1
15	25	2	2	2	2
25	50	4	4	4	4
50	75	6	6	6	6
75	100	9	9	9	9
100	125	11	11	11	11
125	150	14	14	14	14
150	175	16	16	16	16
175	200	19	19	19	19
200	225	21	21	21	21
225	250	24	24	24	24
250	275	26	26	26	26
275	300	29	29	29	29
300	325	31	31	31	31
325	350	34	34	34	34
350	375	36	36	36	36
375	400	39	39	39	39
400	425	41	41	41	41
425	450	44	44	44	44
450	475	46	46	46	46
475	500	49	49	49	49
500	525	51	51	51	51
525	550	54	54	54	54
550	575	56	56	56	56
575	600	59	59	59	59
600	625	61	61	61	61
625	650	64	64	64	64
650	675	66	66	66	66
675	700	69	69	69	69
700	725	71	71	71	71
725	750	74	74	74	74
750	775	76	76	76	76
775	800	79	79	79	79
800	825	81	81	81	81
825	850	84	84	84	84
850	875	86	86	86	86
875	900	89	89	89	89
900	925	91	91	91	91
925	950	94	94	94	94
950	975	96	96	96	96
975	1,000	99	99	99	99
1,000					
1,000	1,025	101	101	101	101
1,025	1,050	104	104	104	104
1,050	1,075	106	106	106	106
1,075	1,100	109	109	109	109
1,100	1,125	111	111	111	111
1,125	1,150	114	114	114	114
1,150	1,175	116	116	116	116
1,175	1,200	119	119	119	119
1,200	1,225	121	121	121	121
1,225	1,250	124	124	124	124
1,250	1,275	126	126	126	126
1,275	1,300	129	129	129	129

If line 43 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
1,300	1,325	131	131	131	131
1,325	1,350	134	134	134	134
1,350	1,375	136	136	136	136
1,375	1,400	139	139	139	139
1,400	1,425	141	141	141	141
1,425	1,450	144	144	144	144
1,450	1,475	146	146	146	146
1,475	1,500	149	149	149	149
1,500	1,525	151	151	151	151
1,525	1,550	154	154	154	154
1,550	1,575	156	156	156	156
1,575	1,600	159	159	159	159
1,600	1,625	161	161	161	161
1,625	1,650	164	164	164	164
1,650	1,675	166	166	166	166
1,675	1,700	169	169	169	169
1,700	1,725	171	171	171	171
1,725	1,750	174	174	174	174
1,750	1,775	176	176	176	176
1,775	1,800	179	179	179	179
1,800	1,825	181	181	181	181
1,825	1,850	184	184	184	184
1,850	1,875	186	186	186	186
1,875	1,900	189	189	189	189
1,900	1,925	191	191	191	191
1,925	1,950	194	194	194	194
1,950	1,975	196	196	196	196
1,975	2,000	199	199	199	199
2,000					
2,000	2,025	201	201	201	201
2,025	2,050	204	204	204	204
2,050	2,075	206	206	206	206
2,075	2,100	209	209	209	209
2,100	2,125	211	211	211	211
2,125	2,150	214	214	214	214
2,150	2,175	216	216	216	216
2,175	2,200	219	219	219	219
2,200	2,225	221	221	221	221
2,225	2,250	224	224	224	224
2,250	2,275	226	226	226	226
2,275	2,300	229	229	229	229
2,300	2,325	231	231	231	231
2,325	2,350	234	234	234	234
2,350	2,375	236	236	236	236
2,375	2,400	239	239	239	239
2,400	2,425	241	241	241	241
2,425	2,450	244	244	244	244
2,450	2,475	246	246	246	246
2,475	2,500	249	249	249	249
2,500	2,525	251	251	251	251
2,525	2,550	254	254	254	254
2,550	2,575	256	256	256	256
2,575	2,600	259	259	259	259
2,600	2,625	261	261	261	261
2,625	2,650	264	264	264	264
2,650	2,675	266	266	266	266
2,675	2,700	269	269	269	269

If line 43 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
2,700	2,725	271	271	271	271
2,725	2,750	274	274	274	274
2,750	2,775	276	276	276	276
2,775	2,800	279	279	279	279
2,800	2,825	281	281	281	281
2,825	2,850	284	284	284	284
2,850	2,875	286	286	286	286
2,875	2,900	289	289	289	289
2,900	2,925	291	291	291	291
2,925	2,950	294	294	294	294
2,950	2,975	296	296	296	296
2,975	3,000	299	299	299	299
3,000					
3,000	3,050	303	303	303	303
3,050	3,100	308	308	308	308
3,100	3,150	313	313	313	313
3,150	3,200	318	318	318	318
3,200	3,250	323	323	323	323
3,250	3,300	328	328	328	328
3,300	3,350	333	333	333	333
3,350	3,400	338	338	338	338
3,400	3,450	343	343	343	343
3,450	3,500	348	348	348	348
3,500	3,550	353	353	353	353
3,550	3,600	358	358	358	358
3,600	3,650	363	363	363	363
3,650	3,700	368	368	368	368
3,700	3,750	373	373	373	373
3,750	3,800	378	378	378	378
3,800	3,850	383	383	383	383
3,850	3,900	388	388	388	388
3,900	3,950	393	393	393	393
3,950	4,000	398	398	398	398
4,000					
4,000	4,050	403	403	403	403
4,050	4,100	408	408	408	408
4,100	4,150	413	413	413	413
4,150	4,200	418	418	418	418
4,200	4,250	423	423	423	423
4,250	4,300	428	428	428	428
4,300	4,350	433	433	433	433
4,350	4,400	438	438	438	438
4,400	4,450	443	443	443	443
4,450	4,500	448	448	448	448
4,500	4,550	453	453	453	453
4,550	4,600	458	458	458	458
4,600	4,650	463	463	463	463
4,650	4,700	468	468	468	468
4,700	4,750	473	473	473	473
4,750	4,800	478	478	478	478
4,800	4,850	483	483	483	483
4,850	4,900	488	488	488	488
4,900	4,950	493	493	493	493
4,950	5,000	498	498	498	498

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

(Continued on page 69)

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
5,000					
5,000	5,050	503	503	503	503
5,050	5,100	508	508	508	508
5,100	5,150	513	513	513	513
5,150	5,200	518	518	518	518
5,200	5,250	523	523	523	523
5,250	5,300	528	528	528	528
5,300	5,350	533	533	533	533
5,350	5,400	538	538	538	538
5,400	5,450	543	543	543	543
5,450	5,500	548	548	548	548
5,500	5,550	553	553	553	553
5,550	5,600	558	558	558	558
5,600	5,650	563	563	563	563
5,650	5,700	568	568	568	568
5,700	5,750	573	573	573	573
5,750	5,800	578	578	578	578
5,800	5,850	583	583	583	583
5,850	5,900	588	588	588	588
5,900	5,950	593	593	593	593
5,950	6,000	598	598	598	598
6,000					
6,000	6,050	603	603	603	603
6,050	6,100	608	608	608	608
6,100	6,150	613	613	613	613
6,150	6,200	618	618	618	618
6,200	6,250	623	623	623	623
6,250	6,300	628	628	628	628
6,300	6,350	633	633	633	633
6,350	6,400	638	638	638	638
6,400	6,450	643	643	643	643
6,450	6,500	648	648	648	648
6,500	6,550	653	653	653	653
6,550	6,600	658	658	658	658
6,600	6,650	663	663	663	663
6,650	6,700	668	668	668	668
6,700	6,750	673	673	673	673
6,750	6,800	678	678	678	678
6,800	6,850	683	683	683	683
6,850	6,900	688	688	688	688
6,900	6,950	693	693	693	693
6,950	7,000	698	698	698	698
7,000					
7,000	7,050	703	703	703	703
7,050	7,100	708	708	708	708
7,100	7,150	713	713	713	713
7,150	7,200	718	718	718	718
7,200	7,250	723	723	723	723
7,250	7,300	728	728	728	728
7,300	7,350	733	733	733	733
7,350	7,400	738	738	738	738
7,400	7,450	743	743	743	743
7,450	7,500	748	748	748	748
7,500	7,550	753	753	753	753
7,550	7,600	758	758	758	758
7,600	7,650	763	763	763	763
7,650	7,700	768	768	768	768
7,700	7,750	773	773	773	773
7,750	7,800	778	778	778	778
7,800	7,850	783	783	783	783
7,850	7,900	788	788	788	788
7,900	7,950	793	793	793	793
7,950	8,000	798	798	798	798

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
8,000					
8,000	8,050	803	803	803	803
8,050	8,100	810	808	810	808
8,100	8,150	818	813	818	813
8,150	8,200	825	818	825	818
8,200	8,250	833	823	833	823
8,250	8,300	840	828	840	828
8,300	8,350	848	833	848	833
8,350	8,400	855	838	855	838
8,400	8,450	863	843	863	843
8,450	8,500	870	848	870	848
8,500	8,550	878	853	878	853
8,550	8,600	885	858	885	858
8,600	8,650	893	863	893	863
8,650	8,700	900	868	900	868
8,700	8,750	908	873	908	873
8,750	8,800	915	878	915	878
8,800	8,850	923	883	923	883
8,850	8,900	930	888	930	888
8,900	8,950	938	893	938	893
8,950	9,000	945	898	945	898
9,000					
9,000	9,050	953	903	953	903
9,050	9,100	960	908	960	908
9,100	9,150	968	913	968	913
9,150	9,200	975	918	975	918
9,200	9,250	983	923	983	923
9,250	9,300	990	928	990	928
9,300	9,350	998	933	998	933
9,350	9,400	1,005	938	1,005	938
9,400	9,450	1,013	943	1,013	943
9,450	9,500	1,020	948	1,020	948
9,500	9,550	1,028	953	1,028	953
9,550	9,600	1,035	958	1,035	958
9,600	9,650	1,043	963	1,043	963
9,650	9,700	1,050	968	1,050	968
9,700	9,750	1,058	973	1,058	973
9,750	9,800	1,065	978	1,065	978
9,800	9,850	1,073	983	1,073	983
9,850	9,900	1,080	988	1,080	988
9,900	9,950	1,088	993	1,088	993
9,950	10,000	1,095	998	1,095	998
10,000					
10,000	10,050	1,103	1,003	1,103	1,003
10,050	10,100	1,110	1,008	1,110	1,008
10,100	10,150	1,118	1,013	1,118	1,013
10,150	10,200	1,125	1,018	1,125	1,018
10,200	10,250	1,133	1,023	1,133	1,023
10,250	10,300	1,140	1,028	1,140	1,028
10,300	10,350	1,148	1,033	1,148	1,033
10,350	10,400	1,155	1,038	1,155	1,038
10,400	10,450	1,163	1,043	1,163	1,043
10,450	10,500	1,170	1,048	1,170	1,048
10,500	10,550	1,178	1,053	1,178	1,053
10,550	10,600	1,185	1,058	1,185	1,058
10,600	10,650	1,193	1,063	1,193	1,063
10,650	10,700	1,200	1,068	1,200	1,068
10,700	10,750	1,208	1,073	1,208	1,073
10,750	10,800	1,215	1,078	1,215	1,078
10,800	10,850	1,223	1,083	1,223	1,083
10,850	10,900	1,230	1,088	1,230	1,088
10,900	10,950	1,238	1,093	1,238	1,093
10,950	11,000	1,245	1,098	1,245	1,098

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
11,000					
11,000	11,050	1,253	1,103	1,253	1,103
11,050	11,100	1,260	1,108	1,260	1,108
11,100	11,150	1,268	1,113	1,268	1,113
11,150	11,200	1,275	1,118	1,275	1,118
11,200	11,250	1,283	1,123	1,283	1,123
11,250	11,300	1,290	1,128	1,290	1,128
11,300	11,350	1,298	1,133	1,298	1,133
11,350	11,400	1,305	1,138	1,305	1,138
11,400	11,450	1,313	1,143	1,313	1,143
11,450	11,500	1,320	1,148	1,320	1,149
11,500	11,550	1,328	1,153	1,328	1,156
11,550	11,600	1,335	1,158	1,335	1,164
11,600	11,650	1,343	1,163	1,343	1,171
11,650	11,700	1,350	1,168	1,350	1,179
11,700	11,750	1,358	1,173	1,358	1,186
11,750	11,800	1,365	1,178	1,365	1,194
11,800	11,850	1,373	1,183	1,373	1,201
11,850	11,900	1,380	1,188	1,380	1,209
11,900	11,950	1,388	1,193	1,388	1,216
11,950	12,000	1,395	1,198	1,395	1,224
12,000					
12,000	12,050	1,403	1,203	1,403	1,231
12,050	12,100	1,410	1,208	1,410	1,239
12,100	12,150	1,418	1,213	1,418	1,246
12,150	12,200	1,425	1,218	1,425	1,254
12,200	12,250	1,433	1,223	1,433	1,261
12,250	12,300	1,440	1,228	1,440	1,269
12,300	12,350	1,448	1,233	1,448	1,276
12,350	12,400	1,455	1,238	1,455	1,284
12,400	12,450	1,463	1,243	1,463	1,291
12,450	12,500	1,470	1,248	1,470	1,299
12,500	12,550	1,478	1,253	1,478	1,306
12,550	12,600	1,485	1,258	1,485	1,314
12,600	12,650	1,493	1,263	1,493	1,321
12,650	12,700	1,500	1,268	1,500	1,329
12,700	12,750	1,508	1,273	1,508	1,336
12,750	12,800	1,515	1,278	1,515	1,344
12,800	12,850	1,523	1,283	1,523	1,351
12,850	12,900	1,530	1,288	1,530	1,359
12,900	12,950	1,538	1,293	1,538	1,366
12,950	13,000	1,545	1,298	1,545	1,374
13,000					
13,000	13,050	1,553	1,303	1,553	1,381
13,050	13,100	1,560	1,308	1,560	1,389
13,100	13,150	1,568	1,313	1,568	1,396
13,150	13,200	1,575	1,318	1,575	1,404
13,200	13,250	1,583	1,323	1,583	1,411
13,250	13,300	1,590	1,328	1,590	1,419
13,300	13,350	1,598	1,333	1,598	1,426
13,350	13,400	1,605	1,338	1,605	1,434
13,400	13,450	1,613	1,343	1,613	1,441
13,450	13,500	1,620	1,348	1,620	1,449
13,500	13,550	1,628	1,353	1,628	1,456
13,550	13,600	1,635	1,358	1,635	1,464
13,600	13,650	1,643	1,363	1,643	1,471
13,650	13,700	1,650	1,368	1,650	1,479
13,700	13,750	1,658	1,373	1,658	1,486
13,750	13,800	1,665	1,378	1,665	1,494
13,800	13,850	1,673	1,383	1,673	1,501
13,850	13,900	1,680	1,388	1,680	1,509
13,900	13,950	1,688	1,393	1,688	1,516
13,950	14,000	1,695	1,398	1,695	1,524

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

2008 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
14,000					
14,000	14,050	1,703	1,403	1,703	1,531
14,050	14,100	1,710	1,408	1,710	1,539
14,100	14,150	1,718	1,413	1,718	1,546
14,150	14,200	1,725	1,418	1,725	1,554
14,200	14,250	1,733	1,423	1,733	1,561
14,250	14,300	1,740	1,428	1,740	1,569
14,300	14,350	1,748	1,433	1,748	1,576
14,350	14,400	1,755	1,438	1,755	1,584
14,400	14,450	1,763	1,443	1,763	1,591
14,450	14,500	1,770	1,448	1,770	1,599
14,500	14,550	1,778	1,453	1,778	1,606
14,550	14,600	1,785	1,458	1,785	1,614
14,600	14,650	1,793	1,463	1,793	1,621
14,650	14,700	1,800	1,468	1,800	1,629
14,700	14,750	1,808	1,473	1,808	1,636
14,750	14,800	1,815	1,478	1,815	1,644
14,800	14,850	1,823	1,483	1,823	1,651
14,850	14,900	1,830	1,488	1,830	1,659
14,900	14,950	1,838	1,493	1,838	1,666
14,950	15,000	1,845	1,498	1,845	1,674
15,000					
15,000	15,050	1,853	1,503	1,853	1,681
15,050	15,100	1,860	1,508	1,860	1,689
15,100	15,150	1,868	1,513	1,868	1,696
15,150	15,200	1,875	1,518	1,875	1,704
15,200	15,250	1,883	1,523	1,883	1,711
15,250	15,300	1,890	1,528	1,890	1,719
15,300	15,350	1,898	1,533	1,898	1,726
15,350	15,400	1,905	1,538	1,905	1,734
15,400	15,450	1,913	1,543	1,913	1,741
15,450	15,500	1,920	1,548	1,920	1,749
15,500	15,550	1,928	1,553	1,928	1,756
15,550	15,600	1,935	1,558	1,935	1,764
15,600	15,650	1,943	1,563	1,943	1,771
15,650	15,700	1,950	1,568	1,950	1,779
15,700	15,750	1,958	1,573	1,958	1,786
15,750	15,800	1,965	1,578	1,965	1,794
15,800	15,850	1,973	1,583	1,973	1,801
15,850	15,900	1,980	1,588	1,980	1,809
15,900	15,950	1,988	1,593	1,988	1,816
15,950	16,000	1,995	1,598	1,995	1,824
16,000					
16,000	16,050	2,003	1,603	2,003	1,831
16,050	16,100	2,010	1,609	2,010	1,839
16,100	16,150	2,018	1,616	2,018	1,846
16,150	16,200	2,025	1,624	2,025	1,854
16,200	16,250	2,033	1,631	2,033	1,861
16,250	16,300	2,040	1,639	2,040	1,869
16,300	16,350	2,048	1,646	2,048	1,876
16,350	16,400	2,055	1,654	2,055	1,884
16,400	16,450	2,063	1,661	2,063	1,891
16,450	16,500	2,070	1,669	2,070	1,899
16,500	16,550	2,078	1,676	2,078	1,906
16,550	16,600	2,085	1,684	2,085	1,914
16,600	16,650	2,093	1,691	2,093	1,921
16,650	16,700	2,100	1,699	2,100	1,929
16,700	16,750	2,108	1,706	2,108	1,936
16,750	16,800	2,115	1,714	2,115	1,944
16,800	16,850	2,123	1,721	2,123	1,951
16,850	16,900	2,130	1,729	2,130	1,959
16,900	16,950	2,138	1,736	2,138	1,966
16,950	17,000	2,145	1,744	2,145	1,974

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
17,000					
17,000	17,050	2,153	1,751	2,153	1,981
17,050	17,100	2,160	1,759	2,160	1,989
17,100	17,150	2,168	1,766	2,168	1,996
17,150	17,200	2,175	1,774	2,175	2,004
17,200	17,250	2,183	1,781	2,183	2,011
17,250	17,300	2,190	1,789	2,190	2,019
17,300	17,350	2,198	1,796	2,198	2,026
17,350	17,400	2,205	1,804	2,205	2,034
17,400	17,450	2,213	1,811	2,213	2,041
17,450	17,500	2,220	1,819	2,220	2,049
17,500	17,550	2,228	1,826	2,228	2,056
17,550	17,600	2,235	1,834	2,235	2,064
17,600	17,650	2,243	1,841	2,243	2,071
17,650	17,700	2,250	1,849	2,250	2,079
17,700	17,750	2,258	1,856	2,258	2,086
17,750	17,800	2,265	1,864	2,265	2,094
17,800	17,850	2,273	1,871	2,273	2,101
17,850	17,900	2,280	1,879	2,280	2,109
17,900	17,950	2,288	1,886	2,288	2,116
17,950	18,000	2,295	1,894	2,295	2,124
18,000					
18,000	18,050	2,303	1,901	2,303	2,131
18,050	18,100	2,310	1,909	2,310	2,139
18,100	18,150	2,318	1,916	2,318	2,146
18,150	18,200	2,325	1,924	2,325	2,154
18,200	18,250	2,333	1,931	2,333	2,161
18,250	18,300	2,340	1,939	2,340	2,169
18,300	18,350	2,348	1,946	2,348	2,176
18,350	18,400	2,355	1,954	2,355	2,184
18,400	18,450	2,363	1,961	2,363	2,191
18,450	18,500	2,370	1,969	2,370	2,199
18,500	18,550	2,378	1,976	2,378	2,206
18,550	18,600	2,385	1,984	2,385	2,214
18,600	18,650	2,393	1,991	2,393	2,221
18,650	18,700	2,400	1,999	2,400	2,229
18,700	18,750	2,408	2,006	2,408	2,236
18,750	18,800	2,415	2,014	2,415	2,244
18,800	18,850	2,423	2,021	2,423	2,251
18,850	18,900	2,430	2,029	2,430	2,259
18,900	18,950	2,438	2,036	2,438	2,266
18,950	19,000	2,445	2,044	2,445	2,274
19,000					
19,000	19,050	2,453	2,051	2,453	2,281
19,050	19,100	2,460	2,059	2,460	2,289
19,100	19,150	2,468	2,066	2,468	2,296
19,150	19,200	2,475	2,074	2,475	2,304
19,200	19,250	2,483	2,081	2,483	2,311
19,250	19,300	2,490	2,089	2,490	2,319
19,300	19,350	2,498	2,096	2,498	2,326
19,350	19,400	2,505	2,104	2,505	2,334
19,400	19,450	2,513	2,111	2,513	2,341
19,450	19,500	2,520	2,119	2,520	2,349
19,500	19,550	2,528	2,126	2,528	2,356
19,550	19,600	2,535	2,134	2,535	2,364
19,600	19,650	2,543	2,141	2,543	2,371
19,650	19,700	2,550	2,149	2,550	2,379
19,700	19,750	2,558	2,156	2,558	2,386
19,750	19,800	2,565	2,164	2,565	2,394
19,800	19,850	2,573	2,171	2,573	2,401
19,850	19,900	2,580	2,179	2,580	2,409
19,900	19,950	2,588	2,186	2,588	2,416
19,950	20,000	2,595	2,194	2,595	2,424

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
20,000					
20,000	20,050	2,603	2,201	2,603	2,431
20,050	20,100	2,610	2,209	2,610	2,439
20,100	20,150	2,618	2,216	2,618	2,446
20,150	20,200	2,625	2,224	2,625	2,454
20,200	20,250	2,633	2,231	2,633	2,461
20,250	20,300	2,640	2,239	2,640	2,469
20,300	20,350	2,648	2,246	2,648	2,476
20,350	20,400	2,655	2,254	2,655	2,484
20,400	20,450	2,663	2,261	2,663	2,491
20,450	20,500	2,670	2,269	2,670	2,499
20,500	20,550	2,678	2,276	2,678	2,506
20,550	20,600	2,685	2,284	2,685	2,514
20,600	20,650	2,693	2,291	2,693	2,521
20,650	20,700	2,700	2,299	2,700	2,529
20,700	20,750	2,708	2,306	2,708	2,536
20,750	20,800	2,715	2,314	2,715	2,544
20,800	20,850	2,723	2,321	2,723	2,551
20,850	20,900	2,730	2,329	2,730	2,559
20,900	20,950	2,738	2,336	2,738	2,566
20,950	21,000	2,745	2,344	2,745	2,574
21,000					
21,000	21,050	2,753	2,351	2,753	2,581
21,050	21,100	2,760	2,359	2,760	2,589
21,100	21,150	2,768	2,366	2,768	2,596
21,150	21,200	2,775	2,374	2,775	2,604
21,200	21,250	2,783	2,381	2,783	2,611
21,250	21,300	2,790	2,389	2,790	2,619
21,300	21,350	2,798	2,396	2,798	2,626
21,350	21,400	2,805	2,404	2,805	2,634
21,400	21,450	2,813	2,411	2,813	2,641
21,450	21,500	2,820	2,419	2,820	2,649
21,500	21,550	2,828	2,426	2,828	2,656
21,550	21,600	2,835	2,434	2,835	2,664
21,600	21,650	2,843	2,441	2,843	2,671
21,650	21,700	2,850	2,449	2,850	2,679
21,700	21,750	2,858	2,456	2,858	2,686
21,750	21,800	2,865	2,464	2,865	2,694
21,800	21,850	2,873	2,471	2,873	2,701
21,850	21,900	2,880	2,479	2,880	2,709
21,900	21,950	2,888	2,486	2,888	2,716
21,950	22,000	2,895	2,494	2,895	2,724
22,000					
22,000	22,050	2,903	2,501	2,903	2,731
22,050	22,100	2,910	2,509	2,910	2,739
22,100	22,150	2,918	2,516	2,918	2,746
22,150	22,200	2,925	2,524	2,925	2,754
22,200	22,250	2,933	2,531	2,933	2,761
22,250	22,300	2,940	2,539	2,940	2,769
22,300	22,350	2,948	2,546	2,948	2,776
22,350	22,400	2,955	2,554	2,955	2,784
22,400	22,450	2,963	2,561	2,963	2,791
22,450	22,500	2,970	2,569	2,970	2,799
22,500	22,550	2,978	2,576	2,978	2,806
22,550	22,600	2,985	2,584	2,985	2,814
22,600	22,650	2,993	2,591	2,993	2,821
22,650					

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
23,000					
23,000	23,050	3,053	2,651	3,053	2,881
23,050	23,100	3,060	2,659	3,060	2,889
23,100	23,150	3,068	2,666	3,068	2,896
23,150	23,200	3,075	2,674	3,075	2,904
23,200	23,250	3,083	2,681	3,083	2,911
23,250	23,300	3,090	2,689	3,090	2,919
23,300	23,350	3,098	2,696	3,098	2,926
23,350	23,400	3,105	2,704	3,105	2,934
23,400	23,450	3,113	2,711	3,113	2,941
23,450	23,500	3,120	2,719	3,120	2,949
23,500	23,550	3,128	2,726	3,128	2,956
23,550	23,600	3,135	2,734	3,135	2,964
23,600	23,650	3,143	2,741	3,143	2,971
23,650	23,700	3,150	2,749	3,150	2,979
23,700	23,750	3,158	2,756	3,158	2,986
23,750	23,800	3,165	2,764	3,165	2,994
23,800	23,850	3,173	2,771	3,173	3,001
23,850	23,900	3,180	2,779	3,180	3,009
23,900	23,950	3,188	2,786	3,188	3,016
23,950	24,000	3,195	2,794	3,195	3,024
24,000					
24,000	24,050	3,203	2,801	3,203	3,031
24,050	24,100	3,210	2,809	3,210	3,039
24,100	24,150	3,218	2,816	3,218	3,046
24,150	24,200	3,225	2,824	3,225	3,054
24,200	24,250	3,233	2,831	3,233	3,061
24,250	24,300	3,240	2,839	3,240	3,069
24,300	24,350	3,248	2,846	3,248	3,076
24,350	24,400	3,255	2,854	3,255	3,084
24,400	24,450	3,263	2,861	3,263	3,091
24,450	24,500	3,270	2,869	3,270	3,099
24,500	24,550	3,278	2,876	3,278	3,106
24,550	24,600	3,285	2,884	3,285	3,114
24,600	24,650	3,293	2,891	3,293	3,121
24,650	24,700	3,300	2,899	3,300	3,129
24,700	24,750	3,308	2,906	3,308	3,136
24,750	24,800	3,315	2,914	3,315	3,144
24,800	24,850	3,323	2,921	3,323	3,151
24,850	24,900	3,330	2,929	3,330	3,159
24,900	24,950	3,338	2,936	3,338	3,166
24,950	25,000	3,345	2,944	3,345	3,174
25,000					
25,000	25,050	3,353	2,951	3,353	3,181
25,050	25,100	3,360	2,959	3,360	3,189
25,100	25,150	3,368	2,966	3,368	3,196
25,150	25,200	3,375	2,974	3,375	3,204
25,200	25,250	3,383	2,981	3,383	3,211
25,250	25,300	3,390	2,989	3,390	3,219
25,300	25,350	3,398	2,996	3,398	3,226
25,350	25,400	3,405	3,004	3,405	3,234
25,400	25,450	3,413	3,011	3,413	3,241
25,450	25,500	3,420	3,019	3,420	3,249
25,500	25,550	3,428	3,026	3,428	3,256
25,550	25,600	3,435	3,034	3,435	3,264
25,600	25,650	3,443	3,041	3,443	3,271
25,650	25,700	3,450	3,049	3,450	3,279
25,700	25,750	3,458	3,056	3,458	3,286
25,750	25,800	3,465	3,064	3,465	3,294
25,800	25,850	3,473	3,071	3,473	3,301
25,850	25,900	3,480	3,079	3,480	3,309
25,900	25,950	3,488	3,086	3,488	3,316
25,950	26,000	3,495	3,094	3,495	3,324

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
26,000					
26,000	26,050	3,503	3,101	3,503	3,331
26,050	26,100	3,510	3,109	3,510	3,339
26,100	26,150	3,518	3,116	3,518	3,346
26,150	26,200	3,525	3,124	3,525	3,354
26,200	26,250	3,533	3,131	3,533	3,361
26,250	26,300	3,540	3,139	3,540	3,369
26,300	26,350	3,548	3,146	3,548	3,376
26,350	26,400	3,555	3,154	3,555	3,384
26,400	26,450	3,563	3,161	3,563	3,391
26,450	26,500	3,570	3,169	3,570	3,399
26,500	26,550	3,578	3,176	3,578	3,406
26,550	26,600	3,585	3,184	3,585	3,414
26,600	26,650	3,593	3,191	3,593	3,421
26,650	26,700	3,600	3,199	3,600	3,429
26,700	26,750	3,608	3,206	3,608	3,436
26,750	26,800	3,615	3,214	3,615	3,444
26,800	26,850	3,623	3,221	3,623	3,451
26,850	26,900	3,630	3,229	3,630	3,459
26,900	26,950	3,638	3,236	3,638	3,466
26,950	27,000	3,645	3,244	3,645	3,474
27,000					
27,000	27,050	3,653	3,251	3,653	3,481
27,050	27,100	3,660	3,259	3,660	3,489
27,100	27,150	3,668	3,266	3,668	3,496
27,150	27,200	3,675	3,274	3,675	3,504
27,200	27,250	3,683	3,281	3,683	3,511
27,250	27,300	3,690	3,289	3,690	3,519
27,300	27,350	3,698	3,296	3,698	3,526
27,350	27,400	3,705	3,304	3,705	3,534
27,400	27,450	3,713	3,311	3,713	3,541
27,450	27,500	3,720	3,319	3,720	3,549
27,500	27,550	3,728	3,326	3,728	3,556
27,550	27,600	3,735	3,334	3,735	3,564
27,600	27,650	3,743	3,341	3,743	3,571
27,650	27,700	3,750	3,349	3,750	3,579
27,700	27,750	3,758	3,356	3,758	3,586
27,750	27,800	3,765	3,364	3,765	3,594
27,800	27,850	3,773	3,371	3,773	3,601
27,850	27,900	3,780	3,379	3,780	3,609
27,900	27,950	3,788	3,386	3,788	3,616
27,950	28,000	3,795	3,394	3,795	3,624
28,000					
28,000	28,050	3,803	3,401	3,803	3,631
28,050	28,100	3,810	3,409	3,810	3,639
28,100	28,150	3,818	3,416	3,818	3,646
28,150	28,200	3,825	3,424	3,825	3,654
28,200	28,250	3,833	3,431	3,833	3,661
28,250	28,300	3,840	3,439	3,840	3,669
28,300	28,350	3,848	3,446	3,848	3,676
28,350	28,400	3,855	3,454	3,855	3,684
28,400	28,450	3,863	3,461	3,863	3,691
28,450	28,500	3,870	3,469	3,870	3,699
28,500	28,550	3,878	3,476	3,878	3,706
28,550	28,600	3,885	3,484	3,885	3,714
28,600	28,650	3,893	3,491	3,893	3,721
28,650	28,700	3,900	3,499	3,900	3,729
28,700	28,750	3,908	3,506	3,908	3,736
28,750	28,800	3,915	3,514	3,915	3,744
28,800	28,850	3,923	3,521	3,923	3,751
28,850	28,900	3,930	3,529	3,930	3,759
28,900	28,950	3,938	3,536	3,938	3,766
28,950	29,000	3,945	3,544	3,945	3,774

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
29,000					
29,000	29,050	3,953	3,551	3,953	3,781
29,050	29,100	3,960	3,559	3,960	3,789
29,100	29,150	3,968	3,566	3,968	3,796
29,150	29,200	3,975	3,574	3,975	3,804
29,200	29,250	3,983	3,581	3,983	3,811
29,250	29,300	3,990	3,589	3,990	3,819
29,300	29,350	3,998	3,596	3,998	3,826
29,350	29,400	4,005	3,604	4,005	3,834
29,400	29,450	4,013	3,611	4,013	3,841
29,450	29,500	4,020	3,619	4,020	3,849
29,500	29,550	4,028	3,626	4,028	3,856
29,550	29,600	4,035	3,634	4,035	3,864
29,600	29,650	4,043	3,641	4,043	3,871
29,650	29,700	4,050	3,649	4,050	3,879
29,700	29,750	4,058	3,656	4,058	3,886
29,750	29,800	4,065	3,664	4,065	3,894
29,800	29,850	4,073	3,671	4,073	3,901
29,850	29,900	4,080	3,679	4,080	3,909
29,900	29,950	4,088	3,686	4,088	3,916
29,950	30,000	4,095	3,694	4,095	3,924
30,000					
30,000	30,050	4,103	3,701	4,103	3,931
30,050	30,100	4,110	3,709	4,110	3,939
30,100	30,150	4,118	3,716	4,118	3,946
30,150	30,200	4,125	3,724	4,125	3,954
30,200	30,250	4,133	3,731	4,133	3,961
30,250	30,300	4,140	3,739	4,140	3,969
30,300	30,350	4,148	3,746	4,148	3,976
30,350	30,400	4,155	3,754	4,155	3,984
30,400	30,450	4,163	3,761	4,163	3,991
30,450	30,500	4,170	3,769	4,170	3,999
30,500	30,550	4,178	3,776	4,178	4,006
30,550	30,600	4,185	3,784	4,185	4,014
30,600	30,650	4,193	3,791	4,193	4,021
30,650	30,700	4,200	3,799	4,200	4,029
30,700	30,750	4,208	3,806	4,208	4,036
30,750	30,800	4,215	3,814	4,215	4,044
30,800	30,850	4,223	3,821	4,223	4,051
30,850	30,900	4,230	3,829	4,230	4,059
30,900	30,950	4,238	3,836	4,238	4,066
30,950	31,000	4,245	3,844	4,245	4,074
31,000					
31,000	31,050	4,253	3,851	4,253	4,081
31,050	31,100	4,260	3,859	4,260	4,089
31,100	31,150	4,268	3,866	4,268	4,096
31,150	31,200	4,275	3,874	4,275	4,104
31,200	31,250	4,283	3,881	4,283	4,111
31,250	31,300	4,290	3,889	4,290	4,119
31,300	31,350	4,298	3,896	4,298	4,126
31,350	31,400	4,305	3,904	4,305	4,134
31,400	31,450	4,313	3,911	4,313	4,141
31,450	31,500	4,320	3,919	4,320	4,149
31,500	31,550	4,328	3,926	4,328	4,156
31,550	31,600	4,335	3,934	4,335	4,164
31,600	31,650	4,343	3,941	4,3	

2008 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
32,000					
32,000	32,050	4,403	4,001	4,403	4,231
32,050	32,100	4,410	4,009	4,410	4,239
32,100	32,150	4,418	4,016	4,418	4,246
32,150	32,200	4,425	4,024	4,425	4,254
32,200	32,250	4,433	4,031	4,433	4,261
32,250	32,300	4,440	4,039	4,440	4,269
32,300	32,350	4,448	4,046	4,448	4,276
32,350	32,400	4,455	4,054	4,455	4,284
32,400	32,450	4,463	4,061	4,463	4,291
32,450	32,500	4,470	4,069	4,470	4,299
32,500	32,550	4,478	4,076	4,478	4,306
32,550	32,600	4,488	4,084	4,488	4,314
32,600	32,650	4,500	4,091	4,500	4,321
32,650	32,700	4,513	4,099	4,513	4,329
32,700	32,750	4,525	4,106	4,525	4,336
32,750	32,800	4,538	4,114	4,538	4,344
32,800	32,850	4,550	4,121	4,550	4,351
32,850	32,900	4,563	4,129	4,563	4,359
32,900	32,950	4,575	4,136	4,575	4,366
32,950	33,000	4,588	4,144	4,588	4,374
33,000					
33,000	33,050	4,600	4,151	4,600	4,381
33,050	33,100	4,613	4,159	4,613	4,389
33,100	33,150	4,625	4,166	4,625	4,396
33,150	33,200	4,638	4,174	4,638	4,404
33,200	33,250	4,650	4,181	4,650	4,411
33,250	33,300	4,663	4,189	4,663	4,419
33,300	33,350	4,675	4,196	4,675	4,426
33,350	33,400	4,688	4,204	4,688	4,434
33,400	33,450	4,700	4,211	4,700	4,441
33,450	33,500	4,713	4,219	4,713	4,449
33,500	33,550	4,725	4,226	4,725	4,456
33,550	33,600	4,738	4,234	4,738	4,464
33,600	33,650	4,750	4,241	4,750	4,471
33,650	33,700	4,763	4,249	4,763	4,479
33,700	33,750	4,775	4,256	4,775	4,486
33,750	33,800	4,788	4,264	4,788	4,494
33,800	33,850	4,800	4,271	4,800	4,501
33,850	33,900	4,813	4,279	4,813	4,509
33,900	33,950	4,825	4,286	4,825	4,516
33,950	34,000	4,838	4,294	4,838	4,524
34,000					
34,000	34,050	4,850	4,301	4,850	4,531
34,050	34,100	4,863	4,309	4,863	4,539
34,100	34,150	4,875	4,316	4,875	4,546
34,150	34,200	4,888	4,324	4,888	4,554
34,200	34,250	4,900	4,331	4,900	4,561
34,250	34,300	4,913	4,339	4,913	4,569
34,300	34,350	4,925	4,346	4,925	4,576
34,350	34,400	4,938	4,354	4,938	4,584
34,400	34,450	4,950	4,361	4,950	4,591
34,450	34,500	4,963	4,369	4,963	4,599
34,500	34,550	4,975	4,376	4,975	4,606
34,550	34,600	4,988	4,384	4,988	4,614
34,600	34,650	5,000	4,391	5,000	4,621
34,650	34,700	5,013	4,399	5,013	4,629
34,700	34,750	5,025	4,406	5,025	4,636
34,750	34,800	5,038	4,414	5,038	4,644
34,800	34,850	5,050	4,421	5,050	4,651
34,850	34,900	5,063	4,429	5,063	4,659
34,900	34,950	5,075	4,436	5,075	4,666
34,950	35,000	5,088	4,444	5,088	4,674

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
35,000					
35,000	35,050	5,100	4,451	5,100	4,681
35,050	35,100	5,113	4,459	5,113	4,689
35,100	35,150	5,125	4,466	5,125	4,696
35,150	35,200	5,138	4,474	5,138	4,704
35,200	35,250	5,150	4,481	5,150	4,711
35,250	35,300	5,163	4,489	5,163	4,719
35,300	35,350	5,175	4,496	5,175	4,726
35,350	35,400	5,188	4,504	5,188	4,734
35,400	35,450	5,200	4,511	5,200	4,741
35,450	35,500	5,213	4,519	5,213	4,749
35,500	35,550	5,225	4,526	5,225	4,756
35,550	35,600	5,238	4,534	5,238	4,764
35,600	35,650	5,250	4,541	5,250	4,771
35,650	35,700	5,263	4,549	5,263	4,779
35,700	35,750	5,275	4,556	5,275	4,786
35,750	35,800	5,288	4,564	5,288	4,794
35,800	35,850	5,300	4,571	5,300	4,801
35,850	35,900	5,313	4,579	5,313	4,809
35,900	35,950	5,325	4,586	5,325	4,816
35,950	36,000	5,338	4,594	5,338	4,824
36,000					
36,000	36,050	5,350	4,601	5,350	4,831
36,050	36,100	5,363	4,609	5,363	4,839
36,100	36,150	5,375	4,616	5,375	4,846
36,150	36,200	5,388	4,624	5,388	4,854
36,200	36,250	5,400	4,631	5,400	4,861
36,250	36,300	5,413	4,639	5,413	4,869
36,300	36,350	5,425	4,646	5,425	4,876
36,350	36,400	5,438	4,654	5,438	4,884
36,400	36,450	5,450	4,661	5,450	4,891
36,450	36,500	5,463	4,669	5,463	4,899
36,500	36,550	5,475	4,676	5,475	4,906
36,550	36,600	5,488	4,684	5,488	4,914
36,600	36,650	5,500	4,691	5,500	4,921
36,650	36,700	5,513	4,699	5,513	4,929
36,700	36,750	5,525	4,706	5,525	4,936
36,750	36,800	5,538	4,714	5,538	4,944
36,800	36,850	5,550	4,721	5,550	4,951
36,850	36,900	5,563	4,729	5,563	4,959
36,900	36,950	5,575	4,736	5,575	4,966
36,950	37,000	5,588	4,744	5,588	4,974
37,000					
37,000	37,050	5,600	4,751	5,600	4,981
37,050	37,100	5,613	4,759	5,613	4,989
37,100	37,150	5,625	4,766	5,625	4,996
37,150	37,200	5,638	4,774	5,638	5,004
37,200	37,250	5,650	4,781	5,650	5,011
37,250	37,300	5,663	4,789	5,663	5,019
37,300	37,350	5,675	4,796	5,675	5,026
37,350	37,400	5,688	4,804	5,688	5,034
37,400	37,450	5,700	4,811	5,700	5,041
37,450	37,500	5,713	4,819	5,713	5,049
37,500	37,550	5,725	4,826	5,725	5,056
37,550	37,600	5,738	4,834	5,738	5,064
37,600	37,650	5,750	4,841	5,750	5,071
37,650	37,700	5,763	4,849	5,763	5,079
37,700	37,750	5,775	4,856	5,775	5,086
37,750	37,800	5,788	4,864	5,788	5,094
37,800	37,850	5,800	4,871	5,800	5,101
37,850	37,900	5,813	4,879	5,813	5,109
37,900	37,950	5,825	4,886	5,825	5,116
37,950	38,000	5,838	4,894	5,838	5,124

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
38,000					
38,000	38,050	5,850	4,901	5,850	5,131
38,050	38,100	5,863	4,909	5,863	5,139
38,100	38,150	5,875	4,916	5,875	5,146
38,150	38,200	5,888	4,924	5,888	5,154
38,200	38,250	5,900	4,931	5,900	5,161
38,250	38,300	5,913	4,939	5,913	5,169
38,300	38,350	5,925	4,946	5,925	5,176
38,350	38,400	5,938	4,954	5,938	5,184
38,400	38,450	5,950	4,961	5,950	5,191
38,450	38,500	5,963	4,969	5,963	5,199
38,500	38,550	5,975	4,976	5,975	5,206
38,550	38,600	5,988	4,984	5,988	5,214
38,600	38,650	6,000	4,991	6,000	5,221
38,650	38,700	6,013	4,999	6,013	5,229
38,700	38,750	6,025	5,006	6,025	5,236
38,750	38,800	6,038	5,014	6,038	5,244
38,800	38,850	6,050	5,021	6,050	5,251
38,850	38,900	6,063	5,029	6,063	5,259
38,900	38,950	6,075	5,036	6,075	5,266
38,950	39,000	6,088	5,044	6,088	5,274
39,000					
39,000	39,050	6,100	5,051	6,100	5,281
39,050	39,100	6,113	5,059	6,113	5,289
39,100	39,150	6,125	5,066	6,125	5,296
39,150	39,200	6,138	5,074	6,138	5,304
39,200	39,250	6,150	5,081	6,150	5,311
39,250	39,300	6,163	5,089	6,163	5,319
39,300	39,350	6,175	5,096	6,175	5,326
39,350	39,400	6,188	5,104	6,188	5,334
39,400	39,450	6,200	5,111	6,200	5,341
39,450	39,500	6,213	5,119	6,213	5,349
39,500	39,550	6,225	5,126	6,225	5,356
39,550	39,600	6,238	5,134	6,238	5,364
39,600	39,650	6,250	5,141	6,250	5,371
39,650	39,700	6,263	5,149	6,263	5,379
39,700	39,750	6,275	5,156	6,275	5,386
39,750	39,800	6,288	5,164	6,288	5,394
39,800	39,850	6,300	5,171	6,300	5,401
39,850	39,900	6,313	5,179	6,313	5,409
39,900	39,950	6,325	5,186	6,325	5,416
39,950	40,000	6,338	5,194	6,338	5,424
40,000					
40,000	40,050	6,350	5,201	6,350	5,431
40,050	40,100	6,363	5,209	6,363	5,439
40,100	40,150	6,375	5,216	6,375	5,446
40,150	40,200	6,388	5,224	6,388	5,454
40,200	40,250	6,400	5,231	6,400	5,461
40,250	40,300	6,413	5,239	6,413	5,469
40,300	40,350	6,425	5,246	6,425	5,476
40,350	40,400	6,438	5,254	6,438	5,484
40,400	40,450	6,450	5,261	6,450	5,491
40,450	40,500	6,463	5,269	6,463	5,499
40,500	40,550	6,475	5,276	6,475	5,506
40,550	40,600	6,488	5,284	6,488	5,514
40,600	40,650	6,500	5,291	6,50	

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
41,000					
41,000	41,050	6,600	5,351	6,600	5,581
41,050	41,100	6,613	5,359	6,613	5,589
41,100	41,150	6,625	5,366	6,625	5,596
41,150	41,200	6,638	5,374	6,638	5,604
41,200	41,250	6,650	5,381	6,650	5,611
41,250	41,300	6,663	5,389	6,663	5,619
41,300	41,350	6,675	5,396	6,675	5,626
41,350	41,400	6,688	5,404	6,688	5,634
41,400	41,450	6,700	5,411	6,700	5,641
41,450	41,500	6,713	5,419	6,713	5,649
41,500	41,550	6,725	5,426	6,725	5,656
41,550	41,600	6,738	5,434	6,738	5,664
41,600	41,650	6,750	5,441	6,750	5,671
41,650	41,700	6,763	5,449	6,763	5,679
41,700	41,750	6,775	5,456	6,775	5,686
41,750	41,800	6,788	5,464	6,788	5,694
41,800	41,850	6,800	5,471	6,800	5,701
41,850	41,900	6,813	5,479	6,813	5,709
41,900	41,950	6,825	5,486	6,825	5,716
41,950	42,000	6,838	5,494	6,838	5,724
42,000					
42,000	42,050	6,850	5,501	6,850	5,731
42,050	42,100	6,863	5,509	6,863	5,739
42,100	42,150	6,875	5,516	6,875	5,746
42,150	42,200	6,888	5,524	6,888	5,754
42,200	42,250	6,900	5,531	6,900	5,761
42,250	42,300	6,913	5,539	6,913	5,769
42,300	42,350	6,925	5,546	6,925	5,776
42,350	42,400	6,938	5,554	6,938	5,784
42,400	42,450	6,950	5,561	6,950	5,791
42,450	42,500	6,963	5,569	6,963	5,799
42,500	42,550	6,975	5,576	6,975	5,806
42,550	42,600	6,988	5,584	6,988	5,814
42,600	42,650	7,000	5,591	7,000	5,821
42,650	42,700	7,013	5,599	7,013	5,829
42,700	42,750	7,025	5,606	7,025	5,836
42,750	42,800	7,038	5,614	7,038	5,844
42,800	42,850	7,050	5,621	7,050	5,851
42,850	42,900	7,063	5,629	7,063	5,859
42,900	42,950	7,075	5,636	7,075	5,866
42,950	43,000	7,088	5,644	7,088	5,874
43,000					
43,000	43,050	7,100	5,651	7,100	5,881
43,050	43,100	7,113	5,659	7,113	5,889
43,100	43,150	7,125	5,666	7,125	5,896
43,150	43,200	7,138	5,674	7,138	5,904
43,200	43,250	7,150	5,681	7,150	5,911
43,250	43,300	7,163	5,689	7,163	5,919
43,300	43,350	7,175	5,696	7,175	5,926
43,350	43,400	7,188	5,704	7,188	5,934
43,400	43,450	7,200	5,711	7,200	5,941
43,450	43,500	7,213	5,719	7,213	5,949
43,500	43,550	7,225	5,726	7,225	5,956
43,550	43,600	7,238	5,734	7,238	5,964
43,600	43,650	7,250	5,741	7,250	5,971
43,650	43,700	7,263	5,749	7,263	5,979
43,700	43,750	7,275	5,756	7,275	5,986
43,750	43,800	7,288	5,764	7,288	5,994
43,800	43,850	7,300	5,771	7,300	6,001
43,850	43,900	7,313	5,779	7,313	6,009
43,900	43,950	7,325	5,786	7,325	6,016
43,950	44,000	7,338	5,794	7,338	6,024

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
44,000					
44,000	44,050	7,350	5,801	7,350	6,069
44,050	44,100	7,363	5,809	7,363	6,081
44,100	44,150	7,375	5,816	7,375	6,094
44,150	44,200	7,388	5,824	7,388	6,106
44,200	44,250	7,400	5,831	7,400	6,119
44,250	44,300	7,413	5,839	7,413	6,131
44,300	44,350	7,425	5,846	7,425	6,144
44,350	44,400	7,438	5,854	7,438	6,156
44,400	44,450	7,450	5,861	7,450	6,169
44,450	44,500	7,463	5,869	7,463	6,181
44,500	44,550	7,475	5,876	7,475	6,194
44,550	44,600	7,488	5,884	7,488	6,206
44,600	44,650	7,500	5,891	7,500	6,219
44,650	44,700	7,513	5,899	7,513	6,231
44,700	44,750	7,525	5,906	7,525	6,244
44,750	44,800	7,538	5,914	7,538	6,256
44,800	44,850	7,550	5,921	7,550	6,269
44,850	44,900	7,563	5,929	7,563	6,281
44,900	44,950	7,575	5,936	7,575	6,294
44,950	45,000	7,588	5,944	7,588	6,306
45,000					
45,000	45,050	7,600	5,951	7,600	6,319
45,050	45,100	7,613	5,959	7,613	6,331
45,100	45,150	7,625	5,966	7,625	6,344
45,150	45,200	7,638	5,974	7,638	6,356
45,200	45,250	7,650	5,981	7,650	6,369
45,250	45,300	7,663	5,989	7,663	6,381
45,300	45,350	7,675	5,996	7,675	6,394
45,350	45,400	7,688	6,004	7,688	6,406
45,400	45,450	7,700	6,011	7,700	6,419
45,450	45,500	7,713	6,019	7,713	6,431
45,500	45,550	7,725	6,026	7,725	6,444
45,550	45,600	7,738	6,034	7,738	6,456
45,600	45,650	7,750	6,041	7,750	6,469
45,650	45,700	7,763	6,049	7,763	6,481
45,700	45,750	7,775	6,056	7,775	6,494
45,750	45,800	7,788	6,064	7,788	6,506
45,800	45,850	7,800	6,071	7,800	6,519
45,850	45,900	7,813	6,079	7,813	6,531
45,900	45,950	7,825	6,086	7,825	6,544
45,950	46,000	7,838	6,094	7,838	6,556
46,000					
46,000	46,050	7,850	6,101	7,850	6,569
46,050	46,100	7,863	6,109	7,863	6,581
46,100	46,150	7,875	6,116	7,875	6,594
46,150	46,200	7,888	6,124	7,888	6,606
46,200	46,250	7,900	6,131	7,900	6,619
46,250	46,300	7,913	6,139	7,913	6,631
46,300	46,350	7,925	6,146	7,925	6,644
46,350	46,400	7,938	6,154	7,938	6,656
46,400	46,450	7,950	6,161	7,950	6,669
46,450	46,500	7,963	6,169	7,963	6,681
46,500	46,550	7,975	6,176	7,975	6,694
46,550	46,600	7,988	6,184	7,988	6,706
46,600	46,650	8,000	6,191	8,000	6,719
46,650	46,700	8,013	6,199	8,013	6,731
46,700	46,750	8,025	6,206	8,025	6,744
46,750	46,800	8,038	6,214	8,038	6,756
46,800	46,850	8,050	6,221	8,050	6,769
46,850	46,900	8,063	6,229	8,063	6,781
46,900	46,950	8,075	6,236	8,075	6,794
46,950	47,000	8,088	6,244	8,088	6,806

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
47,000					
47,000	47,050	8,100	6,251	8,100	6,819
47,050	47,100	8,113	6,259	8,113	6,831
47,100	47,150	8,125	6,266	8,125	6,844
47,150	47,200	8,138	6,274	8,138	6,856
47,200	47,250	8,150	6,281	8,150	6,869
47,250	47,300	8,163	6,289	8,163	6,881
47,300	47,350	8,175	6,296	8,175	6,894
47,350	47,400	8,188	6,304	8,188	6,906
47,400	47,450	8,200	6,311	8,200	6,919
47,450	47,500	8,213	6,319	8,213	6,931
47,500	47,550	8,225	6,326	8,225	6,944
47,550	47,600	8,238	6,334	8,238	6,956
47,600	47,650	8,250	6,341	8,250	6,969
47,650	47,700	8,263	6,349	8,263	6,981
47,700	47,750	8,275	6,356	8,275	6,994
47,750	47,800	8,288	6,364	8,288	7,006
47,800	47,850	8,300	6,371	8,300	7,019
47,850	47,900	8,313	6,379	8,313	7,031
47,900	47,950	8,325	6,386	8,325	7,044
47,950	48,000	8,338	6,394	8,338	7,056
48,000					
48,000	48,050	8,350	6,401	8,350	7,069
48,050	48,100	8,363	6,409	8,363	7,081
48,100	48,150	8,375	6,416	8,375	7,094
48,150	48,200	8,388	6,424	8,388	7,106
48,200	48,250	8,400	6,431	8,400	7,119
48,250	48,300	8,413	6,439	8,413	7,131
48,300	48,350	8,425	6,446	8,425	7,144
48,350	48,400	8,438	6,454	8,438	7,156
48,400	48,450	8,450	6,461	8,450	7,169
48,450	48,500	8,463	6,469	8,463	7,181
48,500	48,550	8,475	6,476	8,475	7,194
48,550	48,600	8,488	6,484	8,488	7,206
48,600	48,650	8,500	6,491	8,500	7,219
48,650	48,700	8,513	6,499	8,513	7,231
48,700	48,750	8,525	6,506	8,525	7,244
48,750	48,800	8,538	6,514	8,538	7,256
48,800	48,850	8,550	6,521	8,550	7,269
48,850	48,900	8,563	6,529	8,563	7,281
48,900	48,950	8,575	6,536	8,575	7,294
48,950	49,000	8,588	6,544	8,588	7,306
49,000					
49,000	49,050	8,600	6,551	8,600	7,319
49,050	49,100	8,613	6,559	8,613	7,331
49,100	49,150	8,625	6,566	8,625	7,344
49,150	49,200	8,638	6,574	8,638	7,356
49,200	49,250	8,650	6,581	8,650	7,369
49,250	49,300	8,663	6,589	8,663	7,381
49,300	49,350	8,675	6,596	8,675	7,394
49,350	49,400	8,688	6,604	8,688	7,406
49,400	49,450	8,700	6,611	8,700	7,419
49,450	49,500	8,713	6,619	8,713	7,431
49,500	49,550	8,725	6,626	8,725	7,444
49,550	49,600	8,738	6,634	8,738	7,456
49,600	49,650	8,750	6,641	8,750	7,469
49,65					

2008 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
50,000					
50,000	50,050	8,850	6,701	8,850	7,569
50,050	50,100	8,863	6,709	8,863	7,581
50,100	50,150	8,875	6,716	8,875	7,594
50,150	50,200	8,888	6,724	8,888	7,606
50,200	50,250	8,900	6,731	8,900	7,619
50,250	50,300	8,913	6,739	8,913	7,631
50,300	50,350	8,925	6,746	8,925	7,644
50,350	50,400	8,938	6,754	8,938	7,656
50,400	50,450	8,950	6,761	8,950	7,669
50,450	50,500	8,963	6,769	8,963	7,681
50,500	50,550	8,975	6,776	8,975	7,694
50,550	50,600	8,988	6,784	8,988	7,706
50,600	50,650	9,000	6,791	9,000	7,719
50,650	50,700	9,013	6,799	9,013	7,731
50,700	50,750	9,025	6,806	9,025	7,744
50,750	50,800	9,038	6,814	9,038	7,756
50,800	50,850	9,050	6,821	9,050	7,769
50,850	50,900	9,063	6,829	9,063	7,781
50,900	50,950	9,075	6,836	9,075	7,794
50,950	51,000	9,088	6,844	9,088	7,806
51,000					
51,000	51,050	9,100	6,851	9,100	7,819
51,050	51,100	9,113	6,859	9,113	7,831
51,100	51,150	9,125	6,866	9,125	7,844
51,150	51,200	9,138	6,874	9,138	7,856
51,200	51,250	9,150	6,881	9,150	7,869
51,250	51,300	9,163	6,889	9,163	7,881
51,300	51,350	9,175	6,896	9,175	7,894
51,350	51,400	9,188	6,904	9,188	7,906
51,400	51,450	9,200	6,911	9,200	7,919
51,450	51,500	9,213	6,919	9,213	7,931
51,500	51,550	9,225	6,926	9,225	7,944
51,550	51,600	9,238	6,934	9,238	7,956
51,600	51,650	9,250	6,941	9,250	7,969
51,650	51,700	9,263	6,949	9,263	7,981
51,700	51,750	9,275	6,956	9,275	7,994
51,750	51,800	9,288	6,964	9,288	8,006
51,800	51,850	9,300	6,971	9,300	8,019
51,850	51,900	9,313	6,979	9,313	8,031
51,900	51,950	9,325	6,986	9,325	8,044
51,950	52,000	9,338	6,994	9,338	8,056
52,000					
52,000	52,050	9,350	7,001	9,350	8,069
52,050	52,100	9,363	7,009	9,363	8,081
52,100	52,150	9,375	7,016	9,375	8,094
52,150	52,200	9,388	7,024	9,388	8,106
52,200	52,250	9,400	7,031	9,400	8,119
52,250	52,300	9,413	7,039	9,413	8,131
52,300	52,350	9,425	7,046	9,425	8,144
52,350	52,400	9,438	7,054	9,438	8,156
52,400	52,450	9,450	7,061	9,450	8,169
52,450	52,500	9,463	7,069	9,463	8,181
52,500	52,550	9,475	7,076	9,475	8,194
52,550	52,600	9,488	7,084	9,488	8,206
52,600	52,650	9,500	7,091	9,500	8,219
52,650	52,700	9,513	7,099	9,513	8,231
52,700	52,750	9,525	7,106	9,525	8,244
52,750	52,800	9,538	7,114	9,538	8,256
52,800	52,850	9,550	7,121	9,550	8,269
52,850	52,900	9,563	7,129	9,563	8,281
52,900	52,950	9,575	7,136	9,575	8,294
52,950	53,000	9,588	7,144	9,588	8,306

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
53,000					
53,000	53,050	9,600	7,151	9,600	8,319
53,050	53,100	9,613	7,159	9,613	8,331
53,100	53,150	9,625	7,166	9,625	8,344
53,150	53,200	9,638	7,174	9,638	8,356
53,200	53,250	9,650	7,181	9,650	8,369
53,250	53,300	9,663	7,189	9,663	8,381
53,300	53,350	9,675	7,196	9,675	8,394
53,350	53,400	9,688	7,204	9,688	8,406
53,400	53,450	9,700	7,211	9,700	8,419
53,450	53,500	9,713	7,219	9,713	8,431
53,500	53,550	9,725	7,226	9,725	8,444
53,550	53,600	9,738	7,234	9,738	8,456
53,600	53,650	9,750	7,241	9,750	8,469
53,650	53,700	9,763	7,249	9,763	8,481
53,700	53,750	9,775	7,256	9,775	8,494
53,750	53,800	9,788	7,264	9,788	8,506
53,800	53,850	9,800	7,271	9,800	8,519
53,850	53,900	9,813	7,279	9,813	8,531
53,900	53,950	9,825	7,286	9,825	8,544
53,950	54,000	9,838	7,294	9,838	8,556
54,000					
54,000	54,050	9,850	7,301	9,850	8,569
54,050	54,100	9,863	7,309	9,863	8,581
54,100	54,150	9,875	7,316	9,875	8,594
54,150	54,200	9,888	7,324	9,888	8,606
54,200	54,250	9,900	7,331	9,900	8,619
54,250	54,300	9,913	7,339	9,913	8,631
54,300	54,350	9,925	7,346	9,925	8,644
54,350	54,400	9,938	7,354	9,938	8,656
54,400	54,450	9,950	7,361	9,950	8,669
54,450	54,500	9,963	7,369	9,963	8,681
54,500	54,550	9,975	7,376	9,975	8,694
54,550	54,600	9,988	7,384	9,988	8,706
54,600	54,650	10,000	7,391	10,000	8,719
54,650	54,700	10,013	7,399	10,013	8,731
54,700	54,750	10,025	7,406	10,025	8,744
54,750	54,800	10,038	7,414	10,038	8,756
54,800	54,850	10,050	7,421	10,050	8,769
54,850	54,900	10,063	7,429	10,063	8,781
54,900	54,950	10,075	7,436	10,075	8,794
54,950	55,000	10,088	7,444	10,088	8,806
55,000					
55,000	55,050	10,100	7,451	10,100	8,819
55,050	55,100	10,113	7,459	10,113	8,831
55,100	55,150	10,125	7,466	10,125	8,844
55,150	55,200	10,138	7,474	10,138	8,856
55,200	55,250	10,150	7,481	10,150	8,869
55,250	55,300	10,163	7,489	10,163	8,881
55,300	55,350	10,175	7,496	10,175	8,894
55,350	55,400	10,188	7,504	10,188	8,906
55,400	55,450	10,200	7,511	10,200	8,919
55,450	55,500	10,213	7,519	10,213	8,931
55,500	55,550	10,225	7,526	10,225	8,944
55,550	55,600	10,238	7,534	10,238	8,956
55,600	55,650	10,250	7,541	10,250	8,969
55,650	55,700	10,263	7,549	10,263	8,981
55,700	55,750	10,275	7,556	10,275	8,994
55,750	55,800	10,288	7,564	10,288	9,006
55,800	55,850	10,300	7,571	10,300	9,019
55,850	55,900	10,313	7,579	10,313	9,031
55,900	55,950	10,325	7,586	10,325	9,044
55,950	56,000	10,338	7,594	10,338	9,056

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
56,000					
56,000	56,050	10,350	7,601	10,350	9,069
56,050	56,100	10,363	7,609	10,363	9,081
56,100	56,150	10,375	7,616	10,375	9,094
56,150	56,200	10,388	7,624	10,388	9,106
56,200	56,250	10,400	7,631	10,400	9,119
56,250	56,300	10,413	7,639	10,413	9,131
56,300	56,350	10,425	7,646	10,425	9,144
56,350	56,400	10,438	7,654	10,438	9,156
56,400	56,450	10,450	7,661	10,450	9,169
56,450	56,500	10,463	7,669	10,463	9,181
56,500	56,550	10,475	7,676	10,475	9,194
56,550	56,600	10,488	7,684	10,488	9,206
56,600	56,650	10,500	7,691	10,500	9,219
56,650	56,700	10,513	7,699	10,513	9,231
56,700	56,750	10,525	7,706	10,525	9,244
56,750	56,800	10,538	7,714	10,538	9,256
56,800	56,850	10,550	7,721	10,550	9,269
56,850	56,900	10,563	7,729	10,563	9,281
56,900	56,950	10,575	7,736	10,575	9,294
56,950	57,000	10,588	7,744	10,588	9,306
57,000					
57,000	57,050	10,600	7,751	10,600	9,319
57,050	57,100	10,613	7,759	10,613	9,331
57,100	57,150	10,625	7,766	10,625	9,344
57,150	57,200	10,638	7,774	10,638	9,356
57,200	57,250	10,650	7,781	10,650	9,369
57,250	57,300	10,663	7,789	10,663	9,381
57,300	57,350	10,675	7,796	10,675	9,394
57,350	57,400	10,688	7,804	10,688	9,406
57,400	57,450	10,700	7,811	10,700	9,419
57,450	57,500	10,713	7,819	10,713	9,431
57,500	57,550	10,725	7,826	10,725	9,444
57,550	57,600	10,738	7,834	10,738	9,456
57,600	57,650	10,750	7,841	10,750	9,469

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
59,000					
59,000	59,050	11,100	8,051	11,100	9,819
59,050	59,100	11,113	8,059	11,113	9,831
59,100	59,150	11,125	8,066	11,125	9,844
59,150	59,200	11,138	8,074	11,138	9,856
59,200	59,250	11,150	8,081	11,150	9,869
59,250	59,300	11,163	8,089	11,163	9,881
59,300	59,350	11,175	8,096	11,175	9,894
59,350	59,400	11,188	8,104	11,188	9,906
59,400	59,450	11,200	8,111	11,200	9,919
59,450	59,500	11,213	8,119	11,213	9,931
59,500	59,550	11,225	8,126	11,225	9,944
59,550	59,600	11,238	8,134	11,238	9,956
59,600	59,650	11,250	8,141	11,250	9,969
59,650	59,700	11,263	8,149	11,263	9,981
59,700	59,750	11,275	8,156	11,275	9,994
59,750	59,800	11,288	8,164	11,288	10,006
59,800	59,850	11,300	8,171	11,300	10,019
59,850	59,900	11,313	8,179	11,313	10,031
59,900	59,950	11,325	8,186	11,325	10,044
59,950	60,000	11,338	8,194	11,338	10,056
60,000					
60,000	60,050	11,350	8,201	11,350	10,069
60,050	60,100	11,363	8,209	11,363	10,081
60,100	60,150	11,375	8,216	11,375	10,094
60,150	60,200	11,388	8,224	11,388	10,106
60,200	60,250	11,400	8,231	11,400	10,119
60,250	60,300	11,413	8,239	11,413	10,131
60,300	60,350	11,425	8,246	11,425	10,144
60,350	60,400	11,438	8,254	11,438	10,156
60,400	60,450	11,450	8,261	11,450	10,169
60,450	60,500	11,463	8,269	11,463	10,181
60,500	60,550	11,475	8,276	11,475	10,194
60,550	60,600	11,488	8,284	11,488	10,206
60,600	60,650	11,500	8,291	11,500	10,219
60,650	60,700	11,513	8,299	11,513	10,231
60,700	60,750	11,525	8,306	11,525	10,244
60,750	60,800	11,538	8,314	11,538	10,256
60,800	60,850	11,550	8,321	11,550	10,269
60,850	60,900	11,563	8,329	11,563	10,281
60,900	60,950	11,575	8,336	11,575	10,294
60,950	61,000	11,588	8,344	11,588	10,306
61,000					
61,000	61,050	11,600	8,351	11,600	10,319
61,050	61,100	11,613	8,359	11,613	10,331
61,100	61,150	11,625	8,366	11,625	10,344
61,150	61,200	11,638	8,374	11,638	10,356
61,200	61,250	11,650	8,381	11,650	10,369
61,250	61,300	11,663	8,389	11,663	10,381
61,300	61,350	11,675	8,396	11,675	10,394
61,350	61,400	11,688	8,404	11,688	10,406
61,400	61,450	11,700	8,411	11,700	10,419
61,450	61,500	11,713	8,419	11,713	10,431
61,500	61,550	11,725	8,426	11,725	10,444
61,550	61,600	11,738	8,434	11,738	10,456
61,600	61,650	11,750	8,441	11,750	10,469
61,650	61,700	11,763	8,449	11,763	10,481
61,700	61,750	11,775	8,456	11,775	10,494
61,750	61,800	11,788	8,464	11,788	10,506
61,800	61,850	11,800	8,471	11,800	10,519
61,850	61,900	11,813	8,479	11,813	10,531
61,900	61,950	11,825	8,486	11,825	10,544
61,950	62,000	11,838	8,494	11,838	10,556

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
62,000					
62,000	62,050	11,850	8,501	11,850	10,569
62,050	62,100	11,863	8,509	11,863	10,581
62,100	62,150	11,875	8,516	11,875	10,594
62,150	62,200	11,888	8,524	11,888	10,606
62,200	62,250	11,900	8,531	11,900	10,619
62,250	62,300	11,913	8,539	11,913	10,631
62,300	62,350	11,925	8,546	11,925	10,644
62,350	62,400	11,938	8,554	11,938	10,656
62,400	62,450	11,950	8,561	11,950	10,669
62,450	62,500	11,963	8,569	11,963	10,681
62,500	62,550	11,975	8,576	11,975	10,694
62,550	62,600	11,988	8,584	11,988	10,706
62,600	62,650	12,000	8,591	12,000	10,719
62,650	62,700	12,013	8,599	12,013	10,731
62,700	62,750	12,025	8,606	12,025	10,744
62,750	62,800	12,038	8,614	12,038	10,756
62,800	62,850	12,050	8,621	12,050	10,769
62,850	62,900	12,063	8,629	12,063	10,781
62,900	62,950	12,075	8,636	12,075	10,794
62,950	63,000	12,088	8,644	12,088	10,806
63,000					
63,000	63,050	12,100	8,651	12,100	10,819
63,050	63,100	12,113	8,659	12,113	10,831
63,100	63,150	12,125	8,666	12,125	10,844
63,150	63,200	12,138	8,674	12,138	10,856
63,200	63,250	12,150	8,681	12,150	10,869
63,250	63,300	12,163	8,689	12,163	10,881
63,300	63,350	12,175	8,696	12,175	10,894
63,350	63,400	12,188	8,704	12,188	10,906
63,400	63,450	12,200	8,711	12,200	10,919
63,450	63,500	12,213	8,719	12,213	10,931
63,500	63,550	12,225	8,726	12,225	10,944
63,550	63,600	12,238	8,734	12,238	10,956
63,600	63,650	12,250	8,741	12,250	10,969
63,650	63,700	12,263	8,749	12,263	10,981
63,700	63,750	12,275	8,756	12,275	10,994
63,750	63,800	12,288	8,764	12,288	11,006
63,800	63,850	12,300	8,771	12,300	11,019
63,850	63,900	12,313	8,779	12,313	11,031
63,900	63,950	12,325	8,786	12,325	11,044
63,950	64,000	12,338	8,794	12,338	11,056
64,000					
64,000	64,050	12,350	8,801	12,350	11,069
64,050	64,100	12,363	8,809	12,363	11,081
64,100	64,150	12,375	8,816	12,375	11,094
64,150	64,200	12,388	8,824	12,388	11,106
64,200	64,250	12,400	8,831	12,400	11,119
64,250	64,300	12,413	8,839	12,413	11,131
64,300	64,350	12,425	8,846	12,425	11,144
64,350	64,400	12,438	8,854	12,438	11,156
64,400	64,450	12,450	8,861	12,450	11,169
64,450	64,500	12,463	8,869	12,463	11,181
64,500	64,550	12,475	8,876	12,475	11,194
64,550	64,600	12,488	8,884	12,488	11,206
64,600	64,650	12,500	8,891	12,500	11,219
64,650	64,700	12,513	8,899	12,513	11,231
64,700	64,750	12,525	8,906	12,525	11,244
64,750	64,800	12,538	8,914	12,538	11,256
64,800	64,850	12,550	8,921	12,550	11,269
64,850	64,900	12,563	8,929	12,563	11,281
64,900	64,950	12,575	8,936	12,575	11,294
64,950	65,000	12,588	8,944	12,588	11,306

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
65,000					
65,000	65,050	12,600	8,951	12,600	11,319
65,050	65,100	12,613	8,959	12,613	11,331
65,100	65,150	12,625	8,966	12,625	11,344
65,150	65,200	12,638	8,981	12,638	11,356
65,200	65,250	12,650	8,994	12,650	11,369
65,250	65,300	12,663	9,006	12,663	11,381
65,300	65,350	12,675	9,019	12,675	11,394
65,350	65,400	12,688	9,031	12,688	11,406
65,400	65,450	12,700	9,044	12,700	11,419
65,450	65,500	12,713	9,056	12,713	11,431
65,500	65,550	12,725	9,069	12,725	11,444
65,550	65,600	12,738	9,081	12,738	11,456
65,600	65,650	12,750	9,094	12,750	11,469
65,650	65,700	12,763	9,106	12,763	11,481
65,700	65,750	12,775	9,119	12,775	11,494
65,750	65,800	12,788	9,131	12,788	11,506
65,800	65,850	12,800	9,144	12,803	11,519
65,850	65,900	12,813	9,156	12,817	11,531
65,900	65,950	12,825	9,169	12,831	11,544
65,950	66,000	12,838	9,181	12,845	11,556
66,000					
66,000	66,050	12,850	9,194	12,859	11,569
66,050	66,100	12,863	9,206	12,873	11,581
66,100	66,150	12,875	9,219	12,887	11,594
66,150	66,200	12,888	9,231	12,901	11,606
66,200	66,250	12,900	9,244	12,915	11,619
66,250	66,300	12,913	9,256	12,929	11,631
66,300	66,350	12,925	9,269	12,943	11,644
66,350	66,400	12,938	9,281	12,957	11,656
66,400	66,450	12,950	9,294	12,971	11,669
66,450	66,500	12,963	9,306	12,985	11,681
66,500	66,550	12,975	9,319	12,999	11,694
66,550	66,600	12,988	9,331	13,013	11,706
66,600	66,650	13,000	9,344	13,027	11,719
66,650	66,700	13,013	9,356	13,041	11,731
66,700	66,750	13,025	9,369	13,055	11,744
66,750	66,800	13,038	9,381	13,069	11,756
66,800	66,850	13,050	9,394	13,083	11,769
66,850	66,900	13,063	9,406	13,097	11,781
66,900	66,950	13,075	9,419	13,111	11,794
66,950	67,000	13,088	9,431	13,125	11,806
67,000					
67,000	67,050	13,100	9,444	13,139	11,819
67,050	67,100	13,113	9,456	13,153	11,831
67,100	67,150	13,125	9,469	13,167	11,844
67,150	67,200	13,138	9,481	13,181	11,856
67,200	67,250	13,150	9,494	13,195	11,869
67,250	67,300	13,163	9		

2008 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
68,000					
68,000	68,050	13,350	9,694	13,419	12,069
68,050	68,100	13,363	9,706	13,433	12,081
68,100	68,150	13,375	9,719	13,447	12,094
68,150	68,200	13,388	9,731	13,461	12,106
68,200	68,250	13,400	9,744	13,475	12,119
68,250	68,300	13,413	9,756	13,489	12,131
68,300	68,350	13,425	9,769	13,503	12,144
68,350	68,400	13,438	9,781	13,517	12,156
68,400	68,450	13,450	9,794	13,531	12,169
68,450	68,500	13,463	9,806	13,545	12,181
68,500	68,550	13,475	9,819	13,559	12,194
68,550	68,600	13,488	9,831	13,573	12,206
68,600	68,650	13,500	9,844	13,587	12,219
68,650	68,700	13,513	9,856	13,601	12,231
68,700	68,750	13,525	9,869	13,615	12,244
68,750	68,800	13,538	9,881	13,629	12,256
68,800	68,850	13,550	9,894	13,643	12,269
68,850	68,900	13,563	9,906	13,657	12,281
68,900	68,950	13,575	9,919	13,671	12,294
68,950	69,000	13,588	9,931	13,685	12,306
69,000					
69,000	69,050	13,600	9,944	13,699	12,319
69,050	69,100	13,613	9,956	13,713	12,331
69,100	69,150	13,625	9,969	13,727	12,344
69,150	69,200	13,638	9,981	13,741	12,356
69,200	69,250	13,650	9,994	13,755	12,369
69,250	69,300	13,663	10,006	13,769	12,381
69,300	69,350	13,675	10,019	13,783	12,394
69,350	69,400	13,688	10,031	13,797	12,406
69,400	69,450	13,700	10,044	13,811	12,419
69,450	69,500	13,713	10,056	13,825	12,431
69,500	69,550	13,725	10,069	13,839	12,444
69,550	69,600	13,738	10,081	13,853	12,456
69,600	69,650	13,750	10,094	13,867	12,469
69,650	69,700	13,763	10,106	13,881	12,481
69,700	69,750	13,775	10,119	13,895	12,494
69,750	69,800	13,788	10,131	13,909	12,506
69,800	69,850	13,800	10,144	13,923	12,519
69,850	69,900	13,813	10,156	13,937	12,531
69,900	69,950	13,825	10,169	13,951	12,544
69,950	70,000	13,838	10,181	13,965	12,556
70,000					
70,000	70,050	13,850	10,194	13,979	12,569
70,050	70,100	13,863	10,206	13,993	12,581
70,100	70,150	13,875	10,219	14,007	12,594
70,150	70,200	13,888	10,231	14,021	12,606
70,200	70,250	13,900	10,244	14,035	12,619
70,250	70,300	13,913	10,256	14,049	12,631
70,300	70,350	13,925	10,269	14,063	12,644
70,350	70,400	13,938	10,281	14,077	12,656
70,400	70,450	13,950	10,294	14,091	12,669
70,450	70,500	13,963	10,306	14,105	12,681
70,500	70,550	13,975	10,319	14,119	12,694
70,550	70,600	13,988	10,331	14,133	12,706
70,600	70,650	14,000	10,344	14,147	12,719
70,650	70,700	14,013	10,356	14,161	12,731
70,700	70,750	14,025	10,369	14,175	12,744
70,750	70,800	14,038	10,381	14,189	12,756
70,800	70,850	14,050	10,394	14,203	12,769
70,850	70,900	14,063	10,406	14,217	12,781
70,900	70,950	14,075	10,419	14,231	12,794
70,950	71,000	14,088	10,431	14,245	12,806

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
71,000					
71,000	71,050	14,100	10,444	14,259	12,819
71,050	71,100	14,113	10,456	14,273	12,831
71,100	71,150	14,125	10,469	14,287	12,844
71,150	71,200	14,138	10,481	14,301	12,856
71,200	71,250	14,150	10,494	14,315	12,869
71,250	71,300	14,163	10,506	14,329	12,881
71,300	71,350	14,175	10,519	14,343	12,894
71,350	71,400	14,188	10,531	14,357	12,906
71,400	71,450	14,200	10,544	14,371	12,919
71,450	71,500	14,213	10,556	14,385	12,931
71,500	71,550	14,225	10,569	14,399	12,944
71,550	71,600	14,238	10,581	14,413	12,956
71,600	71,650	14,250	10,594	14,427	12,969
71,650	71,700	14,263	10,606	14,441	12,981
71,700	71,750	14,275	10,619	14,455	12,994
71,750	71,800	14,288	10,631	14,469	13,006
71,800	71,850	14,300	10,644	14,483	13,019
71,850	71,900	14,313	10,656	14,497	13,031
71,900	71,950	14,325	10,669	14,511	13,044
71,950	72,000	14,338	10,681	14,525	13,056
72,000					
72,000	72,050	14,350	10,694	14,539	13,069
72,050	72,100	14,363	10,706	14,553	13,081
72,100	72,150	14,375	10,719	14,567	13,094
72,150	72,200	14,388	10,731	14,581	13,106
72,200	72,250	14,400	10,744	14,595	13,119
72,250	72,300	14,413	10,756	14,609	13,131
72,300	72,350	14,425	10,769	14,623	13,144
72,350	72,400	14,438	10,781	14,637	13,156
72,400	72,450	14,450	10,794	14,651	13,169
72,450	72,500	14,463	10,806	14,665	13,181
72,500	72,550	14,475	10,819	14,679	13,194
72,550	72,600	14,488	10,831	14,693	13,206
72,600	72,650	14,500	10,844	14,707	13,219
72,650	72,700	14,513	10,856	14,721	13,231
72,700	72,750	14,525	10,869	14,735	13,244
72,750	72,800	14,538	10,881	14,749	13,256
72,800	72,850	14,550	10,894	14,763	13,269
72,850	72,900	14,563	10,906	14,777	13,281
72,900	72,950	14,575	10,919	14,791	13,294
72,950	73,000	14,588	10,931	14,805	13,306
73,000					
73,000	73,050	14,600	10,944	14,819	13,319
73,050	73,100	14,613	10,956	14,833	13,331
73,100	73,150	14,625	10,969	14,847	13,344
73,150	73,200	14,638	10,981	14,861	13,356
73,200	73,250	14,650	10,994	14,875	13,369
73,250	73,300	14,663	11,006	14,889	13,381
73,300	73,350	14,675	11,019	14,903	13,394
73,350	73,400	14,688	11,031	14,917	13,406
73,400	73,450	14,700	11,044	14,931	13,419
73,450	73,500	14,713	11,056	14,945	13,431
73,500	73,550	14,725	11,069	14,959	13,444
73,550	73,600	14,738	11,081	14,973	13,456
73,600	73,650	14,750	11,094	14,987	13,469
73,650	73,700	14,763	11,106	15,001	13,481
73,700	73,750	14,775	11,119	15,015	13,494
73,750	73,800	14,788	11,131	15,029	13,506
73,800	73,850	14,800	11,144	15,043	13,519
73,850	73,900	14,813	11,156	15,057	13,531
73,900	73,950	14,825	11,169	15,071	13,544
73,950	74,000	14,838	11,181	15,085	13,556

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
74,000					
74,000	74,050	14,850	11,194	15,099	13,569
74,050	74,100	14,863	11,206	15,113	13,581
74,100	74,150	14,875	11,219	15,127	13,594
74,150	74,200	14,888	11,231	15,141	13,606
74,200	74,250	14,900	11,244	15,155	13,619
74,250	74,300	14,913	11,256	15,169	13,631
74,300	74,350	14,925	11,269	15,183	13,644
74,350	74,400	14,938	11,281	15,197	13,656
74,400	74,450	14,950	11,294	15,211	13,669
74,450	74,500	14,963	11,306	15,225	13,681
74,500	74,550	14,975	11,319	15,239	13,694
74,550	74,600	14,988	11,331	15,253	13,706
74,600	74,650	15,000	11,344	15,267	13,719
74,650	74,700	15,013	11,356	15,281	13,731
74,700	74,750	15,025	11,369	15,295	13,744
74,750	74,800	15,038	11,381	15,309	13,756
74,800	74,850	15,050	11,394	15,323	13,769
74,850	74,900	15,063	11,406	15,337	13,781
74,900	74,950	15,075	11,419	15,351	13,794
74,950	75,000	15,088	11,431	15,365	13,806
75,000					
75,000	75,050	15,100	11,444	15,379	13,819
75,050	75,100	15,113	11,456	15,393	13,831
75,100	75,150	15,125	11,469	15,407	13,844
75,150	75,200	15,138	11,481	15,421	13,856
75,200	75,250	15,150	11,494	15,435	13,869
75,250	75,300	15,163	11,506	15,449	13,881
75,300	75,350	15,175	11,519	15,463	13,894
75,350</					

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
77,000					
77,000	77,050	15,600	11,944	15,939	14,319
77,050	77,100	15,613	11,956	15,953	14,331
77,100	77,150	15,625	11,969	15,967	14,344
77,150	77,200	15,638	11,981	15,981	14,356
77,200	77,250	15,650	11,994	15,995	14,369
77,250	77,300	15,663	12,006	16,009	14,381
77,300	77,350	15,675	12,019	16,023	14,394
77,350	77,400	15,688	12,031	16,037	14,406
77,400	77,450	15,700	12,044	16,051	14,419
77,450	77,500	15,713	12,056	16,065	14,431
77,500	77,550	15,725	12,069	16,079	14,444
77,550	77,600	15,738	12,081	16,093	14,456
77,600	77,650	15,750	12,094	16,107	14,469
77,650	77,700	15,763	12,106	16,121	14,481
77,700	77,750	15,775	12,119	16,135	14,494
77,750	77,800	15,788	12,131	16,149	14,506
77,800	77,850	15,800	12,144	16,163	14,519
77,850	77,900	15,813	12,156	16,177	14,531
77,900	77,950	15,825	12,169	16,191	14,544
77,950	78,000	15,838	12,181	16,205	14,556
78,000					
78,000	78,050	15,850	12,194	16,219	14,569
78,050	78,100	15,863	12,206	16,233	14,581
78,100	78,150	15,875	12,219	16,247	14,594
78,150	78,200	15,888	12,231	16,261	14,606
78,200	78,250	15,900	12,244	16,275	14,619
78,250	78,300	15,913	12,256	16,289	14,631
78,300	78,350	15,925	12,269	16,303	14,644
78,350	78,400	15,938	12,281	16,317	14,656
78,400	78,450	15,950	12,294	16,331	14,669
78,450	78,500	15,963	12,306	16,345	14,681
78,500	78,550	15,975	12,319	16,359	14,694
78,550	78,600	15,988	12,331	16,373	14,706
78,600	78,650	16,000	12,344	16,387	14,719
78,650	78,700	16,013	12,356	16,401	14,731
78,700	78,750	16,025	12,369	16,415	14,744
78,750	78,800	16,038	12,381	16,429	14,756
78,800	78,850	16,050	12,394	16,443	14,769
78,850	78,900	16,063	12,406	16,457	14,781
78,900	78,950	16,077	12,419	16,471	14,794
78,950	79,000	16,091	12,431	16,485	14,806
79,000					
79,000	79,050	16,105	12,444	16,499	14,819
79,050	79,100	16,119	12,456	16,513	14,831
79,100	79,150	16,133	12,469	16,527	14,844
79,150	79,200	16,147	12,481	16,541	14,856
79,200	79,250	16,161	12,494	16,555	14,869
79,250	79,300	16,175	12,506	16,569	14,881
79,300	79,350	16,189	12,519	16,583	14,894
79,350	79,400	16,203	12,531	16,597	14,906
79,400	79,450	16,217	12,544	16,611	14,919
79,450	79,500	16,231	12,556	16,625	14,931
79,500	79,550	16,245	12,569	16,639	14,944
79,550	79,600	16,259	12,581	16,653	14,956
79,600	79,650	16,273	12,594	16,667	14,969
79,650	79,700	16,287	12,606	16,681	14,981
79,700	79,750	16,301	12,619	16,695	14,994
79,750	79,800	16,315	12,631	16,709	15,006
79,800	79,850	16,329	12,644	16,723	15,019
79,850	79,900	16,343	12,656	16,737	15,031
79,900	79,950	16,357	12,669	16,751	15,044
79,950	80,000	16,371	12,681	16,765	15,056

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
80,000					
80,000	80,050	16,385	12,694	16,779	15,069
80,050	80,100	16,399	12,706	16,793	15,081
80,100	80,150	16,413	12,719	16,807	15,094
80,150	80,200	16,427	12,731	16,821	15,106
80,200	80,250	16,441	12,744	16,835	15,119
80,250	80,300	16,455	12,756	16,849	15,131
80,300	80,350	16,469	12,769	16,863	15,144
80,350	80,400	16,483	12,781	16,877	15,156
80,400	80,450	16,497	12,794	16,891	15,169
80,450	80,500	16,511	12,806	16,905	15,181
80,500	80,550	16,525	12,819	16,919	15,194
80,550	80,600	16,539	12,831	16,933	15,206
80,600	80,650	16,553	12,844	16,947	15,219
80,650	80,700	16,567	12,856	16,961	15,231
80,700	80,750	16,581	12,869	16,975	15,244
80,750	80,800	16,595	12,881	16,989	15,256
80,800	80,850	16,609	12,894	17,003	15,269
80,850	80,900	16,623	12,906	17,017	15,281
80,900	80,950	16,637	12,919	17,031	15,294
80,950	81,000	16,651	12,931	17,045	15,306
81,000					
81,000	81,050	16,665	12,944	17,059	15,319
81,050	81,100	16,679	12,956	17,073	15,331
81,100	81,150	16,693	12,969	17,087	15,344
81,150	81,200	16,707	12,981	17,101	15,356
81,200	81,250	16,721	12,994	17,115	15,369
81,250	81,300	16,735	13,006	17,129	15,381
81,300	81,350	16,749	13,019	17,143	15,394
81,350	81,400	16,763	13,031	17,157	15,406
81,400	81,450	16,777	13,044	17,171	15,419
81,450	81,500	16,791	13,056	17,185	15,431
81,500	81,550	16,805	13,069	17,199	15,444
81,550	81,600	16,819	13,081	17,213	15,456
81,600	81,650	16,833	13,094	17,227	15,469
81,650	81,700	16,847	13,106	17,241	15,481
81,700	81,750	16,861	13,119	17,255	15,494
81,750	81,800	16,875	13,131	17,269	15,506
81,800	81,850	16,889	13,144	17,283	15,519
81,850	81,900	16,903	13,156	17,297	15,531
81,900	81,950	16,917	13,169	17,311	15,544
81,950	82,000	16,931	13,181	17,325	15,556
82,000					
82,000	82,050	16,945	13,194	17,339	15,569
82,050	82,100	16,959	13,206	17,353	15,581
82,100	82,150	16,973	13,219	17,367	15,594
82,150	82,200	16,987	13,231	17,381	15,606
82,200	82,250	17,001	13,244	17,395	15,619
82,250	82,300	17,015	13,256	17,409	15,631
82,300	82,350	17,029	13,269	17,423	15,644
82,350	82,400	17,043	13,281	17,437	15,656
82,400	82,450	17,057	13,294	17,451	15,669
82,450	82,500	17,071	13,306	17,465	15,681
82,500	82,550	17,085	13,319	17,479	15,694
82,550	82,600	17,099	13,331	17,493	15,706
82,600	82,650	17,113	13,344	17,507	15,719
82,650	82,700	17,127	13,356	17,521	15,731
82,700	82,750	17,141	13,369	17,535	15,744
82,750	82,800	17,155	13,381	17,549	15,756
82,800	82,850	17,169	13,394	17,563	15,769
82,850	82,900	17,183	13,406	17,577	15,781
82,900	82,950	17,197	13,419	17,591	15,794
82,950	83,000	17,211	13,431	17,605	15,806

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
83,000					
83,000	83,050	17,225	13,444	17,619	15,819
83,050	83,100	17,239	13,456	17,633	15,831
83,100	83,150	17,253	13,469	17,647	15,844
83,150	83,200	17,267	13,481	17,661	15,856
83,200	83,250	17,281	13,494	17,675	15,869
83,250	83,300	17,295	13,506	17,689	15,881
83,300	83,350	17,309	13,519	17,703	15,894
83,350	83,400	17,323	13,531	17,717	15,906
83,400	83,450	17,337	13,544	17,731	15,919
83,450	83,500	17,351	13,556	17,745	15,931
83,500	83,550	17,365	13,569	17,759	15,944
83,550	83,600	17,379	13,581	17,773	15,956
83,600	83,650	17,393	13,594	17,787	15,969
83,650	83,700	17,407	13,606	17,801	15,981
83,700	83,750	17,421	13,619	17,815	15,994
83,750	83,800	17,435	13,631	17,829	16,006
83,800	83,850	17,449	13,644	17,843	16,019
83,850	83,900	17,463	13,656	17,857	16,031
83,900	83,950	17,477	13,669	17,871	16,044
83,950	84,000	17,491	13,681	17,885	16,056
84,000					
84,000	84,050	17,505	13,694	17,899	16,069
84,050	84,100	17,519	13,706	17,913	16,081
84,100	84,150	17,533	13,719	17,927	16,094
84,150	84,200	17,547	13,731	17,941	16,106
84,200	84,250	17,561	13,744	17,955	16,119
84,250	84,300	17,575	13,756	17,969	16,131
84,300	84,350	17,589	13,769	17,983	

2008 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
86,000					
86,000	86,050	18,065	14,194	18,459	16,569
86,050	86,100	18,079	14,206	18,473	16,581
86,100	86,150	18,093	14,219	18,487	16,594
86,150	86,200	18,107	14,231	18,501	16,606
86,200	86,250	18,121	14,244	18,515	16,619
86,250	86,300	18,135	14,256	18,529	16,631
86,300	86,350	18,149	14,269	18,543	16,644
86,350	86,400	18,163	14,281	18,557	16,656
86,400	86,450	18,177	14,294	18,571	16,669
86,450	86,500	18,191	14,306	18,585	16,681
86,500	86,550	18,205	14,319	18,599	16,694
86,550	86,600	18,219	14,331	18,613	16,706
86,600	86,650	18,233	14,344	18,627	16,719
86,650	86,700	18,247	14,356	18,641	16,731
86,700	86,750	18,261	14,369	18,655	16,744
86,750	86,800	18,275	14,381	18,669	16,756
86,800	86,850	18,289	14,394	18,683	16,769
86,850	86,900	18,303	14,406	18,697	16,781
86,900	86,950	18,317	14,419	18,711	16,794
86,950	87,000	18,331	14,431	18,725	16,806
87,000					
87,000	87,050	18,345	14,444	18,739	16,819
87,050	87,100	18,359	14,456	18,753	16,831
87,100	87,150	18,373	14,469	18,767	16,844
87,150	87,200	18,387	14,481	18,781	16,856
87,200	87,250	18,401	14,494	18,795	16,869
87,250	87,300	18,415	14,506	18,809	16,881
87,300	87,350	18,429	14,519	18,823	16,894
87,350	87,400	18,443	14,531	18,837	16,906
87,400	87,450	18,457	14,544	18,851	16,919
87,450	87,500	18,471	14,556	18,865	16,931
87,500	87,550	18,485	14,569	18,879	16,944
87,550	87,600	18,499	14,581	18,893	16,956
87,600	87,650	18,513	14,594	18,907	16,969
87,650	87,700	18,527	14,606	18,921	16,981
87,700	87,750	18,541	14,619	18,935	16,994
87,750	87,800	18,555	14,631	18,949	17,006
87,800	87,850	18,569	14,644	18,963	17,019
87,850	87,900	18,583	14,656	18,977	17,031
87,900	87,950	18,597	14,669	18,991	17,044
87,950	88,000	18,611	14,681	19,005	17,056
88,000					
88,000	88,050	18,625	14,694	19,019	17,069
88,050	88,100	18,639	14,706	19,033	17,081
88,100	88,150	18,653	14,719	19,047	17,094
88,150	88,200	18,667	14,731	19,061	17,106
88,200	88,250	18,681	14,744	19,075	17,119
88,250	88,300	18,695	14,756	19,089	17,131
88,300	88,350	18,709	14,769	19,103	17,144
88,350	88,400	18,723	14,781	19,117	17,156
88,400	88,450	18,737	14,794	19,131	17,169
88,450	88,500	18,751	14,806	19,145	17,181
88,500	88,550	18,765	14,819	19,159	17,194
88,550	88,600	18,779	14,831	19,173	17,206
88,600	88,650	18,793	14,844	19,187	17,219
88,650	88,700	18,807	14,856	19,201	17,231
88,700	88,750	18,821	14,869	19,215	17,244
88,750	88,800	18,835	14,881	19,229	17,256
88,800	88,850	18,849	14,894	19,243	17,269
88,850	88,900	18,863	14,906	19,257	17,281
88,900	88,950	18,877	14,919	19,271	17,294
88,950	89,000	18,891	14,931	19,285	17,306

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
89,000					
89,000	89,050	18,905	14,944	19,299	17,319
89,050	89,100	18,919	14,956	19,313	17,331
89,100	89,150	18,933	14,969	19,327	17,344
89,150	89,200	18,947	14,981	19,341	17,356
89,200	89,250	18,961	14,994	19,355	17,369
89,250	89,300	18,975	15,006	19,369	17,381
89,300	89,350	18,989	15,019	19,383	17,394
89,350	89,400	19,003	15,031	19,397	17,406
89,400	89,450	19,017	15,044	19,411	17,419
89,450	89,500	19,031	15,056	19,425	17,431
89,500	89,550	19,045	15,069	19,439	17,444
89,550	89,600	19,059	15,081	19,453	17,456
89,600	89,650	19,073	15,094	19,467	17,469
89,650	89,700	19,087	15,106	19,481	17,481
89,700	89,750	19,101	15,119	19,495	17,494
89,750	89,800	19,115	15,131	19,509	17,506
89,800	89,850	19,129	15,144	19,523	17,519
89,850	89,900	19,143	15,156	19,537	17,531
89,900	89,950	19,157	15,169	19,551	17,544
89,950	90,000	19,171	15,181	19,565	17,556
90,000					
90,000	90,050	19,185	15,194	19,579	17,569
90,050	90,100	19,199	15,206	19,593	17,581
90,100	90,150	19,213	15,219	19,607	17,594
90,150	90,200	19,227	15,231	19,621	17,606
90,200	90,250	19,241	15,244	19,635	17,619
90,250	90,300	19,255	15,256	19,649	17,631
90,300	90,350	19,269	15,269	19,663	17,644
90,350	90,400	19,283	15,281	19,677	17,656
90,400	90,450	19,297	15,294	19,691	17,669
90,450	90,500	19,311	15,306	19,705	17,681
90,500	90,550	19,325	15,319	19,719	17,694
90,550	90,600	19,339	15,331	19,733	17,706
90,600	90,650	19,353	15,344	19,747	17,719
90,650	90,700	19,367	15,356	19,761	17,731
90,700	90,750	19,381	15,369	19,775	17,744
90,750	90,800	19,395	15,381	19,789	17,756
90,800	90,850	19,409	15,394	19,803	17,769
90,850	90,900	19,423	15,406	19,817	17,781
90,900	90,950	19,437	15,419	19,831	17,794
90,950	91,000	19,451	15,431	19,845	17,806
91,000					
91,000	91,050	19,465	15,444	19,859	17,819
91,050	91,100	19,479	15,456	19,873	17,831
91,100	91,150	19,493	15,469	19,887	17,844
91,150	91,200	19,507	15,481	19,901	17,856
91,200	91,250	19,521	15,494	19,915	17,869
91,250	91,300	19,535	15,506	19,929	17,881
91,300	91,350	19,549	15,519	19,943	17,894
91,350	91,400	19,563	15,531	19,957	17,906
91,400	91,450	19,577	15,544	19,971	17,919
91,450	91,500	19,591	15,556	19,985	17,931
91,500	91,550	19,605	15,569	19,999	17,944
91,550	91,600	19,619	15,581	20,013	17,956
91,600	91,650	19,633	15,594	20,027	17,969
91,650	91,700	19,647	15,606	20,041	17,981
91,700	91,750	19,661	15,619	20,055	17,994
91,750	91,800	19,675	15,631	20,069	18,006
91,800	91,850	19,689	15,644	20,083	18,019
91,850	91,900	19,703	15,656	20,097	18,031
91,900	91,950	19,717	15,669	20,111	18,044
91,950	92,000	19,731	15,681	20,125	18,056

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
92,000					
92,000	92,050	19,745	15,694	20,139	18,069
92,050	92,100	19,759	15,706	20,153	18,081
92,100	92,150	19,773	15,719	20,167	18,094
92,150	92,200	19,787	15,731	20,181	18,106
92,200	92,250	19,801	15,744	20,195	18,119
92,250	92,300	19,815	15,756	20,209	18,131
92,300	92,350	19,829	15,769	20,223	18,144
92,350	92,400	19,843	15,781	20,237	18,156
92,400	92,450	19,857	15,794	20,251	18,169
92,450	92,500	19,871	15,806	20,265	18,181
92,500	92,550	19,885	15,819	20,279	18,194
92,550	92,600	19,899	15,831	20,293	18,206
92,600	92,650	19,913	15,844	20,307	18,219
92,650	92,700	19,927	15,856	20,321	18,231
92,700	92,750	19,941	15,869	20,335	18,244
92,750	92,800	19,955	15,881	20,349	18,256
92,800	92,850	19,969	15,894	20,363	18,269
92,850	92,900	19,983	15,906	20,377	18,281
92,900	92,950	19,997	15,919	20,391	18,294
92,950	93,000	20,011	15,931	20,405	18,306
93,000					
93,000	93,050	20,025	15,944	20,419	18,319
93,050	93,100	20,039	15,956	20,433	18,331
93,100	93,150	20,053	15,969	20,447	18,344
93,150	93,200	20,067	15,981	20,461	18,356
93,200	93,250	20,081	15,994	20,475	18,369
93,250	93,300	20,095	16,006	20,489	18,381
93,300	93,350	20,109	16,019	20,503	1

2008 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
95,000					
95,000	95,050	20,585	16,444	20,979	18,819
95,050	95,100	20,599	16,456	20,993	18,831
95,100	95,150	20,613	16,469	21,007	18,844
95,150	95,200	20,627	16,481	21,021	18,856
95,200	95,250	20,641	16,494	21,035	18,869
95,250	95,300	20,655	16,506	21,049	18,881
95,300	95,350	20,669	16,519	21,063	18,894
95,350	95,400	20,683	16,531	21,077	18,906
95,400	95,450	20,697	16,544	21,091	18,919
95,450	95,500	20,711	16,556	21,105	18,931
95,500	95,550	20,725	16,569	21,119	18,944
95,550	95,600	20,739	16,581	21,133	18,956
95,600	95,650	20,753	16,594	21,147	18,969
95,650	95,700	20,767	16,606	21,161	18,981
95,700	95,750	20,781	16,619	21,175	18,994
95,750	95,800	20,795	16,631	21,189	19,006
95,800	95,850	20,809	16,644	21,203	19,019
95,850	95,900	20,823	16,656	21,217	19,031
95,900	95,950	20,837	16,669	21,231	19,044
95,950	96,000	20,851	16,681	21,245	19,056
96,000					
96,000	96,050	20,865	16,694	21,259	19,069
96,050	96,100	20,879	16,706	21,273	19,081
96,100	96,150	20,893	16,719	21,287	19,094
96,150	96,200	20,907	16,731	21,301	19,106
96,200	96,250	20,921	16,744	21,315	19,119
96,250	96,300	20,935	16,756	21,329	19,131
96,300	96,350	20,949	16,769	21,343	19,144
96,350	96,400	20,963	16,781	21,357	19,156
96,400	96,450	20,977	16,794	21,371	19,169
96,450	96,500	20,991	16,806	21,385	19,181
96,500	96,550	21,005	16,819	21,399	19,194
96,550	96,600	21,019	16,831	21,413	19,206
96,600	96,650	21,033	16,844	21,427	19,219
96,650	96,700	21,047	16,856	21,441	19,231
96,700	96,750	21,061	16,869	21,455	19,244
96,750	96,800	21,075	16,881	21,469	19,256
96,800	96,850	21,089	16,894	21,483	19,269
96,850	96,900	21,103	16,906	21,497	19,281
96,900	96,950	21,117	16,919	21,511	19,294
96,950	97,000	21,131	16,931	21,525	19,306

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
97,000					
97,000	97,050	21,145	16,944	21,539	19,319
97,050	97,100	21,159	16,956	21,553	19,331
97,100	97,150	21,173	16,969	21,567	19,344
97,150	97,200	21,187	16,981	21,581	19,356
97,200	97,250	21,201	16,994	21,595	19,369
97,250	97,300	21,215	17,006	21,609	19,381
97,300	97,350	21,229	17,019	21,623	19,394
97,350	97,400	21,243	17,031	21,637	19,406
97,400	97,450	21,257	17,044	21,651	19,419
97,450	97,500	21,271	17,056	21,665	19,431
97,500	97,550	21,285	17,069	21,679	19,444
97,550	97,600	21,299	17,081	21,693	19,456
97,600	97,650	21,313	17,094	21,707	19,469
97,650	97,700	21,327	17,106	21,721	19,481
97,700	97,750	21,341	17,119	21,735	19,494
97,750	97,800	21,355	17,131	21,749	19,506
97,800	97,850	21,369	17,144	21,763	19,519
97,850	97,900	21,383	17,156	21,777	19,531
97,900	97,950	21,397	17,169	21,791	19,544
97,950	98,000	21,411	17,181	21,805	19,556
98,000					
98,000	98,050	21,425	17,194	21,819	19,569
98,050	98,100	21,439	17,206	21,833	19,581
98,100	98,150	21,453	17,219	21,847	19,594
98,150	98,200	21,467	17,231	21,861	19,606
98,200	98,250	21,481	17,244	21,875	19,619
98,250	98,300	21,495	17,256	21,889	19,631
98,300	98,350	21,509	17,269	21,903	19,644
98,350	98,400	21,523	17,281	21,917	19,656
98,400	98,450	21,537	17,294	21,931	19,669
98,450	98,500	21,551	17,306	21,945	19,681
98,500	98,550	21,565	17,319	21,959	19,694
98,550	98,600	21,579	17,331	21,973	19,706
98,600	98,650	21,593	17,344	21,987	19,719
98,650	98,700	21,607	17,356	22,001	19,731
98,700	98,750	21,621	17,369	22,015	19,744
98,750	98,800	21,635	17,381	22,029	19,756
98,800	98,850	21,649	17,394	22,043	19,769
98,850	98,900	21,663	17,406	22,057	19,781
98,900	98,950	21,677	17,419	22,071	19,794
98,950	99,000	21,691	17,431	22,085	19,806

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
99,000					
99,000	99,050	21,705	17,444	22,099	19,819
99,050	99,100	21,719	17,456	22,113	19,831
99,100	99,150	21,733	17,469	22,127	19,844
99,150	99,200	21,747	17,481	22,141	19,856
99,200	99,250	21,761	17,494	22,155	19,869
99,250	99,300	21,775	17,506	22,169	19,881
99,300	99,350	21,789	17,519	22,183	19,894
99,350	99,400	21,803	17,531	22,197	19,906
99,400	99,450	21,817	17,544	22,211	19,919
99,450	99,500	21,831	17,556	22,225	19,931
99,500	99,550	21,845	17,569	22,239	19,944
99,550	99,600	21,859	17,581	22,253	19,956
99,600	99,650	21,873	17,594	22,267	19,969
99,650	99,700	21,887	17,606	22,281	19,981
99,700	99,750	21,901	17,619	22,295	19,994
99,750	99,800	21,915	17,631	22,309	20,006
99,800	99,850	21,929	17,644	22,323	20,019
99,850	99,900	21,943	17,656	22,337	20,031
99,900	99,950	21,957	17,669	22,351	20,044
99,950	100,000	21,971	17,681	22,365	20,056
<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> <p>\$100,000 or over — use the Tax Computation Worksheet on page 80</p> </div>					

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

2008 Tax Computation Worksheet—Line 44



See the instructions for line 44 that begin on page 36 to see if you must use the worksheet below to figure your tax.

Note. If you are required to use this worksheet to figure the tax on an amount from another form or worksheet, such as the Qualified Dividends and Capital Gain Tax Worksheet, the Schedule D Tax Worksheet, Schedule J, Form 8615, or the Foreign Earned Income Tax Worksheet, enter the amount from that form or worksheet in column (a) of the row that applies to the amount you are looking up. Enter the result on the appropriate line of the form or worksheet that you are completing.

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

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$164,550	\$	× 28% (.28)	\$	\$ 6,021.75	\$
Over \$164,550 but not over \$357,700	\$	× 33% (.33)	\$	\$ 14,249.25	\$
Over \$357,700	\$	× 35% (.35)	\$	\$ 21,403.25	\$

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

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$131,450	\$	× 25% (.25)	\$	\$ 7,312.50	\$
Over \$131,450 but not over \$200,300	\$	× 28% (.28)	\$	\$ 11,256.00	\$
Over \$200,300 but not over \$357,700	\$	× 33% (.33)	\$	\$ 21,271.00	\$
Over \$357,700	\$	× 35% (.35)	\$	\$ 28,425.00	\$

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

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$100,150	\$	× 28% (.28)	\$	\$ 5,628.00	\$
Over \$100,150 but not over \$178,850	\$	× 33% (.33)	\$	\$ 10,635.50	\$
Over \$178,850	\$	× 35% (.35)	\$	\$ 14,212.50	\$

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

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$112,650	\$	× 25% (.25)	\$	\$ 4,937.50	\$
Over \$112,650 but not over \$182,400	\$	× 28% (.28)	\$	\$ 8,317.00	\$
Over \$182,400 but not over \$357,700	\$	× 33% (.33)	\$	\$ 17,437.00	\$
Over \$357,700	\$	× 35% (.35)	\$	\$ 24,591.00	\$

General Information

How To Avoid Common Mistakes

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

- Make sure you entered the correct name and social security number (SSN) for each dependent you claim on line 6c. Check that each dependent's name and SSN agrees with his or her social security card. For each child under age 17 who is a qualifying child for the child tax credit, make sure you either checked the box in line 6c, column (4), or completed Form 8901.

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

- Be sure you used the correct method to figure your tax. See the instructions for line 44 that begin on page 36.

- Be sure to enter your SSN in the space provided on page 1 of Form 1040. If you are married filing a joint or separate return, also enter your spouse's SSN. Be sure to enter your SSN in the space next to your name. Check that your name and SSN agree with your social security card.

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

- If you live in an apartment, be sure to include your apartment number in your address.

- If you are taking the standard deduction and you checked any box on line 39a, 39b, or 39c or you (or your spouse if filing jointly) can be claimed as a dependent on someone else's 2008 return, see page 34 to be sure you entered the correct amount on line 40.

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

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

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

- Attach your Form(s) W-2 and other required forms and schedules. Put all forms and schedules in the proper order. See *Assemble Your Return* on page 67.

- 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 75 on page 65 for details.

- Do not file more than one original return for the same year, even if you have not gotten your refund or have not heard from the IRS since you filed. Filing more than one original return for the same year, or sending in more than one copy of the same return (unless we ask you to do so), could delay your refund.

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

Generally, both you and your spouse are each responsible for paying the full amount of tax, interest, and penalties on your joint return. However, you may qualify for relief from liability for tax on a joint return if (a) there is an understatement of tax because your spouse omitted income or claimed false deductions or credits, (b) you are divorced, separated, or no longer living with your spouse, or (c) given all the facts and circumstances, it would not be fair to hold you liable for the tax. You may also qualify for relief if you were a married resident of a community property state but did not file a joint return and are now liable for an underpaid or understated tax. To request relief, you generally must file Form 8857 no later than 2 years after the date on which the IRS first attempted to collect the tax from you. For more information, see Pub. 971 and Form 8857 or you can call the Innocent Spouse office toll-free at 1-866-897-4270.

Income Tax Withholding and Estimated Tax Payments for 2009

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 2009 pay. For details on how to complete Form W-4, see Pub. 919. If you have pension or annuity income, use Form W-4P. If you receive certain government payments (such as unemployment compensation or social security benefits), you can have tax withheld from those payments by giving the payer Form W-4V.

In general, you do not have to make estimated tax payments if you expect that your 2009 Form 1040 will show a tax refund or a tax balance due of less than \$1,000. If your total estimated tax for 2009 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 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.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and

phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, etc., contact the IRS Identity Theft Hotline at 1-800-908-4490.

For more information, see Pub. 4535.

Victims of identity theft who are experiencing economic harm or a systemic problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common form is the act of sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request detailed personal information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward the message to phishing@irs.gov. You may also report misuse of the IRS name, logo, forms, or other IRS property to the Treasury Inspector General for Tax Administration toll-free at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit the IRS website at www.irs.gov to learn more about identity theft and how to reduce your risk.

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

If you wish to do so, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, P.O. Box 2188, Parkersburg, WV 26106-2188. Or you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. See page 65 for details on how to pay any tax you owe.



You may be able to deduct this gift on your 2009 tax return.

How Long Should Records Be Kept?

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

Amended Return

File Form 1040X to change a return you already filed. Generally, Form 1040X must be filed within 3 years after the date the original return was filed or within 2 years after the date the tax was paid, whichever is later. But you may have more time to file Form 1040X if you live in a federally declared disaster area or 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. There is a \$57 fee (subject to change) for each return requested. If your main home, principal place of business, or tax records are located in a federally declared disaster area, this fee will be waived. If you want a free transcript of your tax return or account, use Form 4506-T or call us. See page 86 for the number.

Death of a Taxpayer

If a taxpayer died before filing a return for 2008, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return must enter "Deceased," the deceased taxpayer's name, and the date of death across the top of the return. If this informa-

tion is not provided, it may delay the processing of the return.

If your spouse died in 2008 and you did not remarry in 2008, or if your spouse died in 2009 before filing a return for 2008, you can file a joint return. A joint return should show your spouse's 2008 income before death and your income for all of 2008. 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 84) or see Pub. 559.

Past Due Returns

The integrity of our tax system and well-being of our country depend, to a large degree, on the timely filing and payment of taxes by each individual, family, and business in this country. Those choosing not to file and pay their fair share increase the burden on the rest of us to support our schools, maintain and repair roadways, and the many other ways our tax dollars help to make life easier for all citizens.

Some people don't know they should file a tax return; some don't file because they expect a refund; and some don't file because they owe taxes. Encourage your family, neighbors, friends, and coworkers to do their fair share by filing their federal tax returns and paying any tax due on time.

If you or someone you know needs to file past due tax returns, use TeleTax topic 153 (see page 84) or visit www.irs.gov and click on "Individuals" for help in filing those returns. Send the return to the address that applies to you in the latest Form 1040 instruction booklet. For example, if you are filing a 2005 return in 2009, use the address in this booklet. However, if you got an IRS notice, mail the return to the address in the notice.

Other Ways To Get Help

Send Your Written Tax Questions to the IRS

You should get an answer in about 30 days. For the mailing address, call us at 1-800-829-1040 (hearing impaired customers with access to TTY/TDD equipment may call 1-800-829-4059). Do not send questions with your return.

Research Your Tax Questions Online

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

- Frequently asked questions. This section contains an extensive list of questions and answers. You can select your question by category or keyword.
- Tax trails. This is an interactive section which asks questions you can answer by selecting "Yes" or "No."
- Tax topics. This is an online version of the TeleTax topics listed on pages 84 and 85.

Free Help With Your Return

Free help in preparing your return is available nationwide from IRS-sponsored volunteers. These volunteers are trained and certified to prepare federal income tax returns by passing an IRS test. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers. The Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 or older with their tax return preparation. VITA/TCE tax preparation sites must adhere to strict quality standards necessary to prepare accurate returns. Free electronic filing is offered by IRS authorized *e-file* providers at many of the VITA/TCE locations nationwide. Volunteers will help you with claiming the credits and deductions you may be entitled to. If you are a member of the military, you can also get assistance on military tax benefits, such as combat zone tax benefits, at an office within your installation. For more information on these programs, go to www.irs.gov and enter keyword "VITA" in the upper right corner. Or, call us at 1-800-829-1040. To find the nearest AARP Tax-Aide site, visit AARP's

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

When you go for help, take proof of identity and social security numbers (or individual taxpayer identification numbers) for your spouse, your dependents, and yourself. Take a copy of your 2007 tax return (if available), all your Forms W-2, 1099, and 1098 for 2008, and any other information about your 2008 income and expenses. Also bring Notice 1378 if you received an economic stimulus payment during 2008.

Everyday Tax Solutions

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

Online Services

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

Help for People With Disabilities

Telephone help is available using TTY/TDD equipment by calling 1-800-829-4059. Braille materials are available at libraries that have special services for people with disabilities.

Interest and Penalties

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

If you include interest or penalties (other than the estimated tax penalty) with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. Do not include interest or penalties (other than the estimated tax penalty) in the amount you owe on line 75.

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, substantial understatements of tax, and reportable transaction understatements. 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% of the tax due. The penalty is 15% per month, up to a maximum of 75%, if the failure to file is fraudulent. If your return is more than 60 days late, the minimum penalty will be \$135 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 \$5,000 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. For a list of positions identified as frivolous, see Notice 2008-14, 2008-4 I.R.B. 310, available at www.irs.gov/irb/2008-04_IRB/ar12.html.

Other. Other penalties can be imposed for negligence, substantial understatement of tax, reportable transaction understatements, filing an erroneous refund claim, 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.

Refund Information

where's my refund?

You can go online to check the status of your refund 72 hours after IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after you mail a paper return. But if you filed Form 8379 with your return, allow 14 weeks (11 weeks if you filed electronically) before checking your refund status.



Go to www.irs.gov and click on *Where's My Refund*. Have a copy of your tax return handy. You will need to provide the following information from your return:

- Your social security number (or individual taxpayer identification number),
- Your filing status, and
- The exact whole dollar amount of your refund.



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

If you do not have Internet access, call:

- 1-800-829-1954 during the hours shown on page 86, or
- 1-800-829-4477 24 hours a day, 7 days a week, for automated refund information.

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

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

Refund information also is available in Spanish at www.irs.gov/espanol and the phone numbers listed above.

What Is TeleTax?

Recorded Tax Information

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

Topics by Internet

TeleTax topics are also available through the IRS website at www.irs.gov.

TeleTax Topics

All topics are available in Spanish.

Topic No.	Subject
IRS Help Available	
101	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Tax help for small businesses and the self-employed
104	Taxpayer Advocate Service—Help for problem situations
105	Armed Forces tax information
107	Tax relief in disaster situations
IRS Procedures	
151	Your appeal rights
152	Refund information
153	What to do if you haven't filed your tax return

Topic No.	Subject
154	Forms W-2 and Form 1099-R—What to do if not received
155	Forms and publications—How to order
156	Copy of your tax return—How to get one
157	Change of address—How to notify IRS
158	Ensuring proper credit of payments
159	Prior year(s) Form W-2—How to get a copy of
160	Form 1099-A (Acquisition or Abandonment of Secured Property) and Form 1099-C (Cancellation of Debt)
Collection	
201	The collection process
202	Tax payment options
203	Failure to pay child support and federal nontax and state income tax obligations
204	Offers in compromise

Topic No.	Subject
205	Innocent spouse relief (and separation of liability and equitable relief)
206	Dishonored payments
Alternative Filing Methods	
253	Substitute tax forms
254	How to choose a paid tax preparer
General Information	
301	When, where, and how to file
303	Checklist of common errors when preparing your tax return
304	Extension 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)

TeleTax Topics

(Continued)

Topic No.	Subject
	Filing Requirements, Filing Status, and Exemptions
352	Which form—1040, 1040A, or 1040EZ?
356	Decedents
	Types of Income
401	Wages and salaries
403	Interest received
404	Dividends
407	Business income
409	Capital gains and losses
410	Pensions and annuities
411	Pensions—The general rule and the simplified method
412	Lump-sum distributions
413	Rollovers from retirement plans
414	Rental income and expenses
415	Renting residential and vacation property
416	Farming and fishing income
417	Earnings for clergy
418	Unemployment compensation
419	Gambling income and expenses
420	Bartering income
421	Scholarship and fellowship grants
423	Social security and equivalent railroad retirement benefits
424	401(k) plans
425	Passive activities—Losses and credits
427	Stock options
429	Traders in securities (information for Form 1040 filers)
430	Exchange of policyholder interest for stock
431	Canceled debt - is it taxable or not?
	Adjustments to Income
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
455	Moving expenses
456	Student loan interest deduction
457	Tuition and fees deduction
458	Educator expense deduction
	Itemized Deductions
501	Should I itemize?
502	Medical and dental expenses

Topic No.	Subject
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty and theft losses
508	Miscellaneous expenses
509	Business use of home
510	Business use of car
511	Business travel expenses
512	Business entertainment expenses
513	Educational expenses
514	Employee business expenses
515	Casualty, disaster, and theft losses
	Tax Computation
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
556	Alternative minimum tax
557	Tax on early distributions from traditional and Roth IRAs
558	Tax on early distributions from retirement plans
	Tax Credits
601	Earned income credit (EIC)
602	Child and dependent care credit
607	Adoption credit
608	Excess social security and RRTA tax withheld
610	Retirement savings contributions credit
611	First-time homebuyer credit
	IRS Notices
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills, penalties, and interest charges
	Basis of Assets, Depreciation, and Sale of Assets
701	Sale of your home
703	Basis of assets
704	Depreciation
705	Installment sales
	Employer Tax Information
751	Social security and Medicare withholding rates
752	Form W-2—Where, when, and how to file

Topic No.	Subject
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit
755	Employer identification number (EIN)—How to apply
756	Employment taxes for household employees
757	Forms 941 and 944—Deposit requirements
758	Form 941—Employer's Quarterly Federal Tax Return and Form 944—Employer's Annual Federal Tax Return
761	Tips—Withholding and reporting
762	Independent contractor vs. employee
	Magnetic Media Filers—1099 Series and Related Information Returns
801	Who must file magnetically
802	Applications, forms, and information
803	Waivers and extensions
804	Test files and combined federal and state filing
805	Electronic filing of information returns
	Tax Information for Aliens and U.S. Citizens Living Abroad
851	Resident and nonresident aliens
856	Foreign tax credit
857	Individual taxpayer identification number (ITIN)—Form W-7
858	Alien tax clearance
	Tax Information for Residents of Puerto Rico (in Spanish only)
901	Is a person with income from Puerto Rican sources required to file a U.S. federal income tax return?
902	Credits and deductions for taxpayers with Puerto Rican source income that is exempt from U.S. tax
903	Federal employment tax in Puerto Rico
904	Tax assistance for residents of Puerto Rico

Topic numbers are effective January 1, 2009.

Calling the IRS

If you cannot find the answer to your question in these instructions or online, please call us for assistance. See *Making the Call* below. You will not be charged for the call unless your phone company charges you for toll-free calls. Our normal hours of operation are Monday through Friday from 7:00 a.m. to 10:00 p.m. local time. 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 2008 refund, see Refund Information on page 84.

Before You Call

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

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

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

- Your social security number.
- The amount of refund and filing status shown on your tax return.
- The “Caller ID Number” shown at the top of any notice you received.

- Your personal identification number (PIN) if you have one.
- Your date of birth.
- The numbers in your street address.
- Your ZIP code.

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

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

Making the Call

Call 1-800-829-1040 (hearing impaired customers with access to TTY/TDD equip-

ment may call 1-800-829-4059). Our menu allows you to speak your responses or use your keypad to select a menu option. After receiving your menu selection, the system will direct your call to the appropriate assistance.

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.

Quick and Easy Access to Tax Help and Tax Products



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



Internet

You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov.

Online services and help. Go to www.irs.gov to:

-  Access Free File, a free commercial income tax preparation and electronic filing service available to taxpayers with adjusted gross income of \$56,000 or less.
- Check the status of your 2008 refund. Click on “Where’s My Refund.”
- See answers to many questions. Click on “Frequently Asked Questions.”
- Figure your withholding allowances using our Withholding Calculator at www.irs.gov/individuals.
- Sign up for e-News Subscriptions to get the latest tax news on a variety of topics by email.
- Get disaster relief information. Enter keyword “Disaster.”
- Safeguard your privacy. Enter keyword “Privacy Policy.”
- Find an Authorized *e-file* Provider.
- View information on accessible IRS tax products. Click on “Accessibility.”

View and download products. Click on “More Forms and Publications” or go to www.irs.gov/formspubs.

- For forms and instructions, click on “Form and Instruction number.”
- For publications, click on “Publication number.”
- For a subject index to forms, instructions, and publications, click on “Topical index.”
- For prior year forms, instructions, and publications, click on “Previous years.”

Online ordering of products. To order tax products delivered by mail, go to www.irs.gov/formspubs.

- For current year products, click on “Forms and publications by U.S. mail.”
- For a tax booklet of forms and instructions, click on “Tax packages.”
- For tax products on a DVD, click on “Tax products on DVD (Pub. 1796).” See *DVD* on this page.



Phone

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

Tax help and questions. Call 1-800-829-1040.

Hearing Impaired TTY/TDD. Call 1-800-829-4059.

TeleTax information - 24 hour tax information. Call 1-800-829-4477. See pages 84 and 85 for topic numbers and details.

Refund hotline. Call 1-800-829-1954.

National Taxpayer Advocate helpline. Call 1-877-777-4778.



Walk-In

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

have reproducible tax products available to photocopy or print from a DVD.



Mail

You can order forms, instructions, and publications by completing the order blank on page 90. You should receive your order within 10 days after we receive your request.



DVD

Buy IRS Publication 1796 (IRS Tax Products DVD) for \$30. Price is subject to change. There may be a handling fee. The DVD includes current-year and prior-year forms, instructions, and publications; Internal Revenue Bulletins;

and toll-free and email technical support. The DVD is released twice during the year. The first release will ship early January 2009 and the final release will ship early March 2009.

Internet. Buy the DVD from:

- National Technical Information Service (NTIS) at www.irs.gov/cdorders
- Government Printing Office (GPO) at <http://bookstore.gpo.gov> (search for Pub. 1796)

Telephone. Buy the DVD from:

- NTIS at 1-877-233-6767
- GPO at 1-866-512-1800

Other ways to get help. See page 83 for information.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

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

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

Our legal right to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a), and their regulations. They say that you must file a return or statement with us for any tax you are liable for. Your response is mandatory under these sections. Code section 6109 requires you to provide your social security number or other identifying number. 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, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

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

We Welcome Comments on Forms

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.

If you have suggestions for making these forms simpler, we would be happy to hear from you. You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Enter "Forms Comment" on the subject line. Or you can write to Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send your return to this address. Instead, see the back cover.

Estimates of Taxpayer Burden

The table below shows burden estimates by form type and type of taxpayer. Time burden is further broken out by taxpayer activity. The largest component of time burden for all taxpayers is recordkeeping, as opposed to form completion and submission. In addition, the time burden associated with form completion and submission activities is closely tied to preparation method (self-prepared without software, self-prepared with software, and prepared by paid preparer).

Time spent and out-of-pocket costs are estimated separately. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples of out-of-pocket costs include tax return preparation and submission fees, postage, tax prepara-

tion software costs, photocopying costs, and phone calls (if not toll-free).

Both time and cost burdens are national averages and do not necessarily reflect a "typical" case. For instance, the average time burden for all taxpayers filing a 1040, 1040A, or 1040EZ was 26.4 hours, with an average cost of \$209 per return. This average includes all associated forms and schedules, across all preparation methods and all taxpayer activities. Taxpayers filing Form 1040 had an average burden of about 33 hours, and taxpayers filing Form 1040A and Form 1040EZ averaged about 11 hours. However, within each of these estimates, there is significant variation in taxpayer activity. Similarly, tax preparation fees vary extensively depending on the taxpayer's tax situation and issues, the type of professional preparer, and the geographic area.

The data shown are the best forward-looking estimates available as of November 4, 2008, for income tax returns filed for 2008. The method used to estimate taxpayer burden incorporates results from a taxpayer burden survey conducted in 2000 and 2001. The estimates are subject to change as new data becomes available. The estimates do not include burden associated with post-filing activities. However, operational IRS data indicates that electronically prepared and e-filed returns have fewer errors, implying a lower overall post-filing burden.

If you have comments concerning the time and cost estimates below, you can contact us at either one of the addresses shown under *Welcome Comments on Forms* on page 88.

Estimated Average Taxpayer Burden for Individuals by Activity

The average time and costs required to complete and file Form 1040, Form 1040A, Form 1040EZ, their schedules, and accompanying forms will vary depending on individual circumstances. The estimated averages are:

Major Form Filed or Type of Taxpayer	Percentage of Returns	Average Time Burden (Hours)						Average Cost (Dollars)
		Total Time	Record Keeping	Tax Planning	Form Completion	Form Submission	All Other	
All taxpayers	100	26.4	15.1	4.6	3.4	0.6	2.8	\$209
Major forms filed								
1040	71	32.7	19.3	5.7	3.7	0.6	3.4	264
1040A & 1040EZ	29	10.6	4.5	1.8	2.6	0.5	1.4	73
Type of taxpayer								
Nonbusiness*	72	14.2	5.8	3.3	3.0	0.5	1.7	114
Business*	28	57.1	38.5	8.0	4.2	0.7	5.7	447

* You are a "business" filer if you file one or more of the following with Form 1040: Schedule C, C-EZ, E, or F or Form 2106 or 2106-EZ. You are a "nonbusiness" filer if you did not file any of those schedules or forms with Form 1040.

Order Form for Forms and Publications

The most frequently ordered forms and publications are listed on the order form below. You will receive two copies of each form, one copy of the instructions, 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, go to www.irs.gov/formspubs.

How To Use the Order Form

Circle the items you need on the order form 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 to ensure delivery of your order. Enclose the order form in an envelope and mail it to the IRS address shown on this page. You should receive your order within 10 days after receipt of your request.

Do not send your tax return to the address shown on this page. Instead, see the back cover.

Mail Your Order Form To:

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

▲ *Cut here* ▲

Save Money and Time by Going Online!

Download or order these and other tax products at www.irs.gov/formspubs

Order Form

Please Print

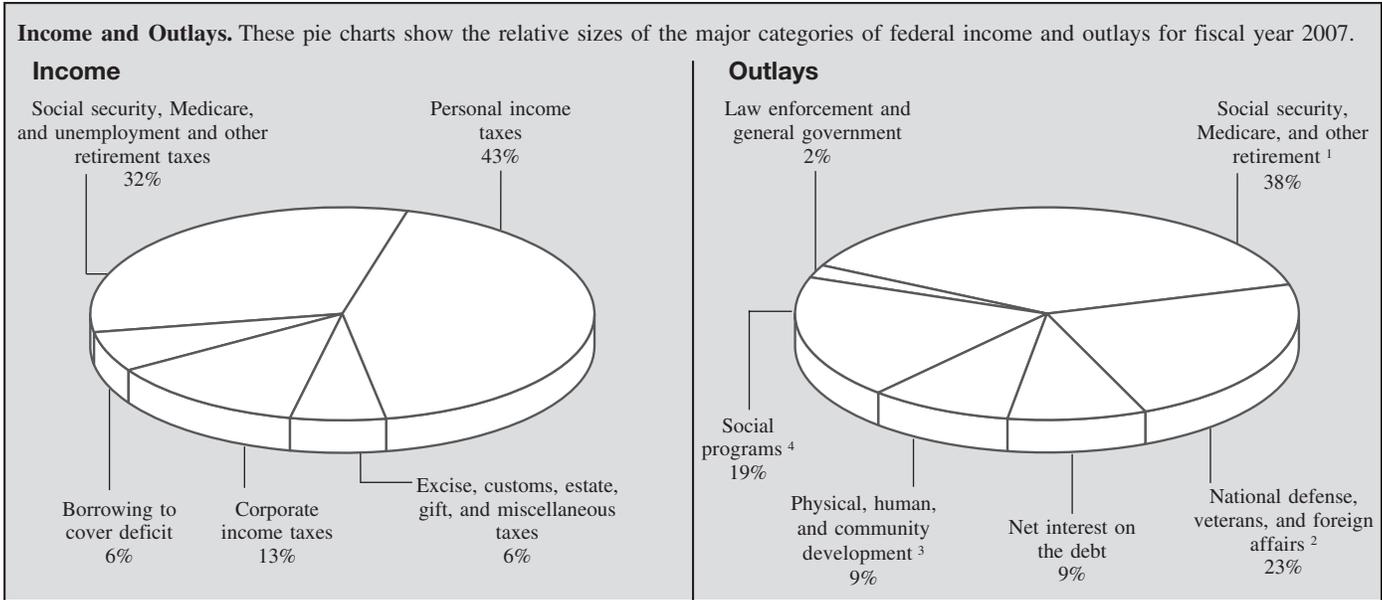
Name							
Postal mailing address						Apt./Suite/Room	
City			State		ZIP code		
Foreign country						International postal code	
Daytime phone number							
()							

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

Use the **blank spaces** to order items not listed.

1040	Schedule H (1040)	1040-ES (2009)	4868	8917	Pub. 523	Pub. 554	Pub. 946
Schedules A&B (1040)	Schedule J (1040)	1040-V	5405	9465	Pub. 525	Pub. 575	Pub. 970
Schedule C (1040)	Schedule R (1040)	1040X	6251	Pub. 1	Pub. 526	Pub. 583	Pub. 972
Schedule C-EZ (1040)	Schedule SE (1040)	2106	8283	Pub. 17	Pub. 527	Pub. 587	Pub. 4681
Schedule D (1040)	1040A	2441	8606	Pub. 334	Pub. 529	Pub. 590	
Schedule D-1 (1040)	Schedule 1 (1040A)	4506	8812	Pub. 463	Pub. 535	Pub. 596	
Schedule E (1040)	Schedule 2 (1040A)	4506-T	8822	Pub. 501	Pub. 547	Pub. 910	
Schedule EIC (1040A or 1040)	Schedule 3 (1040A)	4562	8829	Pub. 502	Pub. 550	Pub. 915	
Schedule F (1040)	1040EZ	4684	8863	Pub. 505	Pub. 551	Pub. 919	

Major Categories of Federal Income and Outlays for Fiscal Year 2007



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 2007 (which began on October 1, 2006, and ended on September 30, 2007), federal income was \$2.568 trillion

and outlays were \$2.730 trillion, leaving a deficit of \$0.162 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 20% of outlays were to equip, modernize, and pay our armed forces and to fund the Global War on Terrorism and other national defense activities; about 3% were for veterans benefits and services; and about 1% were for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

3. Physical, human, and community development: These outlays were for agriculture; natural resources; environment; transportation; aid for elementary and secondary education and direct assistance to college students; job training; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

4. Social programs: About 13% of total outlays were for Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs; and the remaining outlays were for health research and public health programs, unemployment compensation, assisted housing, and social services.

Note. The percentages on this page exclude undistributed offsetting receipts, which were \$68 billion in fiscal year 2007. 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.

2008 Tax Rate Schedules



The Tax Rate Schedules are shown so you can see the tax rate that applies to all levels of taxable income. Do not use them to figure your tax. Instead, see the instructions for line 44 that begin on page 36.

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

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$8,025	----- 10%	\$0
8,025	32,550	\$802.50 + 15%	8,025
32,550	78,850	4,481.25 + 25%	32,550
78,850	164,550	16,056.25 + 28%	78,850
164,550	357,700	40,052.25 + 33%	164,550
357,700	-----	103,791.75 + 35%	357,700

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

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$16,050	----- 10%	\$0
16,050	65,100	\$1,605.00 + 15%	16,050
65,100	131,450	8,962.50 + 25%	65,100
131,450	200,300	25,550.00 + 28%	131,450
200,300	357,700	44,828.00 + 33%	200,300
357,700	-----	96,770.00 + 35%	357,700

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

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$8,025	----- 10%	\$0
8,025	32,550	\$802.50 + 15%	8,025
32,550	65,725	4,481.25 + 25%	32,550
65,725	100,150	12,775.00 + 28%	65,725
100,150	178,850	22,414.00 + 33%	100,150
178,850	-----	48,385.00 + 35%	178,850

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

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$11,450	----- 10%	\$0
11,450	43,650	\$1,145.00 + 15%	11,450
43,650	112,650	5,975.00 + 25%	43,650
112,650	182,400	23,225.00 + 28%	112,650
182,400	357,700	42,755.00 + 33%	182,400
357,700	-----	100,604.00 + 35%	357,700



2008 Instructions for Schedules A & B (Form 1040)

Instructions for Schedule A, Itemized Deductions

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

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

If you and your spouse paid expenses jointly and are filing separate returns for 2008, see Pub. 504 to figure the portion of joint expenses that you can claim as itemized deductions.



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

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Qualified contributions. Certain cash contributions you made for relief efforts in a Midwestern disaster area are not subject to the overall limitation on itemized deductions or the 50% adjusted gross income limitation. See Pub. 526 for more details.

Standard mileage rates. The 2008 rate for use of your vehicle to get medical care is 19 cents a mile (27 cents a mile after June 30, 2008). The 2008 rate for charitable use of your vehicle to provide relief related to a Midwestern disaster area is 36 cents a mile (41 cents a mile after June 30, 2008).

State and local general sales taxes. The option to deduct state and local general sales taxes instead of state and local income taxes was extended through 2009. See the instructions for line 5 that begin on page A-2.

Qualified mortgage insurance premiums. The deduction for qualified mortgage insurance premiums for mortgage insurance contracts issued after December 31, 2006, was extended through 2010. See the instructions for line 13 on page A-6.

Disaster area casualties and thefts. Special rules apply to casualty and theft losses that occurred in the Kansas disaster area, a Midwestern disaster area, or a federally declared disaster area. See the instructions for line 20 that begin on page A-8.

Qualified conservation contributions. The special deduction limit for qualified conservation contributions has been extended through 2009. See Pub. 526 for more details.

Medical and Dental Expenses

You can deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 38.

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



If you received a distribution from a health savings account or a medical savings account in 2008, see Pub. 969 to figure your deduction.

Examples of Medical and Dental Payments You Can Deduct

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

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see *Limit on long-term care premiums you can deduct* on page A-2. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29. You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form(s) W-2. If you are a retired public safety officer, you cannot deduct any premiums you paid to the extent they were paid for with a tax-free distribution from your retirement plan.



If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corpora-

tion pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2.

- 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.
- Diagnostic tests, such as a full-body scan, pregnancy test, or blood sugar test kit.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and housework, you can deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- The premiums you pay for Medicare Part D insurance.
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.

- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.

- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Do not deduct more than \$50 a night for each eligible person.

- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 19 cents a mile (27 cents a mile after June 30, 2008). Add parking and tolls to the amount you claim under either method.

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

Limit on long-term care premiums you can deduct. The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2008, of the person for whom the premiums were paid. See the chart below for details.

IF the person was, at the end of 2008, age . . .	THEN the most you can deduct is . . .
40 or under	\$ 310
41–50	\$ 580
51–60	\$ 1,150
61–70	\$ 3,080
71 or older	\$ 3,850

Examples of Medical and Dental Payments You Cannot Deduct

- 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.



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

- 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 48.
- Illegal operations or drugs.
- Imported drugs not approved by the U.S. Food and Drug Administration

(FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.

- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
- Funeral, burial, or cremation costs.

Line 1

Medical and Dental Expenses

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



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 29, reduce the premiums by the amount on line 29.

Note. If, during 2008, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA (ATAA) recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include:

- Any amounts you included on Form 8885, line 4,
- Any qualified health insurance premiums you paid to "U.S. Treasury — HCTC," or
- Any health coverage tax credit advance payments shown in box 1 of Form 1099-H.

Whose medical and dental expenses can you include? You can include medical and dental bills you paid for anyone who was one of the following either when the services were provided or when you paid for them.

- 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 for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return except that person received \$3,500 or more of gross income or filed a joint return.
- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2008 return.

Example. You provided over half of your mother's support but cannot claim her as a dependent because she received wages of \$3,500 in 2008. You can include on line

1 any medical and dental expenses you paid in 2008 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 2008 for medical or dental expenses you paid in 2008, reduce your 2008 expenses by this amount. If you received a reimbursement in 2008 for prior year medical or dental expenses, do not reduce your 2008 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See Pub. 502 for details on how to figure the amount to include.

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

Taxes You Paid

Taxes You Cannot Deduct

- Federal income and excise taxes.
- Social security, Medicare, federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 28 on page A-10.
- Certain state and local taxes, including: tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Line 5



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

State and Local Income Taxes

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

- State and local income taxes withheld from your salary during 2008. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.
- State and local income taxes paid in 2008 for a prior year, such as taxes paid

with your 2007 state or local income tax return. Do not include penalties or interest.

- State and local estimated tax payments made during 2008, including any part of a prior year refund that you chose to have credited to your 2008 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.

- Mandatory contributions to the Alaska, New Jersey, or Pennsylvania state unemployment fund.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2008, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2008. Instead, see the instructions for Form 1040, line 10.

State and Local General Sales Taxes

If you elect to deduct state and local general sales taxes, you **must** check **box b** on line 5. To figure your deduction, you can use either your actual expenses or the optional sales tax tables.

Actual Expenses

Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2008 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. If you paid sales tax on a motor vehicle at a rate higher than the general sales tax rate, you can deduct only the amount of tax that you would have paid at the general sales tax rate on that vehicle. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle. Do not include sales taxes paid on items used in your trade or business.



You must keep your actual receipts showing general sales taxes paid to use this method.

Refund of general sales taxes. If you received a refund of state or local general sales taxes in 2008 for amounts paid in 2008, reduce your **actual** 2008 state and local general sales taxes by this amount. If you received a refund of state or local general sales taxes in 2008 for prior year purchases, do not reduce your 2008 state and local general sales taxes by this amount. But if you deducted your **actual** state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form 1040, line 21. See *Recoveries* in Pub. 525 for details.

Optional Sales Tax Tables

Instead of using your actual expenses, you can use the tables on pages A-11 through A-13 to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, complete the worksheet on page A-4 or use the 2008 Sales Tax Deduction Calculator on the IRS website. To use the 2008 Sales Tax Deduction Calculator, go to www.irs.gov and enter "Sales tax deduction calculator" in the search box.



*If your filing status is married filing separately, both you and your spouse elect to deduct sales taxes, **and** your spouse elects to use the optional sales tax tables, you also must use the tables to figure your state and local general sales tax deduction.*

Instructions for Line 5b Worksheet

Line 1. If you lived in the same state for all of 2008, enter the applicable amount, based on your 2008 income and exemptions, from the optional state sales tax table for your state on page A-11 or A-12. Read down the "At least-But less than" columns for your state and find the line that includes your 2008 income. If married filing separately, do not include your spouse's income. Your 2008 income is the amount shown on your Form 1040, line 38, **plus** any nontaxable items, such as the following.

- Tax-exempt interest.
- Veterans' benefits.
- Nontaxable combat pay.
- Workers' compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions. Do not include rollovers.
- Public assistance payments.

The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one state? If you lived in more than one state during 2008, look up the table amount for each state using the above rules. If there is no table for your state, the table amount is considered to be zero. Multiply the table amount for each state you lived in by a fraction. The numerator of the fraction is the number of days you lived in the state during 2008 and the denominator is the total number of days in the year (366). Enter the total of the prorated table amounts for each state on line 1. However, if you also lived in a locality during 2008 that imposed a local general sales tax, do not enter the total on line 1. Instead, complete a separate worksheet for each state you lived in and enter the prorated amount for that state on line 1.

Example. You lived in State A from January 1 through August 31, 2008 (244 days), and in State B from September 1 through December 31, 2008 (122 days).

The table amount for State A is \$500. The table amount for State B is \$400. You would figure your state general sales tax as follows.

State A:	\$500 x 244/366 =	\$333
State B:	\$400 x 122/366 =	<u>133</u>
Total		= \$466

If none of the localities in which you lived during 2008 imposed a local general sales tax, enter \$466 on line 1 of your worksheet. Otherwise, complete a separate worksheet for State A and State B. Enter \$333 on line 1 of the State A worksheet and \$133 on line 1 of the State B worksheet.

Line 2. If you checked the "No" box, enter -0- on line 2, and go to line 3. If you checked the "Yes" box and lived in the same locality for all of 2008, enter the applicable amount, based on your 2008 income and exemptions, from the optional local sales tax table for your locality on page A-13. Read down the "At least-But less than" columns for your locality and find the line that includes your 2008 income. See the line 1 instructions on this page to figure your 2008 income. The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one locality? If you lived in more than one locality during 2008, look up the table amount for each locality using the above rules. If there is no table for your locality, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2008 and the denominator is the total number of days in the year (366). If you lived in more than one locality in the same state and the local general sales tax rate was the same for each locality, enter the total of the prorated table amounts for each locality in that state on line 2. Otherwise, complete a separate worksheet for lines 2 through 6 for each locality and enter each prorated table amount on line 2 of the applicable worksheet.

Example. You lived in Locality 1 from January 1 through August 31, 2008 (244 days), and in Locality 2 from September 1 through December 31, 2008 (122 days). The table amount for Locality 1 is \$100. The table amount for Locality 2 is \$150. You would figure the amount to enter on line 2 as follows. Note that this amount may not equal your local sales tax deduction, which is figured on line 6 of the worksheet.

Locality 1:	\$100 x 244/366 =	\$ 67
Locality 2:	\$150 x 122/366 =	<u> 50</u>
Total		= \$117

Line 3. If you lived in California, check the "No" box if your combined state and local general sales tax rate is 7.25%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 7.25%.

If you lived in Nevada, check the "No" box if your combined state and local general sales tax rate is 6.5%. Otherwise, check the "Yes" box and include on line 3 only

the part of the combined rate that is more than 6.5%.

What if your local general sales tax rate changed during 2008? If you checked the "Yes" box and your local general sales tax rate changed during 2008, figure the rate to enter on line 3 as follows. Multiply each tax rate for the period it was in effect by a fraction. The numerator of the fraction is the number of days the rate was in effect

during 2008 and the denominator is the total number of days in the year (366). Enter the total of the prorated tax rates on line 3.

Example. Locality 1 imposed a 1% local general sales tax from January 1 through September 30, 2008 (274 days). The rate increased to 1.75% for the period from October 1 through December 31, 2008 (92 days). You would enter "1.189" on line 3, figured as follows.

January 1 –		
September 30:	1.00 x 274/366 =	0.749
October 1 –		
December 31:	1.75 x 92/366 =	<u>0.440</u>
Total		= 1.189

What if you lived in more than one locality in the same state during 2008? Complete a separate worksheet for lines 2 through 6 for each locality in your state if you lived in more than one locality in the

State and Local General Sales Tax Deduction Worksheet—Line 5b

(See the *Instructions for Line 5b Worksheet* that begin on page A-3.)

Keep for Your Records



Before you begin: See the instructions for line 1 on page A-3 if:

- You lived in more than one state during 2008, or
- You had any **nontaxable** income in 2008.

1. Enter your **state** general sales taxes from the applicable table on page A-11 or A-12 (see page A-3 of the instructions) 1. \$

Next. If, for all of 2008, you lived only in Connecticut, the District of Columbia, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Jersey, Rhode Island, or West Virginia, skip lines 2 through 5, enter -0- on line 6, and go to line 7. Otherwise, go to line 2.

2. Did you live in Alaska, Arizona, Arkansas, California (Los Angeles County only), Colorado, Georgia, Illinois, Louisiana, Missouri, New York State, North Carolina, South Carolina, Tennessee, Utah, or Virginia in 2008?

No. Enter -0-

Yes. Enter your **local** general sales taxes from the applicable table on page A-13 (see page A-3 of the instructions) 2. \$

3. Did your locality impose a **local** general sales tax in 2008? Residents of California and Nevada see page A-3 of the instructions.

No. Skip lines 3 through 5, enter -0- on line 6, and go to line 7.

Yes. Enter your **local** general sales tax rate, but omit the percentage sign. For example, if your local general sales tax rate was 2.5%, enter 2.5. If your local general sales tax rate changed or you lived in more than one locality in the same state during 2008, see above. (If you do not know your local general sales tax rate, contact your local government.) 3.

4. Did you enter -0- on line 2 above?

No. Skip lines 4 and 5 and go to line 6.

Yes. Enter your **state** general sales tax rate (shown in the table heading for your state), but omit the percentage sign. For example, if your state general sales tax rate is 6%, enter 6.0 4.

5. Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places) 5.

6. Did you enter -0- on line 2 above?

No. Multiply line 2 by line 3

Yes. Multiply line 1 by line 5. If you lived in more than one locality in the same state during 2008, see the instructions above 6. \$

7. Enter your state and local general sales taxes paid on specified items, if any (see page A-5 of the instructions) 7. \$

8. **Deduction for general sales taxes.** Add lines 1, 6, and 7. Enter the result here and the total from all your state and local general sales tax deduction worksheets, if you completed more than one, on Schedule A, line 5. Be sure to check **box b** on that line 8. \$

same state during 2008 and either of the following applies.

- Each locality did not have the same local general sales tax rate.
- You lived in Los Angeles County, CA.

To figure the amount to enter on line 3 of the worksheet for each locality in which you lived (except a locality for which you used the table on page A-13 to figure your local general sales tax deduction), multiply the local general sales tax rate by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2008 and the denominator is the total number of days in the year (366).

Example. You lived in Locality 1 from January 1 through August 31, 2008 (244 days), and in Locality 2 from September 1 through December 31, 2008 (122 days). The local general sales tax rate for Locality 1 is 1%. The rate for Locality 2 is 1.75%. You would enter “0.667” on line 3 for the Locality 1 worksheet and “0.583” for the Locality 2 worksheet, figured as follows.

Locality 1:	$1.00 \times 244/366 =$	0.667
Locality 2:	$1.75 \times 122/366 =$	0.583

Line 6. If you lived in more than one locality in the same state during 2008, you should have completed line 1 only on the first worksheet for that state and separate worksheets for lines 2 through 6 for any other locality within that state in which you lived during 2008. If you checked the “Yes” box on line 6 of any of those worksheets, multiply line 5 of that worksheet by the amount that you entered on line 1 for that state on the first worksheet.

Line 7. Enter on line 7 any state and local general sales taxes paid on the following specified items. If you are completing more than one worksheet, include the total for line 7 on only one of the worksheets.

1. A motor vehicle (including a car, motorcycle, motor home, recreational vehicle, sport utility vehicle, truck, van, and off-road vehicle). Also include any state and local general sales taxes paid for a leased motor vehicle. If the state sales tax rate on these items is higher than the general sales tax rate, only include the amount of tax you would have paid at the general sales tax rate.

2. An aircraft or boat, if the tax rate was the same as the general sales tax rate.

3. A home (including a mobile home or prefabricated home) or substantial addition to or major renovation of a home, but only if the tax rate was the same as the general sales tax rate and any of the following applies.

a. Your state or locality imposes a general sales tax directly on the sale of a home or on the cost of a substantial addition or major renovation.

b. You purchased the materials to build a home or substantial addition or to perform a major renovation and paid the sales tax directly.

c. Under your state law, your contractor is considered your agent in the construction

of the home or substantial addition or the performance of a major renovation. The contract must state that the contractor is authorized to act in your name and must follow your directions on construction decisions. In this case, you will be considered to have purchased any items subject to a sales tax and to have paid the sales tax directly.

Do not include sales taxes paid on items used in your trade or business. If you received a refund of state or local general sales taxes in 2008, see *Refund of general sales taxes* on page A-3.

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 can 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 can deduct only the amount the mortgage company actually paid to the taxing authority in 2008.

If you sold your home in 2008, 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* below. 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 2008 of real estate taxes you paid in 2008, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2008 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 the state and local personal property taxes you paid, but only if the taxes were based on value alone and were imposed on a yearly basis.

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

Line 8 Other Taxes

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



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 47, 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 2008 that applies to any period after 2008, you can deduct only amounts that apply for 2008.

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 can be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

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

the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

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

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 2008. 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 2008. 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 under your social security number (SSN). 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 and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the interest was reported on Form 1098 under the other person's SSN, report your share of the interest on line 11 (as explained in the line 11 instructions below).

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



If you are claiming the mortgage interest credit (for holders of qualified mortgage credit certificates issued by state or local governmental units or agencies), subtract the amount shown on Form 8396, line 3, from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

Line 11

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

If you bought your home from the recipient, be sure to show that recipient's name, identifying number, and address on the dotted lines next to line 11. If the recipient is an individual, the identifying number is his or her social security number (SSN).

Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a \$50 penalty.

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

Line 12

Points Not Reported on Form 1098

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

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

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



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

Line 13

Qualified Mortgage Insurance Premiums

Enter the qualified mortgage insurance premiums you paid under a mortgage insurance contract issued after December 31, 2006, in connection with home acquisition debt that was secured by your first or second home. See *Prepaid mortgage insurance* on this page if you paid any premiums allocable to any period after 2008. Box 4 of Form 1098 may show the amount of premiums you paid in 2008. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid the premiums in connection with the loan, and the premiums were reported on Form 1098 under the other person's SSN, report your share of the premiums on line 13.

Qualified mortgage insurance is mortgage insurance provided by the Department of Veterans Affairs, the Federal Housing Administration, or the Rural Housing Service, and private mortgage insurance (as defined in section 2 of the Homeowners Protection Act of 1998 as in effect on December 20, 2006).

Mortgage insurance provided by the Department of Veterans Affairs and the Rural Housing Service is commonly known as a funding fee and guarantee fee respectively. These fees can be deducted fully in 2008 if the mortgage insurance contract was issued in 2008. Contact the mortgage insurance issuer to determine the deductible amount if it is not included in box 4 of Form 1098.

Prepaid mortgage insurance. If you paid premiums for qualified mortgage insurance that are allocable to periods after 2008, such premiums are treated as paid in the year to which they are allocated. No deduction is allowed for the unamortized balance if the mortgage is satisfied before its term. The two preceding sentences do not apply to qualified mortgage insurance provided by the Department of Veterans Affairs or the Rural Housing Service.

If, in 2007, you obtained a mortgage and paid qualified mortgage insurance premiums that are allocable to periods after 2007, you can allocate the premiums over the shorter of the stated term of the mortgage or 84 months, beginning with the month the insurance was obtained. See Pub. 936.

At the time these instructions went to print, additional guidance was not yet issued for mortgage insurance premiums that were paid in 2008, but allocable to periods after 2008. For more details, go to www.irs.gov, click on *More Forms and Publications*, and then on *What's Hot in forms and publications*, or see Pub. 553, *Highlights of 2008 Tax Changes*, available in early 2009.

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 1040, line 38, is more than \$109,000 (\$54,500 if married filing separately). If the amount on Form 1040, line 38, is more than \$100,000 (\$50,000 if married filing separately), your deduction is limited and you must use the worksheet on page A-7 to figure your deduction.

Line 14

Investment Interest

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

Complete and attach Form 4952 to figure your deduction.

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

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.
2. You have no other deductible investment expenses.
3. You have no disallowed investment interest expense from 2007.



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

For more details, see Pub. 550.

Gifts to Charity

You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals. Certain whaling captains may be able to deduct expenses paid in 2008 for Native Alaskan subsistence bowhead whale hunting activities. See Pub. 526 for details.

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

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See Pub. 78 for a list of most qualified organizations. You can access Pub. 78 on the IRS website at www.irs.gov under *Charities and Non-Profits* then *Contributors*.
- Call our Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500.

Examples of Qualified Charitable Organizations

- 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 earlier on this page.
- 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.

Contributions You Can Deduct

Contributions can be in cash, property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you can take the actual cost of gas and oil or 14 cents a mile. But, if the volunteer work was to provide relief related to a Midwestern disaster area, the amount is 36 cents a mile (41 cents a mile after June 30, 2008), see Pub. 4492-B for more details. Add parking and tolls to the

amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts from which you benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you can generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less or to certain items or benefits of token value. For details, see Pub. 526.

Example. You paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40. You can deduct only \$30.

Gifts of \$250 or more. You can deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in (1) and (2) below.

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

Qualified Mortgage Insurance Premiums Deduction Worksheet— Line 13

Keep for Your Records



Before you begin: ✓ See the instructions for line 13 on page A-6 to see if you must use this worksheet to figure your deduction.

1. Enter the total premiums you paid in 2008 for qualified mortgage insurance for a contract issued after December 31, 2006	1.	
2. Enter the amount from Form 1040, line 38	2.	
3. Enter \$100,000 (\$50,000 if married filing separately)	3.	
4. Is the amount on line 2 more than the amount on line 3? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 13. Do not complete the rest of this worksheet. <input type="checkbox"/> Yes. Subtract line 3 from line 2. If the result is not a multiple of \$1,000 (\$500 if married filing separately), increase it to the next multiple of \$1,000 (\$500 if married filing separately). For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000; or if married filing separately, increase \$425 to \$500, increase \$2,025 to \$2,500, etc.	4.	
5. Divide line 4 by \$10,000 (\$5,000 if married filing separately). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0	5.	
6. Multiply line 1 by line 5	6.	
7. Qualified mortgage insurance premiums deduction. Subtract line 6 from line 1. Enter the result here and on Schedule A, line 13	7.	

it does not have to describe or value the benefit.

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.



You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.

Limit on the amount you can deduct. See Pub. 526 to figure the amount of your deduction if any of the following applies.

1. Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 38.

2. Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 38.

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



The limit described in item (1) above does not apply to certain cash contributions paid for relief efforts in a Midwestern disaster area if you elect to treat those contributions as qualified contributions. See Pub. 526 for details.

Contributions You Cannot Deduct

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.

- Political contributions.

- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.

- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 28. See the instructions on page A-10 for details.

- Cost of tuition. But you may be able to deduct this expense on line 21 (see page A-9), or Form 1040, line 34, or take a credit for this expense (see Form 8863).

- Value of your time or services.

- Value of blood given to a blood bank.

- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

- Gifts to individuals and groups that are run for personal profit.

- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Israeli, and Mexican charities. See Pub. 526 for details.

- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See 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 16

Gifts by Cash or Check

Enter on line 16 the total gifts you made in cash or by check (including out-of-pocket expenses).

Recordkeeping. For any contribution made in cash, regardless of the amount, you must maintain as a record of the contribution a bank record (such as a canceled check or credit card statement) or a written record from the charity. The written record must include the name of the charity, date, and amount of the contribution. If you made contributions through payroll deduction, see Pub. 526 for information on the records you must keep. Do not attach the record to your tax return. Instead, keep it with your other tax records.

Line 17

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 you deduct more than \$500 for a contribution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. The organization may use Form 1098-C to provide the required information. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the

donated property. This amount is \$500 for certain contributions of clothing and household items (see below). See Form 8283 and its instructions for details.

Contributions of clothing and household items. A deduction for these contributions will be allowed only if the items are in good used condition or better. However, this rule does not apply to a contribution of any single item for which a deduction of more than \$500 is claimed and for which you include a qualified appraisal and Form 8283 with your tax return.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.

- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.

- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.

- Any conditions attached to the gift.



If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.

Line 18

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 20

Complete and attach Form 4684 to figure the amount of your loss to enter on line 20.

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 can 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 (reduced by the \$100 limit discussed in (1) above) is more than 10% of the amount on Form 1040, line 38.

Exceptions for certain disaster losses. Exceptions to the above limitations apply to losses in certain disaster areas.

Kansas disaster area. Casualty and theft losses that occurred in the Kansas disaster area after May 3, 2007, are not subject to the \$100 and 10% of adjusted gross income (AGI) limitations if the losses were attributable to the storms and tornadoes that began May 4, 2007. See Pub. 4492-A for more details.

Midwestern disaster areas. Casualty and theft losses that occurred in a Midwestern disaster area are not subject to the \$100 and 10% of AGI limitations if the losses were attributable to the severe storms, tornadoes or flooding. See Pub. 4492-B for more details.

Federally declared disaster areas. The 10% of AGI limitation does not apply to a casualty loss in a federally declared disaster.

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

Use Schedule A, line 23, 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 Certain Miscellaneous Deductions

You can deduct only the part of these expenses that exceeds 2% of the amount on Form 1040, line 38.

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

Examples of Expenses You Cannot Deduct

- Political contributions.
- Legal expenses for personal matters that do not produce taxable income.
- 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 employ-

ment 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.
- 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 21

Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your Form W-2 are not considered reimbursements.)

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

But you must fill in and attach Form 2106 if either (1) or (2) below 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 that you would otherwise report on line 21.



If you used your own vehicle, are using the standard mileage rate, and (2) above does not apply, you may be able to file Form 2106-EZ instead.

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted line next to line 21. If you need more space, attach a statement showing the type and amount of each expense. Enter the total of all these expenses on line 21.



Do not include on line 21 any educator expenses you deducted on Form 1040, line 23.

Examples of other expenses to include on line 21 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 84 of the Form 1040 instructions) or see Pub. 587.
- Certain educational expenses. For details, use TeleTax topic 513 (see page 84 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 34.



You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863 for details.

Line 22

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 23

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 23. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 23.

Examples of expenses to include on line 23 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see Pub. 529.
- Casualty and theft losses of property used in performing services as an employee from Form 4684, lines 38 and 44b, or Form 4797, line 18a.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Other Miscellaneous Deductions

Line 28

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 28. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 28.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses of income-producing property from Form 4684, lines 38 and 44b, or Form 4797, line 18a.
- Loss from other activities from Schedule K-1 (Form 1065-B), box 2.
- 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.

Form 1040, line 38, is over \$159,950 (\$79,975 if married filing separately).

For line 2 of the worksheet below, you will need to know the amount, if any, of your charitable contributions you elected to treat as qualified contributions for relief efforts in a Midwestern disaster area.

Line 30

If you elect to itemize for state tax or other purposes even though your itemized deductions are less than your standard deduction, check the box on line 30.

Total Itemized Deductions

Line 29

Use the worksheet below to figure the amount to enter on line 29 if the amount on

Itemized Deductions Worksheet—Line 29

Keep for Your Records



1. Enter the total of the amounts from Schedule A, lines 4, 9, 15, 19, 20, 27, and 28	1.	_____
2. Enter the total of the amounts from Schedule A, lines 4, 14, and 20, plus any gambling and casualty or theft losses included on line 28. Also include in the total any amount included on Schedule A, line 16, that you elected to treat as qualified contributions for relief efforts in a Midwestern disaster area	2.	_____
 <p>Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 28.</p>		
3. Is the amount on line 2 less than the amount on line 1? <input type="checkbox"/> No.  Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. <input type="checkbox"/> Yes. Subtract line 2 from line 1	3.	_____
4. Multiply line 3 by 80% (.80)	4.	_____
5. Enter the amount from Form 1040, line 38	5.	_____
6. Enter \$159,950 (\$79,975) if married filing separately)	6.	_____
7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> No.  Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. <input type="checkbox"/> Yes. Subtract line 6 from line 5	7.	_____
8. Multiply line 7 by 3% (.03)	8.	_____
9. Enter the smaller of line 4 or line 8	9.	_____
10. Divide line 9 by 1.5	10.	_____
11. Subtract line 10 from line 9	11.	_____
12. Total itemized deductions. Subtract line 11 from line 1. Enter the result here and on Schedule A, line 29	12.	_____

2008 Optional State and Certain Local Sales Tax Tables

Income	Exemptions						Exemptions						Exemptions						Exemptions						Exemptions					
	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5
At least	Alabama						Arizona						Arkansas						California ¹						Colorado					
But less than	4.0000%						5.6000%						6.0000%						7.2500%						2.9000%					
\$0	201	246	278	303	324	354	205	234	253	267	279	295	287	334	366	390	410	438	246	280	303	320	334	354	96	110	120	127	133	142
20,000	310	377	423	460	491	535	350	397	429	453	472	500	469	544	594	633	665	709	423	480	518	547	571	603	161	184	200	212	222	235
30,000	364	442	495	538	574	625	427	484	522	551	575	608	563	652	712	758	796	849	518	587	633	668	696	736	195	223	242	256	268	285
40,000	411	497	557	604	644	701	494	560	604	637	664	702	644	746	813	866	909	969	601	681	734	774	806	852	225	257	279	295	308	327
50,000	453	546	612	663	707	769	556	629	678	715	745	788	717	830	905	963	1010	1077	678	767	825	870	907	958	253	288	312	330	345	366
60,000	491	591	661	717	764	830	612	693	747	787	821	867	784	907	988	1051	1103	1175	748	846	910	960	1000	1056	278	317	343	363	379	402
70,000	527	634	708	767	817	888	667	754	812	856	892	942	848	979	1067	1135	1191	1269	815	922	991	1045	1088	1149	302	344	372	393	411	436
80,000	560	673	751	814	866	941	718	811	873	920	959	1012	907	1047	1141	1213	1272	1355	879	992	1067	1124	1171	1236	325	370	399	422	441	467
90,000	592	710	792	857	912	991	766	866	932	982	1023	1080	962	1111	1210	1287	1350	1437	939	1060	1140	1201	1251	1320	347	394	425	450	470	497
100,000	633	759	846	915	973	1056	831	938	1009	1063	1107	1169	1036	1196	1302	1384	1452	1546	1019	1150	1236	1302	1356	1430	375	426	460	486	507	537
120,000	690	825	919	994	1057	1146	920	1039	1117	1176	1225	1292	1138	1312	1429	1518	1592	1695	1131	1275	1370	1443	1502	1584	415	471	508	536	560	593
140,000	740	883	983	1062	1129	1224	1000	1128	1212	1276	1328	1401	1227	1414	1539	1635	1714	1825	1230	1386	1488	1567	1631	1720	450	510	550	581	606	641
160,000	790	941	1047	1131	1201	1301	1079	1217	1307	1376	1433	1511	1316	1516	1650	1752	1837	1955	1330	1497	1608	1692	1761	1856	485	550	592	625	652	690
180,000	835	994	1104	1192	1266	1371	1152	1298	1394	1467	1527	1610	1397	1609	1749	1858	1948	2072	1420	1599	1716	1805	1879	1980	517	586	631	666	694	734
200,000 or more	1060	1254	1390	1497	1587	1715	1522	1711	1836	1931	2008	2116	1801	2070	2250	2387	2501	2660	1885	2117	2269	2385	2481	2613	681	768	826	871	908	959

Income	Connecticut						District of Columbia						Florida						Georgia						Hawaii					
	6.0000%						2.5000%						6.0000%						4.0000%						9.0000%					
\$0	208	231	245	256	264	276	165	186	200	210	219	230	210	244	266	283	297	317	142	163	177	188	197	209	239	283	313	335	354	381
20,000	356	393	417	435	450	470	285	319	342	359	374	393	359	414	451	479	502	535	236	270	293	310	324	343	378	445	490	525	555	596
30,000	433	479	508	530	547	572	349	391	418	439	458	480	438	504	549	583	611	650	286	326	353	373	390	413	447	526	579	621	655	703
40,000	501	554	587	612	633	661	405	453	485	509	528	555	507	584	634	674	706	751	329	375	405	428	447	474	507	596	656	702	741	795
50,000	563	622	659	688	711	742	456	510	545	572	594	625	571	656	712	756	792	843	368	419	452	478	499	529	561	658	724	775	818	877
60,000	620	685	726	757	782	817	503	563	601	631	655	688	629	722	784	832	872	927	404	459	496	524	547	579	609	715	786	841	887	952
70,000	675	744	789	823	850	887	548	613	655	687	713	749	685	786	853	905	948	1008	438	498	537	567	592	627	655	768	844	904	953	1021
80,000	725	800	848	884	914	954	591	660	705	739	767	806	738	845	917	973	1019	1083	470	534	576	608	634	671	697	817	898	961	1013	1086
90,000	774	853	905	943	974	1017	631	705	753	789	819	860	788	902	979	1038	1086	1154	501	568	612	647	675	713	738	864	949	1015	1070	1147
100,000	838	924	979	1021	1055	1101	685	765	816	856	888	933	854	978	1060	1124	1176	1250	541	614	661	698	728	770	791	925	1016	1087	1145	1227
120,000	927	1022	1083	1129	1166	1217	760	848	905	948	984	1033	946	1082	1173	1243	1301	1381	597	676	728	768	801	847	863	1009	1108	1185	1248	1337
140,000	1005	1108	1174	1223	1264	1319	826	921	983	1030	1068	1121	1028	1175	1273	1348	1411	1498	647	732	788	831	866	915	926	1083	1188	1270	1337	1433
160,000	1084	1194	1265	1319	1362	1421	893	995	1061	1112	1153	1210	1110	1268	1373	1454	1521	1614	697	787	847	893	931	983	989	1155	1267	1354	1426	1527
180,000	1156	1273	1348	1405	1451	1514	954	1062	1133	1186	1230	1291	1185	1352	1464	1550	1621	1721	742	838	901	950	990	1045	1046	1221	1339	1430	1506	1613
200,000 or more	1518	1671	1769	1843	1903	1985	1264	1405	1496	1566	1623	1702	1567	1784	1928	2040	2131	2260	971	1094	1174	1236	1287	1358	1328	1546	1694	1808	1903	2035

Income	Idaho						Illinois						Indiana ³						Iowa ³						Kansas					
	6.0000%						6.2500%						6.7514%						5.5027%						5.3000%					
\$0	304	370	416	452	482	526	240	277	301	320	335	357	257	297	323	344	360	384	222	254	275	291	304	322	282	341	382	414	441	479
20,000	470	569	637	692	737	802	401	461	500	531	556	591	421	484	526	559	585	623	376	429	464	491	513	543	442	533	595	644	685	743
30,000	555	669	748	811	864	939	486	557	605	641	671	713	506	581	631	670	701	746	457	522	564	596	623	659	524	629	702	759	807	876
40,000	627	754	843	913	972	1056	560	641	695	737	771	819	580	665	722	766	802	852	528	602	651	688	718	760	593	711	793	857	911	988
50,000	691	831	927	1004	1068	1160	627	718	778	824	862	915	646	741	804	852	892	947	593	675	729	771	805	852	655	785	875	945	1004	1088
60,000	750	900	1004	1086	1155	1254	689	788	854	904	945	1003	707	810	879	931	974	1035	652	742	802	847	885	936	712	852	949	1025	1089	1179
70,000	806	966	1076	1164	1237	1342	748	855	926	980	1024	1087	765	876	950	1006	1053	1117	709	807	871	920	961	1017	765	915	1018	1100	1168	1265
80,000	857	1026	1143	1235	1313	1424	804	917	993	1051	1098	1165	819	937	1016	1076	1125	1194	761	866	935	988	1031	1091	814	973	1083	1169	1241	1344
90,000	906	1083	1206	1303	1385	1501	856	977	1057	1118	1169	1239	870	995	1078	1142	1194	1267	811	923	997	1053	1099	1163	861	1028	1144	1234	1310	1418
100,000	971	1159	1289	1392	1479	1602	926	1056	1142	1208	1262	1338	938	1072	1161	1229	1286	1364	878	999	1078	1139	1188	1257	923	1101	1223	1320	1401	1516
120,000	1059	1262	1403	1514	1607	1740	1023	1165	1259	1331	1391	1474	1032	1178	1275	1350	1411	1497	970	1103	1190	1257	1312	1388	1007	1200	1333	1437	1525	1650
140,000	1136	1352	1502	1620	1719	1860	1108	1261	1362	1440	1504	1593	1114	1271	1375	1455	1521	1613	1051	1195	1289	1361	1420	1502	1080	1286	1428	1540		

2008 Optional State and Certain Local Sales Tax Tables (Continued)

Income		Exemptions					Exemptions					Exemptions					Exemptions					Exemptions									
At least	But less than	1	2	3	4	Over 5	1	2	3	4	Over 5	1	2	3	4	Over 5	1	2	3	4	Over 5	1	2	3	4	Over 5	1	2	3	4	Over 5
		Nevada² 6.5000%					New Jersey⁴ 7.0000%					New Mexico 5.0000%					New York 4.0000%					North Carolina³ 4.3128%									
\$0	\$20,000	238	270	290	306	319	337	239	266	283	296	306	321	221	249	266	280	291	306	140	156	166	173	180	188	197	230	253	270	285	305
20,000	30,000	401	453	487	513	535	564	410	455	484	505	523	547	370	415	445	467	485	510	239	265	282	295	306	320	319	372	408	435	458	490
30,000	40,000	487	550	591	622	648	683	502	555	590	616	638	667	448	503	538	564	586	616	292	324	344	360	372	390	382	445	487	520	547	585
40,000	50,000	563	635	682	717	747	787	581	643	683	714	738	772	516	578	619	649	674	708	338	375	398	416	431	451	436	508	556	593	623	666
50,000	60,000	632	712	764	804	836	881	654	724	768	802	830	867	577	647	692	726	754	792	380	421	447	467	484	506	485	564	617	658	692	739
60,000	70,000	695	783	840	883	919	968	721	798	847	884	914	955	634	710	760	797	827	869	419	464	493	515	533	557	530	616	673	718	755	806
70,000	80,000	756	850	912	959	997	1051	786	868	922	962	995	1039	688	770	823	864	896	942	456	505	536	560	579	606	573	665	727	774	814	869
80,000	90,000	813	914	980	1030	1071	1128	846	934	992	1035	1070	1118	738	826	883	926	961	1009	490	543	577	602	623	651	612	710	776	827	869	928
90,000	100,000	867	974	1044	1097	1141	1201	903	998	1058	1104	1142	1193	785	879	940	986	1023	1074	523	579	615	642	664	695	650	753	823	877	921	983
100,000	120,000	938	1054	1129	1187	1234	1299	979	1081	1147	1197	1237	1292	848	950	1015	1064	1104	1159	567	627	666	696	719	752	699	810	885	942	990	1057
120,000	140,000	1038	1165	1247	1311	1362	1433	1085	1197	1270	1325	1369	1430	936	1047	1118	1173	1217	1277	628	694	737	770	796	832	768	889	970	1033	1084	1157
140,000	160,000	1126	1262	1352	1420	1475	1552	1178	1300	1378	1438	1486	1552	1012	1132	1201	1268	1316	1381	682	754	800	835	863	902	827	957	1044	1112	1167	1245
160,000	180,000	1214	1361	1456	1529	1589	1671	1272	1403	1487	1551	1603	1674	1089	1218	1301	1363	1414	1485	736	813	863	900	931	973	887	1026	1110	1190	1250	1333
180,000	200,000	1295	1450	1552	1629	1692	1779	1357	1497	1586	1654	1709	1785	1159	1295	1383	1450	1504	1579	785	867	920	960	992	1037	941	1088	1186	1262	1324	1412
200,000 or more		1704	1904	2035	2134	2216	2328	1792	1973	2090	2178	2250	2348	1510	1686	1800	1886	1956	2052	1034	1141	1210	1262	1304	1362	1213	1398	1522	1618	1697	1808
Income		North Dakota 5.0000%					Ohio 5.5000%					Oklahoma 4.5000%					Pennsylvania 6.0000%					Rhode Island 7.0000%									
\$0	\$20,000	180	207	224	238	250	266	214	242	260	273	284	299	225	269	299	323	343	372	195	219	235	247	257	270	230	259	279	293	305	322
20,000	30,000	305	348	377	400	419	445	363	409	438	460	479	504	360	428	475	512	543	587	331	371	397	416	432	455	376	423	453	476	495	522
30,000	40,000	372	423	458	485	507	539	442	497	532	559	581	612	430	510	565	608	645	696	403	451	482	506	525	552	452	507	543	570	593	624
40,000	50,000	430	489	528	559	585	621	511	574	614	645	671	705	490	580	642	691	732	790	466	520	556	584	606	637	518	580	621	652	677	712
50,000	60,000	483	548	592	627	655	695	573	643	689	724	752	791	544	643	711	765	810	874	523	584	624	654	679	713	577	646	691	725	753	792
60,000	70,000	531	603	651	689	720	763	631	708	758	796	826	869	594	700	774	832	881	950	576	642	686	719	747	781	632	706	755	792	823	865
70,000	80,000	578	655	707	748	781	828	686	769	823	864	898	944	641	755	834	896	948	1022	626	698	745	781	811	851	683	763	816	856	888	934
80,000	90,000	622	704	760	803	839	889	738	826	884	928	964	1013	685	805	889	955	1010	1088	673	750	801	839	871	914	731	816	872	915	950	998
90,000	100,000	663	751	810	856	893	946	787	881	943	989	1027	1080	726	853	941	1011	1069	1151	718	800	854	895	928	974	777	867	926	971	1008	1059
100,000	120,000	719	813	876	925	966	1023	852	954	1020	1070	1111	1168	781	916	1010	1084	1146	1234	777	866	924	968	1004	1054	837	934	997	1045	1084	1139
120,000	140,000	795	898	968	1022	1066	1129	942	1054	1127	1182	1227	1290	856	1003	1105	1185	1253	1348	859	957	1021	1069	1109	1163	920	1026	1094	1147	1190	1249
140,000	160,000	863	974	1049	1107	1155	1222	1021	1143	1221	1281	1330	1397	922	1079	1188	1274	1346	1448	932	1037	1106	1158	1201	1260	994	1106	1180	1236	1282	1346
160,000	180,000	931	1050	1130	1192	1244	1316	1101	1231	1316	1380	1432	1504	988	1155	1271	1362	1438	1547	1005	1118	1192	1248	1294	1357	1067	1187	1265	1325	1374	1442
180,000	200,000	993	1119	1204	1272	1324	1400	1174	1312	1402	1470	1526	1602	1048	1224	1345	1441	1522	1636	1071	1191	1270	1329	1378	1445	1133	1260	1343	1406	1458	1530
200,000 or more		1309	1470	1579	1663	1733	1830	1542	1721	1838	1926	1998	2097	1349	1568	1719	1839	1939	2081	1408	1563	1664	1741	1804	1890	1466	1627	1732	1811	1877	1967
Income		South Carolina 6.0000%					South Dakota 4.0000%					Tennessee 7.0000%					Texas 6.2500%					Utah 4.6500%									
\$0	\$20,000	227	256	275	289	301	318	223	266	295	318	337	365	353	417	460	494	522	562	246	281	304	322	337	357	224	263	289	309	326	349
20,000	30,000	385	433	465	489	509	536	353	420	465	501	530	572	567	667	735	788	832	894	417	476	515	544	569	603	363	424	465	497	523	560
30,000	40,000	468	527	566	595	619	651	419	497	551	592	627	676	677	795	875	938	989	1062	507	578	625	661	691	732	434	507	555	593	624	667
40,000	50,000	541	609	653	687	714	752	476	564	624	671	710	765	772	905	996	1066	1125	1207	586	668	722	763	797	844	496	578	633	675	711	760
50,000	60,000	608	684	733	771	801	843	526	623	689	741	784	845	857	1005	1104	1182	1246	1336	657	749	809	856	894	946	552	642	703	750	789	843
60,000	70,000	669	752	806	848	881	927	573	678	749	805	851	917	935	1095	1203	1287	1357	1455	723	824	890	941	982	1040	603	701	767	818	860	919
70,000	80,000	727	818	876	921	957	1007	616	729	805	865	915	985	1009	1180	1296	1386	1461	1566	786	895	967	1022	1067	1129	651	756	827	882	927	991
80,000	90,000	782	879	942	989	1028	1082	657	776	857	920	973	1048	1078	1260	1383	1478	1558	1669	844	961	1038	1097	1146	1213	696	808	883	941	990	1057
90,000	100,000	834	937	1004	1055	1096	1153	695	821	906	973	1029	1107	1143	1335	1465	1566	1650	1767	900	1025	1107	1169	1221	1292	739	857	936	998	1049	1120
100,000	120,000	903	1014	1086	1141	1186	1247	745	879	971	1042	1101	1185	1229	1434	1573	1681	1770	1896	974	1109	1197	1265	1320	1397	795	922	1007	1073	1127	1203
120,000	140,000	999	1121	1201	1261	1310	1378	814	960	1059	1137	1201	1292	1347	1570	1721	1839	1936	2073	1077	1225	1322	1397	1458	1542	873	1011	1103	1175	1234	1318
140,000	160,000	1083	1215	1301	1367	1420	1493	874	1																						

Which Optional Local Sales Tax Table Should I Use?

IF you live in the state of...	AND you live in...	THEN use Local Table...
Alaska	Any locality	C
Arizona	Glendale, Mesa, Phoenix, or Tucson	A
	Chandler, Gilbert, Peoria, Scottsdale, Tempe, Yuma, or any other locality	C
Arkansas	Any locality	B
California	Los Angeles County	A
Colorado	Aurora, Fort Collins, Greeley, Jefferson County, Lakewood, or Longmont	B
	Arvada, City of Boulder, Thornton, or Westminster	C
	Adams County, Arapahoe County, Boulder County, Centennial, Colorado Springs, Denver City/Denver County, El Paso County, Larimer County, City of Pueblo, Pueblo County, or any other locality	A
Georgia	Any locality	B
Illinois	Any locality	A
Louisiana	Any other locality	B
	Ascension Parish, Bossier Parish, Caddo Parish, Calcasieu Parish, East Baton Rouge Parish, Iberia Parish, Jefferson Parish, Lafayette Parish, Lafourche Parish, Livingston Parish, Orleans Parish, Ouachita Parish, Rapides Parish, St. Bernard Parish, St. Landry Parish, St. Tammany Parish, Tangipahoa Parish, or Terrebonne Parish	C
Missouri	Saint Charles County or Saint Louis County	A
	Saint Louis City or any other locality	B
New York	New York City, or one of the following counties: Albany, Allegany, Cattaraugus, Cayuga, Chemung, Clinton, Cortland, Erie, Essex, Franklin, Fulton, Genesee, Herkimer, Jefferson, Lewis, Livingston, Monroe, Montgomery, Nassau, Niagara, Oneida, Onondaga, Ontario, Orange, Orleans, Oswego, Otsego, Putnam, Rensselaer, Rockland, St. Lawrence, Saratoga, Schenectady, Schoharie, Seneca, Steuben, Suffolk, Sullivan, Tompkins, Ulster, Warren, Washington, Westchester, Wyoming, or Yates	A
	Any other locality	D
North Carolina	Any locality	A
South Carolina	Cherokee, Chesterfield, Darlington, Jasper, Lee, or Lexington	A
	Any other locality	B
Tennessee	Any locality	B
Utah	Any locality	A
Virginia	Any locality	B

2008 Optional Local Sales Tax Tables for Certain Local Jurisdictions

(Based on a local sales tax rate of 1 percent)

Income At least	But less than	Local Table A					Local Table B					Local Table C					Local Table D								
		Exemptions					Exemptions					Exemptions					Exemptions								
		1	2	3	4	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	
\$0	\$20,000	37	42	46	49	52	55	48	57	64	69	74	80	54	65	72	77	82	89	35	39	42	43	45	47
20,000	30,000	60	69	75	80	84	90	75	89	99	107	114	123	85	101	112	121	128	138	60	66	71	74	77	80
30,000	40,000	72	83	90	96	101	107	88	105	117	126	134	145	101	120	132	142	151	162	73	81	86	90	93	98
40,000	50,000	83	95	103	110	115	122	100	119	132	143	151	164	114	135	150	161	170	183	85	94	100	104	108	113
50,000	60,000	92	106	115	122	128	136	111	132	146	157	167	180	127	150	165	178	188	202	95	105	112	117	121	127
60,000	70,000	101	116	126	134	140	149	120	143	158	170	181	195	138	163	179	193	204	219	105	116	123	129	133	139
70,000	80,000	109	126	136	144	151	161	129	153	170	183	194	209	148	175	193	207	219	235	114	126	134	140	145	152
80,000	90,000	117	134	146	155	162	172	138	163	181	194	206	222	158	186	205	220	233	250	123	136	144	151	156	163
90,000	100,000	125	143	155	164	172	182	146	172	191	205	217	235	167	197	217	233	246	264	131	145	154	161	166	174
100,000	120,000	135	154	167	177	185	196	156	185	204	220	232	251	179	211	232	249	263	283	142	157	167	174	180	188
120,000	140,000	148	169	183	194	203	216	170	201	222	239	253	273	195	230	253	271	286	308	157	174	184	193	199	208
140,000	160,000	160	183	198	210	219	233	183	216	238	256	271	292	210	246	271	291	307	330	171	189	200	209	216	226
160,000	180,000	172	196	212	225	235	249	196	230	254	273	289	311	224	263	290	310	327	352	184	203	216	225	233	243
180,000	200,000	183	209	226	239	250	265	207	244	269	288	305	328	237	278	306	328	346	371	196	217	230	240	248	259
200,000	or more	239	271	292	309	323	342	264	309	340	365	385	414	302	353	388	415	437	469	259	285	303	316	326	341

Instructions for Schedule B, Interest and Ordinary Dividends

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

- You had over \$1,500 of taxable interest.
- Any of the *Special Rules* listed in the instructions for line 1 apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You had over \$1,500 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You had a foreign account or you received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.



You can 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. Taxable interest should be shown on your Forms 1099-INT, Forms 1099-OID, or substitute statements. Include interest from series EE, H, HH, and I U.S. savings bonds. List each payer's name and show the amount. Do not report on this line any tax-exempt interest from box 8 or box 9 of Form 1099-INT. Instead, report the amount from box 8 on line 8b of Form 1040. If an amount is shown in box 9 of Form 1099-INT, you generally must report it on line 12 of Form 6251. See the instructions for Form 6251 for more details.

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 the Instructions for Forms 1099-INT and 1099-OID.

Accrued Interest

When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules earlier under *Nominees* to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

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 2008, you cashed series EE or I U.S. savings bonds issued after 1989 and

you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See Form 8815 for details.

Part II. Ordinary Dividends



You may have to file Form 5471 if, in 2008, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2008, you owned 10% or more of the total (a) value of a foreign corporation's stock, or (b) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions.

Line 5 Ordinary Dividends

Report on line 5 all of your ordinary dividends. This amount should be shown in box 1a of your Forms 1099-DIV or substitute statements. List each payer's name and show the amount.

Nominees

If you received a Form 1099-DIV that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.



If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV unless the owner is your spouse. You must also file a Form 1096 and a Form 1099-DIV with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and the Instructions for Form 1099-DIV.

Part III. Foreign Accounts and Trusts

Lines 7a and 7b Foreign Accounts

Line 7a

Check the “Yes” box on line 7a if either (1) or (2) below 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 2008 you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).



For line 7a, 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 \$10 million and 500 or more shareholders of record; the account was in your employer’s name; you did not have a personal financial interest in the account; and the corporation’s chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

See Form TD F 90-22.1 to find out if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get Form TD F 90-22.1 by visiting the IRS website at www.irs.gov/pub/irs-pdf/f90221.pdf.

If you checked the “Yes” box on line 7a, file Form TD F 90-22.1 by June 30, 2009, with the Department of the Treasury at the address shown on that form. Do not attach it to Form 1040.



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

Line 7b

If you checked the “Yes” box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

Line 8

Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See Form 3520 for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 2008, you may have to file Form 3520.

Do not attach Form 3520 to Form 1040. Instead, file it at the address shown in its instructions.

If you were treated as the owner of a foreign trust under the grantor trust rules, you are also responsible for ensuring that the foreign trust files Form 3520-A. Form 3520-A is due on March 16, 2009, for a calendar year trust. See the instructions for Form 3520-A for more details.



2008 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. 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, or Form 1040NR, line 21.

Also, use Schedule C to report (a) wages and expenses you had as a statutory employee, and (b) certain income shown on Form 1099-MISC, Miscellaneous Income. See the *Instructions for Recipients* (back of Copy B of Form 1099-MISC) for the types of income to report on Schedule C.

Small businesses and statutory employees with expenses of \$5,000 or less may be able to file Schedule C-EZ instead of Schedule C. See Schedule C-EZ for details.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Increasing research activities credit. The credit for increasing research activities has been modified and extended for amounts paid or incurred before January 1, 2010. See Form 6765 for details.

Section 179 deduction increased. For property placed in service during a tax year beginning in 2008, the limit for the section 179 deduction to expense certain depreciable business property has been increased to \$250,000. This limit will be reduced when the total cost of section 179 property placed in service during the tax year exceeds \$800,000.

Gulf Opportunity (GO) Zone property. In addition to the increase discussed in the above paragraph, the higher section 179 deduction has been extended for qualified section 179 GO Zone property placed in service in 2008. Substantially all of the use of this property must be in specified portions of the GO Zone.

Special depreciation allowance. For qualifying property acquired and placed in service in 2008, you may be able to take a depreciation deduction equal to 50% of the adjusted basis of the property. Qualifying property includes certain property with a recovery period of 20 years or less, certain computer software, water utility property, or qualified leasehold improvements. For information, see Pub. 946.

Indian employment credit has been extended. The Indian employment credit has been extended for qualified wages paid to an employee through December 31, 2009.

Special rules for contributing food inventory have been extended. These rules were due to expire at the end of 2007 but have been extended to contributions made in 2008 and 2009.

Deduction for qualified clean-up costs in the GO Zone has expired. This deduction was available for certain demolition and clean-up costs paid or incurred before January 1, 2008.

Increased expensing for qualified timber property in the GO Zone has expired. The increased expensing limit was available for reforestation expenditures amounts paid or incurred before January 1, 2008.

What's New—Disaster Areas

Kansas and Midwestern Disaster Areas

The following tax benefits are available for qualifying Schedule C filers in the Kansas and Midwestern disaster areas.

- Employee retention credit for employers.
- Deduction for qualified demolition and clean-up costs.
- Increased section 179 deduction for qualified property.
- Special depreciation allowance for qualified property.

For information about these benefits, see:

- Pub. 4492-A, Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes; and
- Pub. 4492-B, Information for Affected Taxpayers in the Midwestern Disaster Areas.

Special instructions for taxpayers affected by the May 4, 2007, Kansas storms and tornadoes. To claim a refund if you have already filed your 2007 tax return and have qualifying expenses for that year, file an amended return on Form 1040X, Amended U.S. Individual Income Tax Return, except as otherwise provided in Notice 2008-67. This notice is found on page 307 of Internal Revenue Bulletin 2008-32 at www.irs.gov/irb/2008-32_irb/ar14.html.

Other Federally Declared Disaster Areas

The following tax benefits are available for qualifying Schedule C filers affected by federally declared disasters occurring after December 31, 2007, and before January 1, 2010.

- Deduction for qualified demolition and clean-up costs (see Pub. 535).
- Increased section 179 deduction for qualified property (see Pub. 946).
- Special depreciation allowance for qualified property (see Pub. 946).

For a list of designated counties in federally declared disaster areas go to www.fema.gov/news/disasters.fema.

General Instructions

Other Schedules and Forms You May Have To File

- Schedule A to deduct interest, taxes, and casualty losses not related to your business.

- Schedule E to report rental real estate and royalty income or (loss) that is not subject to self-employment tax.

- Schedule F to report profit or (loss) from farming.

- Schedule J to figure your tax by averaging your farming or fishing income over the previous 3 years. Doing so may reduce your tax.

- Schedule SE to pay self-employment tax on income from any trade or business.

- Form 4562 to claim depreciation (including the special allowance) on assets placed in service in 2008, to claim amortization that began in 2008, to make an election under section 179 to expense certain property, or to report information on listed property.

- Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.

- Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.

- Form 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 8826 to claim a credit for expenditures to improve access to your business for individuals with disabilities.

- Form 8829 to claim expenses for business use of your home.

- Form 8903 to take a deduction for income from domestic production activities.

- Form 8910 to claim a credit for placing a new alternative motor vehicle in service for business use.

- Form 8911 to claim a credit for placing qualified alternative fuel vehicle refueling property in service for business use.

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

Heavy highway vehicle use tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a federal highway motor vehicle use tax. See the Instructions for Form 2290 to find out if you must pay 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 2008 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.

Husband-Wife Business

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

Exception—Qualified Joint Venture

If you and your spouse each materially participate (see *Material participation* on page C-3) as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make a joint election to be treated as a qualified joint venture instead of a partnership. By making the election, you will not be required to file Form 1065 for any year the election is in effect and will instead report the income and deductions directly on your joint return. If you and your spouse filed a Form 1065 for the year prior to the election, the partnership terminates at the end of the tax year immediately preceding the year the election takes effect.

Note. Mere joint ownership of property that is not a trade or business does not qualify for the election.

Making the election. To make this election, you must divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule C, C-EZ, or F. On each line of your separate Schedule C, C-EZ, or F, you must enter your share of the applicable income, deduction, or loss. Each of you must also file a separate Schedule SE to pay self-employment tax, as applicable.

If you have employees or otherwise need an employer identification number (EIN) for the business, see www.irs.gov, keyword “qualified joint venture,” for more information.

Once made, the election can be revoked only with the permission of the IRS. However, the election technically remains in effect only for as long as the spouses filing as a qualified joint venture continue to meet the requirements for filing the election. If the spouses fail to meet the qualified joint venture requirements for a year, a new election will be necessary for any future year in which the spouses meet the requirements to be treated as a qualified joint venture.

Rental real estate business. If you and your spouse make the election for your rental real estate business, you must each report your share of income and deductions on Schedule C or C-EZ instead of Schedule E. Rental real estate income generally is not included in net earnings from self-employment subject to self-employment tax and generally is subject to the passive loss limitation rules. Electing qualified joint venture

status and using the Schedule C or C-EZ does not alter the application of the self-employment tax or the passive loss limitation rules.

Exception—Community Income

If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. possession, the income and deductions are reported based on the following.

- If only one spouse participates in the business, all of the income from that business is the self-employment earnings of the spouse who carried on the business.

- If both spouses participate, the income and deductions are allocated to the spouses based on their distributive shares.

- If either or both you and your spouse are partners in a partnership, see Pub. 541.

- If you and your spouse elected to treat the business as a qualifying joint venture, see *Exception—Qualified Joint Venture* on this page.

The only states with community property laws are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. A change in your reporting position will be treated as a conversion of the entity.

Reportable Transaction Disclosure Statement

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

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

- Any transaction offered to you or a related party under conditions of confidentiality for which you paid an advisor a fee of at least \$50,000.

- Certain transactions for which you or a related party have contractual protection against disallowance of the tax benefits.

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

- Certain transactions of interest entered into after November 1, 2006, that are the same or substantially similar to one of the types of transactions that the IRS has identified by published guidance as a transaction of interest.

See the Instructions for Form 8886 for more details.

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 43, by the amount of the deduction. Next to line 43, enter "CCF" and the amount of the deduction. For details, see Pub. 595.

Additional Information

See Pub. 334 for more information for small businesses.

Specific Instructions

Filers of Form 1041. Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line D

You need an employer identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, see the Instructions for Form SS-4. If you do not have an EIN, leave line D blank. Do not enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

Generally, you can use the cash method, accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. Unless you are a qualifying taxpayer or a qualifying small business taxpayer (see the Part III instructions on page C-8), you must use the accrual method for sales and purchases of inventory items.

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 chapter 1 of Pub. 535.

If you use the accrual method, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year. Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See Pub. 538.

To change your accounting method, you generally must file Form 3115. You may also have to make an adjustment to prevent amounts of income or expense from being duplicated or omitted. This is called a section 481(a) adjustment.

Example. You change to the cash method of accounting and choose to account for inventoriable items in the same manner as materials and supplies that are not incidental. You accrued sales in 2007 for which you received payment in 2008. You must report those sales in both years as a result of changing your accounting method and must make a section 481(a) adjustment to prevent duplication of income.

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

For details on figuring section 481(a) adjustments, see the Instructions for Form 3115, and Rev. Proc. 2006-12, 2006-3 I.R.B. 310, available at www.irs.gov/irb/2006-03_IRB/ar14.html. Also see Rev. Proc. 2006-37, 2006-38 I.R.B. 499, available at www.irs.gov/irb/2006-38_IRB/ar10.html.

Line G

If your business activity was not a rental activity and you met any of the material participation tests, explained next, or the exception for oil and gas applies (explained on page C-4), 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-4. 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. For purposes of the seven material participation tests listed below, participation generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

- Studying and reviewing financial statements or reports on the activity,
- Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
- Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return. However, this does not apply if you and your spouse elect to have your business taxed as a qualified joint venture (see *Husband-Wife Business* on page C-2).

For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 2008 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 for more than 100 hours 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 property. Generally, a rental activity (such as long-term equipment leasing or rental real estate) is a passive activity even if you materially participated in the activity. However, if you materially participated in a rental real estate activity as a real estate professional, it is not a passive activity. Also, 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. See *Activities That Are Not Passive Activities* in the Instructions for Form 8582 for the definition of a real estate professional.

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 a working interest is not a passive activity, regardless of your participation.

Limit on losses. Your loss may be limited if:

- You checked the "No" box on line G, or
- You are a qualified joint venture reporting only rental real estate income, but not as a real estate professional. In these situations you may have a loss from a passive activity, and 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 2008, 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 2007 Schedule C or C-EZ for this business.

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes income from whatever source derived. In certain circumstances, however, gross income 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.

If you were a debtor in a chapter 11 bankruptcy case during 2008, see page 20 of the instructions for Form 1040 and page SE-2 of the instructions for Schedule SE (Form 1040).

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.

Qualified joint ventures reporting only rental real estate income. See the instructions under *Rental real estate business* on page C-2.

Installment sales. Generally, the installment method cannot be used to report income from the sale of (a) personal property regularly sold under the installment method, or (b) real property held for resale to customers. But the installment method can be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See section 453(1)(2)(B) for details. If you make

this election, include the interest in the total 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 2008 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), gasoline or fuel tax refunds you got in 2008, credit for biodiesel and renewable diesel fuels claimed on line 8 of Form 8864, credit for alcohol and cellulosic biofuel fuels claimed on line 12 of Form 6478, credit for federal tax paid on gasoline or other fuels claimed on your 2007 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 and clean-fuel vehicle refueling property used in your business. See Regulations section 1.179A-1 for details.

If the business use percentage of any listed property (defined in the instructions for line 13) dropped to 50% or less in 2008, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use Part IV of Form 4797 to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See Pub. 946 to figure the amount.

Part II. Expenses

Capitalizing costs of property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property generally must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property generally must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or

tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8 through 26 and Part V by amounts capitalized. See Pub. 538 for a discussion of uniform capitalization rules.

Exception for certain producers. Producers who account for inventoriable items in the same manner as materials and supplies that are not incidental can currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See *Part III. Cost of Goods Sold* on page C-8 for more details.

Exception for creative property. If you are a freelance 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 *Uniform Capitalization Rules* in Pub. 538.

Line 9

You can deduct the actual expenses of operating 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 five or more vehicles simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2008 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you take the standard mileage rate, multiply the number of business miles driven:

- Before July 1, 2008, by 50.5 cents, and
- After June 30, 2008, by 58.5 cents.

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

Do not deduct depreciation, rent or lease payments, or your actual operating expenses.

If you deduct actual expenses:

- Include on line 9 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

For details, see chapter 4 of Pub. 463.

Information on your vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

- Schedule C, Part IV, or Schedule C-EZ, Part III, if: (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated, and (b) you are not required to file Form 4562 for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Schedule C, Part IV, or Schedule C-EZ, Part III, for each additional vehicle.

- Form 4562, Part V, if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13).

Line 11

Enter the total cost of contract labor for the tax year. Contract labor includes payments to persons you do not treat as employees (for example, independent contractors) for services performed for your trade or business. Do not include contract labor deducted elsewhere on your return, such as contract labor that is includible on line 17, 21, 26, or 37. Also, do not include salaries and wages paid to your employees, instead see line 26.

You must file Form 1099-MISC, Miscellaneous Income, to report contract labor payments of \$600 or more during the year. See the Instructions for Form 1099-MISC for details.

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach Form T. See chapter 9 of 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 can also elect under section 179 to expense part or all of the cost of certain property you bought in 2008 for use in your business. See the Instructions for Form 4562 and Pub. 946 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 2008;
- Depreciation on listed property (defined below), regardless of the date it was placed in service; or
- A section 179 expense deduction.

If you acquired depreciable property for the first time in 2008, see Pub. 946.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less;
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.;
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment);
- Cellular telephones or other similar telecommunications equipment; and
- Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under section 280A(c)(1) for deducting expenses for the business use of your home.

See the instructions for line 6 on page C-4 if the business use percentage of any listed property dropped to 50% or less in 2008.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

You cannot deduct contributions you made on your behalf as a self-employed person for group-term life insurance.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan. However, you may be able to deduct on Form 1040, line 29, or Form 1040NR, line 28, 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 29, or Form 1040NR, line 28, for details.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost

earnings due to sickness or disability. For details, see chapter 6 of 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 chapter 4 of Pub. 535 for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see chapter 4 of Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

How to report. If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 2008 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 chapter 4 of 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 2008 that also applies to future years, deduct only the part that applies to 2008.

Line 17

Include on this line fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to operating your business.

Include fees for tax advice related to your business and for preparation of the tax forms related to your business. Also, include expenses incurred in resolving asserted tax deficiencies relating to your business.

For more information, see Pub. 334 or 535.

Line 18

Include on this line your expenses for office supplies and postage.

Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plan for the benefit of your employees. If the plan included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 28, or Form 1040NR, line 27, 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-EZ. File this form if you have a one-participant retirement plan that meets certain requirements. A one-participant plan is a plan that covers only you (or you and your spouse).

Form 5500. File this form for a plan that does not meet the requirements for filing Form 5500-EZ.

For details, see Pub. 560.

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the inclusion amount. See *Leasing a Car* in chapter 4 of Pub. 463 to figure this amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of incidental repairs and maintenance that do not add to the property's value or appreciably prolong its life. 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 materials and 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 materials and supplies on hand for which you kept no inventories or records of use, you can deduct the cost of those you actually purchased during the tax year, provided that method clearly reflects income.

You can also deduct the cost of books, professional instruments, equipment, etc., if you normally use them within a year. However, if their usefulness extends substantially beyond a year, you must generally recover their costs through depreciation.

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 chapter 8 of Pub. 535 for details.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Reduce your deduction by the amount shown on Form 8846, line 4.
- Federal unemployment tax paid.
- Federal highway use tax.
- Contributions to state unemployment insurance fund or disability benefit fund if they are considered taxes under state law.

Do not deduct the following.

- Federal income taxes, including your self-employment tax. However, you can deduct one-half of your self-employment tax on Form 1040, line 27.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.
- State and local sales taxes imposed on the buyer that you were required to collect and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.
- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business, regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or

any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for line 24b.

Instead of keeping records of your actual incidental expenses, you can use an optional method for deducting incidental expenses only if you did not pay or incur meal expenses on a day you were traveling away from your tax home. The amount of the deduction is \$3 a day. Incidental expenses include fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries. They do not include expenses for laundry, cleaning and pressing of clothing, lodging taxes, or the costs of telegrams or telephone calls. You cannot use this method on any day that you use the standard meal allowance (as explained in the instructions for line 24b).

You cannot deduct expenses for attending a convention, seminar, or similar meeting held outside the North American area unless the meeting 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 on travel expenses, see chapter 1 of Pub. 463.

Line 24b

Enter your total deductible business meal and entertainment expenses. This includes expenses for meals while traveling away from home for business and for meals that are business-related entertainment.

Deductible expenses. 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, chapters 1 and 2.

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

The standard meal allowance is the federal M&IE rate. You can find these rates on the Internet at www.gsa.gov. Click on "Per Diem Rates" for links to locations inside and outside the continental United States.

See chapter 1 of Pub. 463 for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel.

Amount of deduction. Generally, you can deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. However, for individuals subject to the Department of Transportation (DOT) hours of service limits, that percentage is increased to 80% 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.

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are under Federal Aviation Administration regulations.
- Interstate truck operators who are under DOT regulations.
- Certain merchant mariners who are under Coast Guard regulations.

However, you can fully deduct meals, incidentals, and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You can also fully deduct meals, incidentals, and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. See Pub. 535 for details and other exceptions.

Daycare providers. If you qualify as a family daycare provider, you can use the standard meal and snack rates, instead of actual costs, to compute the deductible cost of meals and snacks provided to eligible children. See Pub. 587 for details, including recordkeeping requirements.

Line 25

Deduct utility expenses only 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 any additional costs you incurred for business that are more than the base rate of the first phone line. For example, if you

had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 5884-A, Credits for Affected Midwestern Disaster Area Employers, lines 2 and 6;
- Form 8844, Empowerment Zone and Renewal Community Employment Credit, line 2;
- Form 8845, Indian Employment Credit, line 4; and
- Form 8861, Welfare-to-Work Credit, line 2.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

Generally, you are required to file Form W-2, Wage and Tax Statement, for each employee. See the Instructions for Forms W-2 and W-3.

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" on Schedule C, line G, or are a qualified joint venture reporting only rental real estate, 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 both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13. Estates and trusts should enter the total on Form 1041, line 3.

Statutory employees and qualified joint ventures reporting only rental real estate income not subject to self-employment tax. Include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12, or on Form 1040NR, line 13. 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 page SE-4 of the instructions for Schedule SE.

Rental real estate activity. Unless you are a qualifying real estate professional, a rental real estate activity is a passive activity, even if you materially participated in the activity. If you have a loss, you may need to file Form 8582 to figure your deductible loss to enter on line 31. See the Instructions for Form 8582.

Notary public. Do not enter your net profit from line 31 on Schedule SE, line 2, unless you are required to file Schedule SE because of other self-employment income. See page SE-3 of the instructions for Schedule SE.

Community income. If you and your spouse had community income and are filing separate returns, see page SE-2 of the instructions for Schedule SE before figuring self-employment tax.

Earned income credit. If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit (EIC).



To figure your EIC, use the instructions for Form 1040, lines 64a and 64b. Complete all applicable steps plus Worksheet

B. If you are required to file Schedule SE, remember to subtract one-half of your self-employment tax in Part 1, line 1d, of Worksheet B.

Line 32

At-risk rules. Generally, if you have a business loss and amounts invested in the business for which you are not at risk, you must 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 invested in this business for which you are not at risk, 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)(C) to a person (other than you) having such an interest.

Figuring your deductible loss. If all amounts are at risk in this business, check box 32a. If you answered “Yes” on line G, enter your loss on line 31. But if you answered “No” on line G or are a qualified joint venture reporting only rental real es-

tate, you may need to complete Form 8582 to figure your allowable loss to enter on line 31. See the Instructions for Form 8582 for details.

If you checked box 32b, first complete Form 6198 to determine the amount of your deductible loss. If you answered “Yes” on line G, enter that amount on line 31. But if you answered “No” on line G or are a qualified joint venture reporting only rental real estate, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter -0- on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this business not allowed for 2008 only because of the at-risk rules is treated as a deduction allocable to the business in 2009.

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.

Exception for certain taxpayers. If you are a qualifying taxpayer or a qualifying small business taxpayer (discussed next), you can account for inventoriable items in the same manner as materials and supplies that are not incidental. 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 2008 on line 36. The amount you can deduct for 2008 is figured on line 42.

Qualifying taxpayer. This 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)).

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

Changing accounting methods. File Form 3115 if you are a qualifying taxpayer or qualifying small business taxpayer and want to change to the cash method or to account for inventoriable items as non-incidental materials and supplies.

Additional information. For additional guidance on this method of accounting for inventoriable items, see the following.

- Pub. 538 discusses both exceptions.
- If you are a qualifying taxpayer, see Rev. Proc. 2001-10, on page 272 of Internal Revenue Bulletin 2001-2 at www.irs.gov/pub/irs-irbs/irb01-02.pdf.
- If you are a qualifying small business taxpayer, see Rev. Proc. 2002-28, on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.



Certain direct and indirect expenses may have to be capitalized or included in inventory. See the instructions for Part II beginning on page C-4. See Pub. 538 for additional information.

Line 33

Your inventories can be valued at cost; the lower of cost or market; 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 2008, 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. For details, see the example on page C-3 under *Line F*.

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 is included on line 40 and was not sold during the year.

Part IV. Information on Your Vehicle

Line 44b

Generally, commuting is travel between your home and a work location. If you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business. For information on certain travel that is considered a business expense rather than commuting, see the Instructions for Form 2106.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you cannot deduct fines or penalties paid to a government for violating any law. For details on business expenses, see Pub. 535.

Amortization. Include amortization in this part. For amortization that begins in 2008, you must complete and attach Form 4562.

You can elect to amortize such costs as:

- The cost of pollution-control facilities;
- Amounts paid for research and experimentation;
- Qualified revitalization expenditures;
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names;
- Goodwill and certain other intangibles; or
- Certain expenses paid or incurred to create or acquire a musical composition or its copyright.

In general, you cannot amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

For a complete list, see the Instructions for Form 4562, Part VI.

At-risk loss deduction. Any loss from this business that was not allowed as a deduction last year only because of the at-risk rules is treated as a deduction allocable to this business in 2008. For the loss to be deductible, the amount that is "at risk" must be increased.

Bad debts. 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.

Business start-up costs. If your business began in 2008, you can elect to deduct up to \$5,000 of certain business start-up costs. This limit is reduced (but not below zero) by the amount by which your total start-up costs exceed \$50,000. Your remaining start-up costs can be amortized over a 180-month period, beginning with the month the business began.

For details, see chapters 7 and 8 of Pub. 535. For amortization that begins in 2008, you must complete and attach Form 4562.

Costs of making commercial buildings energy efficient. You may be able to deduct part or all of the cost of modifying existing commercial buildings to make them energy efficient. For details, see section 179D, Notice 2006-52, and Notice 2008-40. You can find Notice 2006-52 on page 1175 of Internal Revenue Bulletin 2006-26 at www.irs.gov/irb/2006-26_IRB/ar11.html. You can find Notice 2008-40 on page 725 of Internal Revenue Bulletin 2008-14 at www.irs.gov/irb/2008-14_IRB/ar12.html.

Deduction for removing barriers to individuals with disabilities and the elderly. You may be able to deduct up to \$15,000 of costs paid or incurred in 2008 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit (discussed on page C-2) and the deduction on the same expenditures.

Disaster demolition and clean-up costs. To see if you qualify for this deduction, go to the appropriate reference listed on page C-1 (under *What's New—Disaster Areas*). Include your allowable deduction in Part V.

Film and television production expenses. You can elect to deduct costs of certain qualified film and television productions. For details, see Pub. 535.

Forestation and reforestation costs. Reforestation costs are generally capital expenditures. However, for each qualified timber property you can elect to expense up to \$10,000 (\$5,000 if married filing separately) of qualifying reforestation costs paid or incurred in 2008.

You can elect to amortize the remaining costs over 84 months. For amortization that

begins in 2008, you must complete and attach Form 4562.

The amortization election does not apply to trusts and the expense election does not apply to estates and trusts. For details on reforestation expenses, see chapters 7 and 8 of Pub. 535.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control number 1545-1974 and is shown below.

Recordkeeping	1 hr., 18 min.
Learning about the law or the form	24 min.
Preparing the form	1 hr.
Copying, assembling, and sending the form to the IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Principal Business or Professional Activity Codes

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

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

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

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

Accommodation, Food Services, & Drinking Places Accommodation 721310 Rooming & boarding houses 721210 RV (recreational vehicle) parks & recreational camps 721100 Traveler 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) 561740 Carpet & upholstery cleaning services 561440 Collection agencies 561450 Credit bureaus	561410 Document preparation services 561300 Employment services 561710 Exterminating & pest control services 561210 Facilities support (management) services 561600 Investigation & security services 561720 Janitorial services 561730 Landscaping services
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Principal Business or Professional Activity Codes (continued)

561110 Office administrative services	237990 Other heavy & civil engineering construction	621320 Offices of optometrists	Chemical Manufacturing
561420 Telephone call centers (including telephone answering services & telemarketing bureaus)	Specialty Trade Contractors	621340 Offices of physical, occupational & speech therapists, & audiologists	
561500 Travel arrangement & reservation services	238310 Drywall & insulation contractors	621111 Offices of physicians (except mental health specialists)	325100 Basic chemical mfg.
561490 Other business support services (including repossession services, court reporting, & stenotype services)	238210 Electrical contractors	621112 Offices of physicians, mental health specialists	325500 Paint, coating, & adhesive mfg.
561790 Other services to buildings & dwellings	238350 Finish carpentry contractors	621391 Offices of podiatrists	325300 Pesticide, fertilizer, & other agricultural chemical mfg.
561900 Other support services (including packaging & labeling services, & convention & trade show organizers)	238330 Flooring contractors	621399 Offices of all other miscellaneous health practitioners	325410 Pharmaceutical & medicine mfg.
Waste Management & Remediation Services	238150 Glass & glazing contractors	621400 Outpatient care centers	325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.
	562000 Waste management & remediation services	621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)	325600 Soap, cleaning compound, & toilet preparation mfg.
Agriculture, Forestry, Hunting, & Fishing	238120 Structural steel & precast concrete construction contractors	Hospitals	325900 Other chemical product & preparation mfg.
	112900 Animal production (including breeding of cats and dogs)		622000 Hospitals	Food Manufacturing
114110 Fishing	238170 Siding contractors	Nursing & Residential Care Facilities	311110 Animal food mfg.
113000 Forestry & logging (including forest nurseries & timber tracts)	238910 Site preparation contractors		623000 Nursing & residential care facilities	311800 Bakeries & tortilla mfg.
114210 Hunting & trapping	238120 Structural steel & precast concrete construction contractors	Social Assistance	311500 Dairy product mfg.
Support Activities for Agriculture & Forestry	238340 Tile & terrazzo contractors		624410 Child day care services	311400 Fruit & vegetable preserving & speciality food mfg.
	115210 Support activities for animal production (including farmers)	238290 Other building equipment contractors	311200 Grain & oilseed milling
115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating)	238390 Other building finishing contractors	624200 Community food & housing, & emergency & other relief services	311610 Animal slaughtering & processing
115310 Support activities for forestry	238190 Other foundation, structure, & building exterior contractors	624100 Individual & family services	311710 Seafood product preparation & packaging
Arts, Entertainment, & Recreation	238990 All other specialty trade contractors	624310 Vocational rehabilitation services	311300 Sugar & confectionery product mfg.
	Educational Services	Information	311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)
611000 Educational services (including schools, colleges, & universities)			511000 Publishing industries (except Internet)	Leather & Allied Product Manufacturing
Amusement, Gambling, & Recreation Industries	Finance & Insurance	Broadcasting (except Internet) & Telecommunications	316210 Footwear mfg. (including leather, rubber, & plastics)
			522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions)	316110 Leather & hide tanning & finishing
713100 Amusement parks & arcades	522200 Nondepository credit intermediation (including sales financing & consumer lending)	515000 Broadcasting (except Internet)	316990 Other leather & allied product mfg.
713200 Gambling industries	522300 Activities related to credit intermediation (including loan brokers)	517000 Telecommunications & Internet service providers	Nonmetallic Mineral Product Manufacturing
713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)	Insurance Agents, Brokers, & Related Activities	Data Processing Services	327300 Cement & concrete product mfg.
Museums, Historical Sites, & Similar Institutions		524210 Insurance agencies & brokerages	518210 Data processing, hosting, & related services	327100 Clay product & refractory mfg.
	712100 Museums, historical sites, & similar institutions	524290 Other insurance related activities	327210 Glass & glass product mfg.
Performing Arts, Spectator Sports, & Related Industries	Securities, Commodity Contracts, & Other Financial Investments & Related Activities	519100 Other information services (including news syndicates & libraries, Internet publishing & broadcasting)	327400 Lime & gypsum product mfg.
		711410 Agents & managers for artists, athletes, entertainers, & other public figures	Motion Picture & Sound Recording	327900 Other nonmetallic mineral product mfg.
711510 Independent artists, writers, & performers	523140 Commodity contracts brokers	512100 Motion picture & video industries (except video rental)	Mining
711100 Performing arts companies	523130 Commodity contracts dealers	512200 Sound recording industries		212110 Coal mining
711300 Promoters of performing arts, sports, & similar events	523110 Investment bankers & securities dealers	Manufacturing	212200 Metal ore mining
711210 Spectator sports (including professional sports clubs & racetrack operations)	523210 Securities & commodity exchanges		315000 Apparel mfg.	212300 Nonmetallic mineral mining & quarrying
Construction of Buildings	523120 Securities brokers	312000 Beverage & tobacco product mfg.	211110 Oil & gas extraction
	523900 Other financial investment activities (including investment advice)	313000 Electrical equipment, appliance, & component mfg.	213110 Support activities for mining
236200 Nonresidential building construction	Health Care & Social Assistance	313700 Fabricated metal product mfg.	Other Services
236100 Residential building construction		313300 Machinery mfg.	
Heavy and Civil Engineering Construction	Ambulatory Health Care Services	3139110 Medical equipment & supplies mfg.	Personal & Laundry Services
		237310 Highway, street, & bridge construction	322000 Paper mfg.	812111 Barber shops
237210 Land subdivision	621610 Home health care services	324100 Petroleum & coal products mfg.	812112 Beauty salons
237100 Utility system construction	621510 Medical & diagnostic laboratories	326000 Plastics & rubber products mfg.	812220 Cemeteries & crematories
	621310 Offices of chiropractors	332000 Paper mfg.	812310 Coin-operated laundries & drycleaners
	621210 Offices of dentists	324100 Petroleum & coal products mfg.	812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning dropoff & pickup sites)
	621330 Offices of mental health practitioners (except physicians)	326000 Plastics & rubber products mfg.	812210 Funeral homes & funeral services
		331000 Primary metal mfg.	812330 Linen & uniform supply
		323100 Printing & related support activities	812113 Nail salons
		313000 Textile mills	812930 Parking lots & garages
		314000 Textile product mills	812910 Pet care (except veterinary) services
		336000 Transportation equipment mfg.	812920 Photofinishing
		321000 Wood product mfg.	812190 Other personal care services (including diet & weight reducing centers)
		339900 Other miscellaneous mfg.	812990 All other personal services

Principal Business or Professional Activity Codes (continued)

<p>Repair & Maintenance</p> <p>811120 Automotive body, paint, interior, & glass repair</p> <p>811110 Automotive mechanical & electrical repair & maintenance</p> <p>811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)</p> <p>811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance</p> <p>811210 Electronic & precision equipment repair & maintenance</p> <p>811430 Footwear & leather goods repair</p> <p>811410 Home & garden equipment & appliance repair & maintenance</p> <p>811420 Reupholstery & furniture repair</p> <p>811490 Other personal & household goods repair & maintenance</p>	<p>531210 Offices of real estate agents & brokers</p> <p>531320 Offices of real estate appraisers</p> <p>531310 Real estate property managers</p> <p>531390 Other activities related to real estate</p> <p>Rental & Leasing Services</p> <p>532100 Automotive equipment rental & leasing</p> <p>532400 Commercial & industrial machinery & equipment rental & leasing</p> <p>532210 Consumer electronics & appliances rental</p> <p>532220 Formal wear & costume rental</p> <p>532310 General rental centers</p> <p>532230 Video tape & disc rental</p> <p>532290 Other consumer goods rental</p>	<p>446130 Optical goods stores</p> <p>446110 Pharmacies & drug stores</p> <p>446190 Other health & personal care stores</p> <p>Motor Vehicle & Parts Dealers</p> <p>441300 Automotive parts, accessories, & tire stores</p> <p>441222 Boat dealers</p> <p>441221 Motorcycle dealers</p> <p>441110 New car dealers</p> <p>441210 Recreational vehicle dealers (including motor home & travel trailer dealers)</p> <p>441120 Used car dealers</p> <p>441229 All other motor vehicle dealers</p>	<p>483000 Water transportation</p> <p>485990 Other transit & ground passenger transportation</p> <p>488000 Support activities for transportation (including motor vehicle towing)</p> <p>Couriers & Messengers</p> <p>492000 Couriers & messengers</p> <p>Warehousing & Storage Facilities</p> <p>493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)</p>
<p>Professional, Scientific, & Technical Services</p> <p>541100 Legal services</p> <p>541211 Offices of certified public accountants</p> <p>541214 Payroll services</p> <p>541213 Tax preparation services</p> <p>541219 Other accounting services</p> <p>Architectural, Engineering, & Related Services</p> <p>541310 Architectural services</p> <p>541350 Building inspection services</p> <p>541340 Drafting services</p> <p>541330 Engineering services</p> <p>541360 Geophysical surveying & mapping services</p> <p>541320 Landscape architecture services</p> <p>541370 Surveying & mapping (except geophysical) services</p> <p>541380 Testing laboratories</p> <p>Computer Systems Design & Related Services</p> <p>541510 Computer systems design & related services</p> <p>Specialized Design Services</p> <p>541400 Specialized design services (including interior, industrial, graphic, & fashion design)</p> <p>Other Professional, Scientific, & Technical Services</p> <p>541800 Advertising & related services</p> <p>541600 Management, scientific, & technical consulting services</p> <p>541910 Market research & public opinion polling</p> <p>541920 Photographic services</p> <p>541700 Scientific research & development services</p> <p>541930 Translation & interpretation services</p> <p>541940 Veterinary services</p> <p>541990 All other professional, scientific, & technical services</p>	<p>Religious, Grantmaking, Civic, Professional, & Similar Organizations</p> <p>813000 Religious, grantmaking, civic, professional, & similar organizations</p> <p>Retail Trade</p> <p>Building Material & Garden Equipment & Supplies Dealers</p> <p>444130 Hardware stores</p> <p>444110 Home centers</p> <p>444200 Lawn & garden equipment & supplies stores</p> <p>444120 Paint & wallpaper stores</p> <p>444190 Other building materials dealers</p> <p>Clothing & Accessories Stores</p> <p>448130 Children's & infants' clothing stores</p> <p>448150 Clothing accessories stores</p> <p>448140 Family clothing stores</p> <p>448310 Jewelry stores</p> <p>448320 Luggage & leather goods stores</p> <p>448110 Men's clothing stores</p> <p>448210 Shoe stores</p> <p>448120 Women's clothing stores</p> <p>448190 Other clothing stores</p> <p>Electronic & Appliance Stores</p> <p>443130 Camera & photographic supplies stores</p> <p>443120 Computer & software stores</p> <p>443111 Household appliance stores</p> <p>443112 Radio, television, & other electronics stores</p> <p>Food & Beverage Stores</p> <p>445310 Beer, wine, & liquor stores</p> <p>445220 Fish & seafood markets</p> <p>445230 Fruit & vegetable markets</p> <p>445100 Grocery stores (including supermarkets & convenience stores without gas)</p> <p>445210 Meat markets</p> <p>445290 Other specialty food stores</p> <p>Furniture & Home Furnishing Stores</p> <p>442110 Furniture stores</p> <p>442200 Home furnishings stores</p> <p>Gasoline Stations</p> <p>447100 Gasoline stations (including convenience stores with gas)</p> <p>General Merchandise Stores</p> <p>452000 General merchandise stores</p> <p>Health & Personal Care Stores</p> <p>446120 Cosmetics, beauty supplies, & perfume stores</p>	<p>Sporting Goods, Hobby, Book, & Music Stores</p> <p>451211 Book stores</p> <p>451120 Hobby, toy, & game stores</p> <p>451140 Musical instrument & supplies stores</p> <p>451212 News dealers & newsstands</p> <p>451220 Prerecorded tape, compact disc, & record stores</p> <p>451130 Sewing, needlework, & piece goods stores</p> <p>451110 Sporting goods stores</p> <p>Miscellaneous Store Retailers</p> <p>453920 Art dealers</p> <p>453110 Florists</p> <p>453220 Gift, novelty, & souvenir stores</p> <p>453930 Manufactured (mobile) home dealers</p> <p>453210 Office supplies & stationery stores</p> <p>453910 Pet & pet supplies stores</p> <p>453310 Used merchandise stores</p> <p>453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops)</p> <p>Nonstore Retailers</p> <p>454112 Electronic auctions</p> <p>454111 Electronic shopping</p> <p>454310 Fuel dealers</p> <p>454113 Mail-order houses</p> <p>454210 Vending machine operators</p> <p>454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)</p>	<p>Utilities</p> <p>221000 Utilities</p> <p>Wholesale Trade</p> <p>Merchant Wholesalers, Durable Goods</p> <p>423600 Electrical & electronic goods</p> <p>423200 Furniture & home furnishing</p> <p>423700 Hardware, & plumbing & heating equipment & supplies</p> <p>423940 Jewelry, watch, precious stone, & precious metals</p> <p>423300 Lumber & other construction materials</p> <p>423800 Machinery, equipment, & supplies</p> <p>423500 Metal & mineral (except petroleum)</p> <p>423100 Motor vehicle & motor vehicle parts & supplies</p> <p>423400 Professional & commercial equipment & supplies</p> <p>423930 Recyclable materials</p> <p>423910 Sporting & recreational goods & supplies</p> <p>423920 Toy & hobby goods & supplies</p> <p>423990 Other miscellaneous durable goods</p> <p>Merchant Wholesalers, Nondurable Goods</p> <p>424300 Apparel, piece goods, & notions</p> <p>424800 Beer, wine, & distilled alcoholic beverage</p> <p>424920 Books, periodicals, & newspapers</p> <p>424600 Chemical & allied products</p> <p>424210 Drugs & druggists' sundries</p> <p>424500 Farm product raw materials</p> <p>424910 Farm supplies</p> <p>424930 Flower, nursery stock, & florists' supplies</p> <p>424400 Grocery & related products</p> <p>424950 Paint, varnish, & supplies</p> <p>424100 Paper & paper products</p> <p>424700 Petroleum & petroleum products</p> <p>424940 Tobacco & tobacco products</p> <p>424990 Other miscellaneous nondurable goods</p>
<p>Real Estate & Rental & Leasing</p> <p>Real Estate</p> <p>531100 Lessors of real estate (including miniwarehouses & self-storage units)</p>	<p>Transportation & Warehousing</p> <p>481000 Air transportation</p> <p>485510 Charter bus industry</p> <p>484110 General freight trucking, local</p> <p>484120 General freight trucking, long distance</p> <p>485210 Interurban & rural bus transportation</p> <p>486000 Pipeline transportation</p> <p>482110 Rail transportation</p> <p>487000 Scenic & sightseeing transportation</p> <p>485410 School & employee bus transportation</p> <p>484200 Specialized freight trucking (including household moving vans)</p> <p>485300 Taxi & limousine service</p> <p>485110 Urban transit systems</p>	<p>Wholesale Electronic Markets and Agents & Brokers</p> <p>425110 Business to business electronic markets</p> <p>425120 Wholesale trade agents & brokers</p>	<p>999999 Unclassified establishments (unable to classify)</p>



2008 Instructions for Schedule D

Capital Gains and Losses

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

- The sale or exchange of a capital asset (defined on this page) not reported on another form or schedule.
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13 (or effectively connected capital gain distributions not reported directly on Form 1040NR, line 14).
- 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.

What's New

Tax rate on qualified dividends and net capital gain reduced. The 5% tax rate on qualified dividends and net capital gain is reduced to zero. The line on last year's Schedule D Tax Worksheet that reflected the 5% rate has been deleted.

Sale of your home. A surviving spouse may be able to exclude up to \$500,000 of gain from the sale or exchange of a main home after 2007. Also, the election to suspend the 5-year test period for ownership and use of a main home now can be made by Peace Corps employees and volunteers serving outside the United States. See *Sale of Your Home* on page D-2.

Deemed sales by expatriates. If you give up your citizenship after June 16, 2008, you may be treated as having sold all your property for its fair market value on the day before you gave up your citizenship. This also applies to long-term U.S. residents who cease to be lawful permanent residents. For details, exceptions, and rules for reporting these deemed sales, see Pub. 519 and Form 8854.

General Instructions

Other Forms You May Have To File

Use Form 4797 to report the following.

1. The sale or exchange of:
 - a. Property used in a trade or business;
 - b. Depreciable and amortizable property;
 - c. Oil, gas, geothermal, or other mineral property; and
 - d. Section 126 property.
2. The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.

3. The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.

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

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

6. Ordinary gain or loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See *Traders in Securities* on page D-3.

Use Form 4684 to report involuntary conversions of property due to casualty or theft.

Use Form 6781 to report gains and losses from section 1256 contracts and straddles.

Use Form 8824 to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by you except the following.

- Stock in trade or other property included in inventory or held mainly for sale to customers. But see the *Tip* on this page.
- 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. But see the *Tip* on this page.

- 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.



You can elect to treat as capital assets certain musical compositions or copyrights you sold or exchanged. See Pub. 550 for details.

Basis and Recordkeeping

Basis is the amount of your investment in property for tax purposes. You need to know your basis to figure any gain or loss on the sale or other disposition of the property. You must keep accurate records that show the basis and adjusted basis of your property. Your records should show the purchase price, including commissions; increases to basis, such as the cost of improvements; and decreases to basis, such as depreciation, nondividend distributions on stock, and stock splits.

For more information on basis, see page D-7 and these publications.

- Pub. 551, Basis of Assets.
- Pub. 550, Investment Income and Expenses (Including Capital Gains and Losses).
- Pub. 564, Mutual Fund Distributions.

If you lost or did not keep records to determine your basis in securities, contact your broker for help.



The IRS partners with companies that offer Schedule D software that can import trades from many brokerage firms and accounting software to help you keep track of your adjusted basis in securities. To find out more, go to www.irs.gov/efile.

Short Term or Long Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Gain Distributions

These distributions are paid by a mutual fund (or other regulated investment company) or real estate investment trust from its net realized long-term capital gains. Distributions of net realized short-term capital gains are not treated as capital gains. Instead, they are included on Form 1099-DIV as ordinary dividends.

Enter on line 13 the total capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount is shown in box 2a of Form 1099-DIV.

If there is an amount in box 2b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 if you complete line 19 of Schedule D.

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

If there is an amount in box 2d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-8 if you complete line 18 of Schedule D.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.

Sale of Your Home

If you sold or exchanged your main home, do not report it on your tax return unless your gain is more than your exclusion amount. Your exclusion amount is zero if:

- You acquired your home in a like-kind exchange in which all or part of the gain was not recognized, and
- You sold or exchanged the home during the 5-year period beginning on the date you acquired it.

Generally, if you meet the two following tests, 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 excluded gain on the sale or exchange of another main home during the 2-year period ending on the date of the sale or exchange of your home.

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

If your spouse died before the sale or exchange, you can exclude up to \$500,000 of gain if:

- The sale or exchange is no later than 2 years after your spouse's death,
- Just before your spouse's death, both spouses met the use requirement of *Test 1*, at least one spouse met the ownership requirement of *Test 1*, and both spouses met *Test 2*, and
- You did not remarry before the sale or exchange.

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

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

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

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unrecaptured section 1250 gain. For details on 28% rate gain, see the instructions for line 18 on page D-8. For details on unrecaptured section 1250 gain, see the instructions for line 19 beginning on page D-8.

Capital Assets Held for Personal Use

Generally, gain from the sale or exchange of a capital asset held for personal use is a

capital gain. Report it on Schedule D, Part I or Part II. However, if you converted depreciable property to personal use, all or part of the gain on the sale or exchange of that property may have to be recaptured as ordinary income. Use Part III of Form 4797 to figure the amount of ordinary income recapture. The recapture amount is included on line 31 (and line 13) of Form 4797. Do not enter any gain for this property on line 32 of Form 4797. If you are not completing Part III for any other properties, enter "N/A" on line 32. If the total gain is more than the recapture amount, enter "From Form 4797" in column (a) of line 1 or line 8 of Schedule D, skip columns (b) through (e), and in column (f) enter the excess of the total gain over the recapture amount.

Loss from the sale or exchange of a capital asset held for personal use is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use for which you received a Form 1099-S, you must report the transaction on Schedule D even though the loss is not deductible. For example, you have a loss on the sale of a vacation home that is not your main home and you received a Form 1099-S for the transaction. Report the transaction on line 1 or 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter -0- in column (f).

Capital Losses

You can deduct capital losses up to the amount of your capital gains plus \$3,000 (\$1,500 if married filing separately). You may be able to use capital losses that exceed this limit in future years. For details, see the instructions for line 21 on page D-9. Be sure to report all of your capital gains and losses (except nondeductible losses) even if you cannot use all of your losses in 2008.

Nondeductible Losses

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

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

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

If you disposed of (a) an asset used in an activity to which the at-risk rules apply or (b) any part of your interest in an activity to which the at-risk rules apply, and you have

amounts in the activity for which you are not at risk, see the Instructions for Form 6198.

If the loss is allowable under the at-risk rules, it then may be subject to the passive activity rules. See Form 8582 and its instructions for details on reporting capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See Pub. 550.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity or to a trust of which you are a beneficiary. See Pub. 544.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 995(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See Pub. 541.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550.
- Transfer of appreciated property to a political organization. See section 84.
- If you give up your U.S. citizenship after June 16, 2008, you may be treated as having sold all your property for its fair market value on the day before you gave up your citizenship. This also applies to long-term U.S. residents who cease to be lawful permanent residents after June 16, 2008. For details, exceptions, and rules for reporting these deemed sales, see Pub. 519 and Form 8854.
- In general, no gain or loss is recognized on the transfer of property from an individual to a spouse or a former spouse if the transfer is incident to a divorce. See Pub. 504.
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See Pub. 550.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D, but any gain is reported as ordinary income on Form 4797.
- If qualified dividends that you reported on Form 1040, line 9b, or Form 1040NR, line 10b, include extraordinary dividends, any loss on the sale or exchange of the stock is a long-term capital loss to the extent of the extraordinary dividends. An extraordinary dividend is a dividend that equals or exceeds 10% (5% in the case of preferred stock) of your basis in the stock.
- Amounts received by shareholders in corporate liquidations. See Pub. 550.

- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550.

- Load charges to acquire stock in a regulated investment company (including a mutual fund), which may not be taken into account in determining gain or loss on certain dispositions of the stock 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 the instructions for line 18 on page D-8.

- 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 (or Form 1040NR, line 57). Write "Section 1260(b) interest" and the amount of the interest to the left of line 61 (or Form 1040NR, line 57). This interest is not deductible.

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

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

- Gain or loss from the disposition of stock or other securities in an investment club. See Pub. 550.

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you:

1. Buy substantially identical stock or securities,
2. Acquire substantially identical stock or securities in a fully taxable trade,
3. Enter into a contract or option to acquire substantially identical stock or securities, or
4. Acquire substantially identical stock or securities for your individual retirement arrangement (IRA) or Roth IRA.

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 (except in the case of (4) above). 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, all of the following statements must be true.

- 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 page D-4), each transaction is reported in Part II of Form 4797 instead of Schedules D and D-1. Regardless of whether a trader reports his or her gains and losses on Schedules D and D-1 or Form 4797, the gain or loss from the disposition of securities is not taken into account when figuring net earnings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

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

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate

interest and other expenses between your trading business and your investment securities.

Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including those from 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 2008, the election must have been made by April 15, 2008.

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 2009, 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, you must identify them as such in your records on the day you acquired them (for example, by holding the securities in a separate brokerage account). Securities held for investment are not marked-to-market.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you (a) held substantially identical property for 1 year or less on the date of the short sale, or (b) acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale. If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract but is a capital asset in your hands. If an option you purchased expired, enter the expiration date in column (c) and enter "EXPIRED" in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter "EXPIRED" in column (e).

Fill in the other columns as appropriate. See Pub. 550 for details.

Undistributed Capital Gains

Include on line 11 the amount from box 1a of Form 2439. This represents your share of the undistributed long-term capital gains of the regulated investment company (including a mutual fund) or real estate investment trust.

If there is an amount in box 1b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 if you complete line 19 of Schedule D.

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

If there is an amount in box 1d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-8 if you complete line 18 of Schedule D.

Enter on Form 1040, line 68, or Form 1040NR, line 63, the tax paid as shown in box 2 of Form 2439. Also 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 2008 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 can make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return.

Demutualization of Life Insurance Companies

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

If the demutualization transaction qualifies as a tax-free reorganization, no gain is recognized on the exchange of your equity interest in the mutual company for stock. The company can advise you if the transaction is a tax-free reorganization. Because the basis of your equity interest in the mutual company is considered to be zero, your basis in the stock received is zero. Your

holding period for the new stock includes the period you held an equity interest in the mutual company. If you received cash in exchange for your equity interest, you must recognize a capital gain in an amount equal to the cash received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1.

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

Exclusion of Gain on Qualified Small Business (QSB) Stock

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of QSB stock. The section 1202 exclusion applies only to QSB stock held for more than 5 years. The exclusion can be up to 60% for certain empowerment zone business stock. See *Empowerment Zone Business Stock* on page D-5.

To be QSB stock, the stock must meet all of the following tests.

1. It must be stock in a C corporation (that is, not S corporation stock).
2. It must have been originally issued after August 10, 1993.
3. As of the date the stock was issued, the corporation was a domestic C corporation with total gross assets of \$50 million or less (a) at all times after August 9, 1993, and before the stock was issued, and (b) immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.
4. You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.
5. During substantially all the time you held the stock:
 - a. The corporation was a C corporation,
 - b. At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined below), and
 - c. The corporation was not a foreign corporation, DISC, former DISC, regulated investment company, real estate investment trust, REMIC, FASIT, cooperative, or

a corporation that has made (or that has a subsidiary that has made) a section 936 election.



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

Qualified Business

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

- A business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services.
- A business whose principal asset is the reputation or skill of one or more employees.
- A banking, insurance, financing, leasing, investing, or similar business.
- A farming business (including the raising or harvesting of trees).
- A business involving the production of products for which percentage depletion can be claimed.
- A business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Empowerment Zone Business Stock

You generally can exclude up to 60% of your gain if you meet the following additional requirements.

1. The stock you sold or exchanged was stock in a corporation that qualified as an empowerment zone business during substantially all of the time you held the stock.
2. You acquired the stock after December 21, 2000.

Requirement 1 will still be met if the corporation ceased to qualify after the 5-year period that began on the date you acquired the stock. However, the gain that qualifies for the 60% exclusion cannot be more than the gain you would have had if you had sold the stock on the date the corporation ceased to qualify.

For more information about empowerment zone businesses, see Pub. 954.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, to qualify for the exclusion you must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold.

How To Report

Report on line 8 the entire gain realized on the sale of QSB stock. Complete all columns as indicated. Directly below the line on which you reported the gain, enter in column (a) "Section 1202 exclusion" and enter as a loss in column (f) the amount of the allowable exclusion. If you are com-

pleting line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

Gain from Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2c, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

Gain from Form 2439. If you received a Form 2439 with a gain in box 1c, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

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. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

Alternative minimum tax. You must enter 7% of your allowable exclusion for the year on line 13 of Form 6251.

Rollover of Gain From QSB Stock

If you sold QSB stock (defined beginning on page D-4) that you held for more than 6 months, you can elect to postpone gain if you purchase other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also can 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 en-

tity for the entire period the entity held the stock, you also can elect to postpone gain if you, rather than the pass-through entity, purchase the replacement QSB stock within the 60-day period. If you were a partner in a partnership that sold or bought QSB stock, see box 11 of the Schedule K-1 (Form 1065) sent to you by the partnership and Regulations section 1.1045-1.

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

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

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1045 rollover," and enter the amount of the postponed gain as a (loss) in column (f).

Rollover of Gain From Empowerment Zone Assets

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

- No portion of the cost of the replacement property may be taken into account to the extent the cost is taken into account to exclude gain on a different empowerment zone asset.
- The replacement property must qualify as an empowerment zone asset with respect to the same empowerment zone as the asset sold.
- You must reduce the basis of the replacement property by the amount of postponed gain.
- This election does not apply to any gain (a) treated as ordinary income or (b) attributable to real property, or an intangible asset, that is not an integral part of an enterprise zone business.
- The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.
- The election is irrevocable without IRS consent.

See Pub. 954 for the definition of empowerment zone and enterprise zone business. You can find out if your business is located within an empowerment zone by using the RC/EZ/EC Address Locator at www.hud.gov/crlocator.

Qualified empowerment zone assets are:

1. Tangible property, if:
 - a. You acquired the property after December 21, 2000,
 - b. The original use of the property in the empowerment zone began with you, and
 - c. Substantially all of the use of the property, during substantially all of the time that you held it, was in your enterprise zone business; and
2. Stock in a domestic corporation or a capital or profits interest in a domestic partnership, if:
 - a. You acquired the stock or partnership interest after December 21, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;
 - b. The business was an enterprise zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; and
 - c. The business qualified as an enterprise zone business during substantially all of the time you held the stock or partnership interest.

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

See section 1397B for more details.

Exclusion of Gain From DC Zone Assets

If you sold or exchanged a District of Columbia Enterprise Zone (DC Zone) asset that you acquired after 1997 and held for more than 5 years, you may be able to exclude the amount of qualified capital gain that you would otherwise include on Schedule D. The exclusion applies to an interest in, or property of, certain businesses operating in the District of Columbia.

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

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

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

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.

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

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

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

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

Exclusion of Gain From Qualified Community Assets

If you sold or exchanged a qualified community asset that you acquired after 2001 and held for more than 5 years, you may be able to exclude the qualified capital gain that you would otherwise include on Schedule D. The exclusion applies to an interest in, or property of, certain renewal community businesses.

Qualified community asset. A qualified community asset is any of the following.

- Qualified community stock.
- Qualified community partnership interest.
- Qualified community business property.

Qualified capital gain. Qualified capital gain is any gain recognized on the sale or exchange of a qualified community asset but does not include any of the following.

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.
- Gain attributable to real property, or an intangible asset, that is not an integral part of a qualified community business.
- Gain from a related-party transaction. See *Sales and Exchanges Between Related Persons* in chapter 2 of Pub. 544.

See Pub. 954 and section 1400F for more details and special rules.

How to report. Report the entire gain realized from the sale or exchange as you otherwise would without regard to the exclusion. On Schedule D, line 8, enter "Qualified Community Asset" in column (a) and enter as a loss in column (f) the amount of the allowable exclusion. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

Specific Instructions

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real

estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). But do not report the sale or exchange of your main home unless required (see page D-2). Include these transactions even if you did not receive a Form 1099-B or 1099-S (or substitute statement) for the transaction. You can use stock ticker symbols or abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

You must enter the details of each transaction on a separate line of Schedule D. If you have more than five transactions to report on line 1 or line 8, you can report the additional transactions on Schedule D-1. Instead of reporting your transactions on Schedules D and D-1, you can report them on an attached statement containing all the same information as Schedules D and D-1 and in a similar format. Use as many Schedules D-1 or attached statements as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1 or the attached statements. Do not enter "available upon request" and summary totals in lieu of reporting the details of each transaction on Schedules D and D-1 or attached statements.



Add the following amounts reported to you for 2008 on Forms 1099-B and 1099-S (or substitute statements) that you are not reporting on another form or schedule included with your return: (a) proceeds from transactions involving stocks, bonds, and other securities; and (b) gross proceeds from real estate transactions (other than the sale of your main home if you are not required to report it). If this total is more than the total of lines 3 and 10, attach an explanation of the difference (for example, you were the nominee for the actual owner of the property).

Column (b)—Date Acquired

Enter in this column the date you acquired the asset. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

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

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and enter "INHERITED" in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that you 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 you sold the asset. Use the trade date for stocks and bonds traded on an exchange or

over-the-counter market. For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), do not include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).



Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or “wash sale” of stock, you may

not be able to use the actual cost as the basis. If you do not use the actual cost, attach an explanation of your basis.

If you sold stock, adjust your basis by subtracting all the nondividend distributions you received before the sale. Also adjust your basis for any stock splits. See Pub. 550 for details.

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

You may elect to use an average basis for all shares of a mutual fund (or other regulated investment company) if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. If you are reporting an average basis, include “AVGB” in column (a) of Schedule D. For details on making the election and how to figure average basis, see Pub. 564.

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death. See Pub. 551 for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument by the amount of OID that has been included in gross income for that instrument. See Pub. 550 for details.

If a charitable contribution deduction is allowed because of a bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the amount that has the

same ratio to the adjusted basis as the amount realized has to the fair market value. See Pub. 544 for details.

Increase your cost or other basis by any expense of sale, such as broker’s fees, commissions, state and local transfer taxes, and option premiums, before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, see Pub. 551.

Column (f)—Gain or (Loss)

You must make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Line 18

If you checked “Yes” on line 17, complete the worksheet below if either of the following apply for 2008.

- You reported in Part II a section 1202 exclusion from the eligible gain on qualified small business stock (see page D-4).
- You reported in Part II a collectibles gain or (loss). A collectibles gain or (loss) is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Include on the worksheet any gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year and attributable to unrealized appreciation of col-

Capital Loss Carryover Worksheet—Lines 6 and 14

Keep for Your Records



Use this worksheet to figure your capital loss carryovers from 2007 to 2008 if your 2007 Schedule D, line 21, is a loss and (a) that loss is a smaller loss than the loss on your 2007 Schedule D, line 16, or (b) the amount on your 2007 Form 1040, line 41 (or your 2007 Form 1040NR, line 38, if applicable), is less than zero. Otherwise, you do not have any carryovers.

<p>1. Enter the amount from your 2007 Form 1040, line 41, or your 2007 Form 1040NR, line 38. If a loss, enclose the amount in parentheses</p> <p>2. Enter the loss from your 2007 Schedule D, line 21, as a positive amount</p> <p>3. Combine lines 1 and 2. If zero or less, enter -0-</p> <p>4. Enter the smaller of line 2 or line 3</p> <p>If line 7 of your 2007 Schedule D is a loss, go to line 5; otherwise, enter -0- on line 5 and go to line 9.</p> <p>5. Enter the loss from your 2007 Schedule D, line 7, as a positive amount</p> <p>6. Enter any gain from your 2007 Schedule D, line 15. If a loss, enter -0-</p> <p>7. Add lines 4 and 6</p> <p>8. Short-term capital loss carryover for 2008. Subtract line 7 from line 5. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 6</p> <p>If line 15 of your 2007 Schedule D is a loss, go to line 9; otherwise, skip lines 9 through 13.</p> <p>9. Enter the loss from your 2007 Schedule D, line 15, as a positive amount</p> <p>10. Enter any gain from your 2007 Schedule D, line 7. If a loss, enter -0-</p> <p>11. Subtract line 5 from line 4. If zero or less, enter -0-</p> <p>12. Add lines 10 and 11</p> <p>13. Long-term capital loss carryover for 2008. Subtract line 12 from line 9. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 14</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p> <p>12. _____</p> <p>13. _____</p>
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lectibles. For details, see Regulations section 1.1(h)-1. Also, attach the statement required under Regulations section 1.1(h)-1(e).

Line 19

If you checked "Yes" on line 17, complete the worksheet on page D-9 if any of the following apply for 2008.

- You sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments for section 1250 property held more than 1 year for which you are reporting gain on the installment method.
- You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows "unrecaptured section 1250 gain."
- You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports "unrecaptured section 1250 gain."
- You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet

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

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

Step 1. Figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2008 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 2008 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 2008 as the smaller of (a) the amount from line 26 or line 37 of your 2008 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

Line 10. Include on line 10 your share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

Line 12. An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home

you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

Installment sales. To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of your Form 4797 for the year of sale.

- Step 1. Figure the smaller of (a) the depreciation allowed or allowable, or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2008 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 2008 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.
- Step 3. Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2008 as the smaller of (a) the amount from line 26 or line 37 of your 2008 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.

28% Rate Gain Worksheet—Line 18

Keep for Your Records



1. Enter the total of all collectibles gain or (loss) from items you reported on line 8, column (f), of Schedules D and D-1	1.	_____
2. Enter as a positive number the amount of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1, for which you excluded 50% of the gain, plus 2/3 of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1, for which you excluded 60% of the gain	2.	_____
3. Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15, is more than zero); Form 6252; Form 6781, Part II; and Form 8824	3.	_____
4. Enter the total of any collectibles gain reported to you on: <ul style="list-style-type: none"> • Form 1099-DIV, box 2d; • Form 2439, box 1d; and • Schedule K-1 from a partnership, S corporation, estate, or trust. 	4.	_____
5. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C	5.	(_____)
6. If Schedule D, line 7, is a (loss), enter that (loss) here. Otherwise, enter -0-	6.	(_____)
7. Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 18	7.	_____

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 21

You have a capital loss carryover from 2008 to 2009 if you have a loss on line 16 and either:

- That loss is more than the loss on line 21, or
- The amount on Form 1040, line 41 (or Form 1040NR, line 38, if applicable) is less than zero.

To figure any capital loss carryover to 2009, you will use the Capital Loss Carry-

over Worksheet in the 2009 Instructions for Schedule D. If you want to figure your carryover now, see Pub. 550.



You will need a copy of your 2008 Form 1040 and Schedule D to figure your capital loss carryover to 2009.

Unrecaptured Section 1250 Gain Worksheet—Line 19

Keep for Your Records



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

1. If you have a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252), enter the smaller of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. If you had more than one such property, see instructions	1.	
2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1	2.	
3. Subtract line 2 from line 1	3.	
4. Enter the total 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	7.	
8. Enter the amount, if any, from Form 4797, line 8	8.	
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	
10. Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to 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. If you had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the 28% Rate Gain Worksheet on page D-8. Otherwise, enter -0-	14.	
15. Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0-	15.	()
16. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C*	16.	()
17. Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0-	17.	
18. Unrecaptured section 1250 gain. Subtract line 17 from line 13. If zero or less, enter -0-. If more than zero, enter the result here and on Schedule D, line 19	18.	

*If you are filing Form 2555 or 2555-EZ (relating to foreign earned income), see the footnote in the Foreign Earned Income Tax Worksheet on page 37 of the Form 1040 instructions before completing this line.



Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet on page 38 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR) to figure your tax.

- Exception: Do not** use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:
- Line 15 or line 16 of Schedule D is zero or less **and** you have no qualified dividends on Form 1040, line 9b (or Form 1040NR, line 10b); or
 - Form 1040, line 43 (or Form 1040NR, line 40) is zero or less.

Instead, see the instructions for Form 1040, line 44 (or Form 1040NR, line 41).

1.	Enter your taxable income from Form 1040, line 43 (or Form 1040NR, line 40). (However, if you are filing Form 2555 or 2555-EZ (relating to foreign earned income), enter instead the amount from line 3 of the Foreign Earned Income Tax Worksheet on page 37 of the Form 1040 instructions)	1.	<input type="text"/>
2.	Enter your qualified dividends from Form 1040, line 9b (or Form 1040NR, line 10b)*	2.	<input type="text"/>
3.	Enter the amount from Form 4952 (used to figure investment interest expense deduction), line 4g	3.	<input type="text"/>
4.	Enter the amount from Form 4952, line 4e**	4.	<input type="text"/>
5.	Subtract line 4 from line 3. If zero or less, enter -0-	5.	<input type="text"/>
6.	Subtract line 5 from line 2. If zero or less, enter -0-	6.	<input type="text"/>
7.	Enter the smaller of line 15 or line 16 of Schedule D	7.	<input type="text"/>
8.	Enter the smaller of line 3 or line 4	8.	<input type="text"/>
9.	Subtract line 8 from line 7. If zero or less, enter -0-*	9.	<input type="text"/>
10.	Add lines 6 and 9	10.	<input type="text"/>
11.	Add lines 18 and 19 of Schedule D*	11.	<input type="text"/>
12.	Enter the smaller of line 9 or line 11	12.	<input type="text"/>
13.	Subtract line 12 from line 10	13.	<input type="text"/>
14.	Subtract line 13 from line 1. If zero or less, enter -0-	14.	<input type="text"/>
15.	Enter the smaller of:		
	• The amount on line 1 or		
	• \$32,550 if single or married filing separately;		
	• \$65,100 if married filing jointly or qualifying widow(er); or		
	• \$43,650 if head of household	15.	<input type="text"/>
16.	Enter the smaller of line 14 or line 15	16.	<input type="text"/>
17.	Subtract line 10 from line 1. If zero or less, enter -0-	17.	<input type="text"/>
18.	Enter the larger of line 16 or line 17	18.	<input type="text"/>
	If lines 15 and 16 are the same, skip line 19 and go to line 20. Otherwise, go to line 19.		
19.	Subtract line 16 from line 15	19.	<input type="text"/>
	If lines 1 and 15 are the same, skip lines 20 through 32 and go to line 33. Otherwise, go to line 20.		
20.	Enter the smaller of line 1 or line 13	20.	<input type="text"/>
21.	Enter the amount from line 19 (if line 19 is blank, enter -0-)	21.	<input type="text"/>
22.	Subtract line 21 from line 20. If zero or less, enter -0-	22.	<input type="text"/>
23.	Multiply line 22 by 15% (.15)	23.	<input type="text"/>
	If Schedule D, line 19, is zero or blank, skip lines 24 through 29 and go to line 30. Otherwise, go to line 24.		
24.	Enter the smaller of line 9 above or Schedule D, line 19	24.	<input type="text"/>
25.	Add lines 10 and 18	25.	<input type="text"/>
26.	Enter the amount from line 1 above	26.	<input type="text"/>
27.	Subtract line 26 from line 25. If zero or less, enter -0-	27.	<input type="text"/>
28.	Subtract line 27 from line 24. If zero or less, enter -0-	28.	<input type="text"/>
29.	Multiply line 28 by 25% (.25)	29.	<input type="text"/>
	If Schedule D, line 18, is zero or blank, skip lines 30 through 32 and go to line 33. Otherwise, go to line 30.		
30.	Add lines 18, 19, 22, and 28	30.	<input type="text"/>
31.	Subtract line 30 from line 1	31.	<input type="text"/>
32.	Multiply line 31 by 28% (.28)	32.	<input type="text"/>
33.	Figure the tax on the amount on line 18 . Use the Tax Table or Tax Computation Worksheet, whichever applies	33.	<input type="text"/>
34.	Add lines 23, 29, 32, and 33	34.	<input type="text"/>
35.	Figure the tax on the amount on line 1 . Use the Tax Table or Tax Computation Worksheet, whichever applies	35.	<input type="text"/>
36.	Tax on all taxable income (including capital gains and qualified dividends). Enter the smaller of line 34 or line 35. Also include this amount on Form 1040, line 44 (or Form 1040NR, line 41). (If you are filing Form 2555 or 2555-EZ, do not enter this amount on Form 1040, line 44. Instead, enter it on line 4 of the Foreign Earned Income Tax Worksheet in the Form 1040 instructions)	36.	<input type="text"/>

*If you are filing Form 2555 or 2555-EZ, see the footnote in the Foreign Earned Income Tax Worksheet on page 37 of the Form 1040 instructions before completing this line.
 **If applicable, enter instead the smaller amount you entered on the dotted line next to line 4e of Form 4952.



2008 Instructions for Schedule E (Form 1040)

Supplemental Income and Loss

Use Schedule E (Form 1040) to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

You can attach your own schedule(s) to report income or loss from any of these sources. Use the same format as on Schedule E.

Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Other Schedules and Forms You May Have To File

- Schedule A to deduct interest, taxes, and casualty losses not related to your business.
- Form 3520 to report certain transactions with foreign trusts and receipt of certain large gifts or bequests from certain foreign persons.
- Form 4562 to claim depreciation (including the special allowance) on assets placed in service in 2008, to claim amortization that began in 2008, to make an election under section 179 to expense certain property, or to report information on listed property.
- Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.
- Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.
- Form 6198 to figure your allowable loss from an at-risk activity.
- Form 8082 to notify the IRS of any inconsistent tax treatment for an item on your return.
- Form 8582 to figure your amount of allowable passive activity loss.
- Form 8824 to report like-kind exchanges.
- Form 8826 to claim a credit for expenditures to improve access to your business for individuals with disabilities.
- Form 8873 to figure your extraterritorial income exclusion.

- Form 8910 to claim a credit for placing a new alternative motor vehicle in service for business use.

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 E (or Schedule C, C-EZ, or F, if applicable). However, you can elect to treat a domestic LLC as a corporation. See Form 8832 for details on the election and the tax treatment of a foreign LLC.

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 generally use Form 1099-MISC, Miscellaneous Income, to report rents and payments of fees and other nonemployee compensation. For details, see the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file Form 8300. For details, see Pub. 1544.

Reportable Transaction Disclosure Statement

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

- Any listed transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.
- Any transaction offered to you or a related party under conditions of confidentiality for which you paid an advisor a fee of at least \$50,000.

- Certain transactions for which you or a related party have contractual protection against disallowance of the tax benefits.

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

- Certain transactions of interest entered into after November 1, 2006, that are the same or substantially similar to transactions that the IRS has identified by notice, regulation, or other form of published guidance as transactions of interest.

See the Instructions for Form 8886 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 placed in service before 1987. They also do not apply to losses from your interest acquired before 1987 in a pass-through entity that is engaged in such activity. 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 the activity of holding real property (other than mineral property). See *Qualified nonrecourse financing* below.

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

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

Qualified nonrecourse financing. Qualified nonrecourse financing is treated as an amount at risk if it is secured by real property used in an activity of holding real property that is subject to the at-risk rules. Qualified nonrecourse financing is financing for which no one is personally liable for repayment and is:

- Borrowed by you in connection with the activity of holding real property (other than mineral property),
- Not convertible from a debt obligation to an ownership interest, and
- Loaned or guaranteed by any federal, state, or local government, or borrowed by you from a qualified person.

Qualified person. A qualified person is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A qualified person cannot be:

- Related to you (unless the nonrecourse financing obtained is commercially reasonable and on substantially 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).

For more details about the at-risk rules, see the Instructions for Form 6198 and Pub. 925.

Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. These rules apply to losses in Parts I, II, and III, and line 40 of Schedule E.

Losses from passive activities may be subject first to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity loss rules.

You generally can deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (explained later on this page).

Passive Activity

A passive activity is any business activity in which you did not materially participate and any rental activity, except as explained later on this page. If you are a limited partner, you generally are not treated as having materially participated in the partnership's activities for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply. If your rental of property is not treated as a rental activity, you must determine whether it is a trade or business activity, and if so, whether you materially participated in the activity for the tax year.

See the Instructions for Form 8582 to determine whether you materially participated in the activity and for the definition of "rental activity."

See Pub. 925 for special rules that apply to rentals of:

- Substantially nondepreciable property,
- Property incidental to development activities, and
- Property related 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 for 2008, any rental real estate activity in which you materially participated is not a passive activity. You were a real estate professional for the year, only if you met both of the following conditions.

- More than half of the personal services you performed in trades or businesses during the year were performed in real property trades or businesses in which you materially participated.
- You performed more than 750 hours of services during the year in real property trades or businesses in which you materially participated.

For purposes of this rule, each interest in rental real estate is a separate activity, unless you elect to treat all your interests in rental real estate as one activity. To make this election, attach a statement to your original tax return that declares you are a qualifying taxpayer for the year and you are making the election under section 469(c)(7)(A). The election applies for the year made and all later years in which you are a real estate professional. You can revoke the election only if your facts and circumstances materially change.

If you are married filing jointly, either you or your spouse must 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 2008, complete Schedule E, line 43.

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 of the following conditions, your rental real estate losses are not limited by the passive activity loss rules. If you do not meet all of these conditions, see the Instructions for Form 8582 to find out if you must complete and attach Form 8582 to figure any losses allowed.

1. Rental real estate activities are your only passive activities.
2. You do not have any prior year unallowed losses from any passive activities.
3. All of the following apply if you have an overall net loss from these activities:
 - a. You actively participated (defined below) in all of the rental real estate activities;
 - b. If married filing separately, you lived apart from your spouse all year;
 - c. Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately);
 - d. You have no current or prior year unallowed credits from passive activities; and
 - e. Your modified adjusted gross income (defined on page E-3) 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. If you are a limited partner, you are also not treated as actively participating in a partnership's rental real estate activities.

Modified adjusted gross income. This is your adjusted gross income from Form 1040, line 38, or Form 1040NR, line 36, without taking into account:

- Any allowable passive activity loss,
- Rental real estate losses allowed for real estate professionals (see *Activities of real estate professionals* on page E-2),
- Taxable social security or tier 1 railroad retirement benefits,
- Deductible contributions to a traditional IRA or certain other qualified retirement plans under section 219,
- The student loan interest deduction,
- The tuition and fees deduction,
- The domestic production activities deduction,
- The deduction for one-half of self-employment tax,
- The exclusion from income of interest from series EE and I U.S. savings bonds used to pay higher education expenses, and
- Any excluded amounts under an employer's adoption assistance program.

Recordkeeping

You must keep records to support items reported on Schedule E in case the IRS has questions about them. If the IRS examines your tax return, you may be asked to explain the items reported. Good records will help you explain any item and arrive at the correct tax with a minimum of effort. If you do not have records, you may have to spend time getting statements and receipts from various sources. If you cannot produce the correct documents, you may have to pay additional tax and be subject to penalties.

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



Before you begin, see the instructions for lines 3 and 4 to determine if you should report your rental real estate and roy-

alty income on Schedule C, Schedule C-EZ, or Form 4835 instead of Schedule E.

Income or Loss From Rental Real Estate and Royalties

Use Part I to report:

- Income and expenses from rental real estate (including personal property leased with real estate), and
- Royalty income and expenses.
- For an estate or trust **only**, farm rental income and expenses based on crops or livestock produced by the tenant. **Do not** use Form 4835 or Schedule F (Form 1040) for this purpose.

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 for all properties reported on 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 36, to find out how to report the income and expenses.

Husband-wife qualified joint venture. Do not use Schedule E to report income and expenses from a rental real estate business that is a qualified joint venture conducted by you and your spouse, if you file a joint return for the tax year.

Generally, if you and your spouse jointly own and operate an unincorporated business and share in the profits and losses, you are taxed as a partnership. However, if you and your spouse each materially participate as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make an election to be treated as a qualified joint venture instead of a partnership. For an explanation of "material participation," see the instructions for Schedule C, line G, that begin on page C-3.

To make the election, you must divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule C or C-EZ. On each line of your separate Schedule C or C-EZ, you must enter your share of the applicable income, deduction, or loss. See the instructions for Schedule C or C-EZ and Publication 527 for more details.

As long as you remain qualified, your election cannot be revoked without IRS consent.

Note. Rental income reported on Schedule E is not taxable for self-employment tax purposes. Electing qualified joint venture status and using the Schedule C or C-EZ does not alter the application of the self-employment tax or the passive loss limitation rules.

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 under certain circumstances. Use Form 8873 to figure the extraterritorial income exclusion. Report it on Schedule E as explained in the Instructions for Form 8873.

Chapter 11 bankruptcy cases. If you were a debtor in a chapter 11 bankruptcy case, see page 20 of the instructions for Form 1040.

Line 1

For rental real estate property only, show all of the following.

- The kind of property you rented (for example, townhouse, commercial building, mobile home, and self-storage unit).
- The street address, city or town, state, and ZIP code. If the property is located in a foreign country, enter the city, province or state, country, and postal 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 2008 more than the greater of:

- 14 days, or
- 10% of the total days it was rented to others at a fair rental price.

Otherwise, check "No."

If you checked "No" you can deduct all your expenses for the rental part, subject to the *At-Risk Rules* and the *Passive Activity Loss Rules* explained beginning on page E-1.

If you checked "Yes" and rented the unit out for fewer than 15 days in 2008, do not report the rental income and do not deduct any rental expenses. If you itemize deductions on Schedule A, you can deduct allowable interest, taxes, and casualty losses. If you do not itemize, you can increase your standard deduction by certain state or local real estate taxes and a net disaster loss attributable to a federally declared disaster.

If you checked "Yes" and rented the unit out for at least 15 days in 2008, 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 2009 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. Use a separate column (A, B, or C) for each rental property. Include income received for renting a room or other space. If you received services or property instead of money as rent, report the fair market value of what you received as rental income.

Be sure to enter the total of all your rents in the "Totals" column even if you have only one property.

If you provided significant services to the renter, such as maid service, report the rental activity on Schedule C or C-EZ, not on Schedule E. Significant services do not include the furnishing of heat and light, cleaning of public areas, trash collection, or similar services.

If you were in the real estate sales business, include on line 3 only the rent received from real estate (including personal property leased with real estate) you held for investment or speculation. Do not use Schedule E to report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business. Instead, use Schedule C or C-EZ for these rentals.

For more details on rental income use TeleTax topic 414 (see the Instructions for Form 1040, page 84), or see Pub. 527.

Rental income from farm production or crop shares. Report farm rental income and expenses on Form 4835 if:

- You are an individual,
- You received rental income based on crops or livestock produced by the tenant, and
- You did not materially participate in the management or operation of the farm.

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 2008, the payer should send you a Form 1099-MISC or similar statement by February 2, 2009, 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 2008 to provide access to your business for individuals with disabilities. See Form 8826 for details.

You can also elect to deduct up to \$15,000 of qualified costs paid or incurred in 2008 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.

Line 6

You can deduct ordinary and necessary auto and travel expenses related to your rental activities, including 50% of meal expenses incurred while traveling away from home. You generally can either deduct your actual expenses or take the standard mileage rate. You must use actual expenses if you used more than four vehicles simultaneously in your rental activities (as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can use the standard mileage rate for 2008 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you take the standard mileage rate, multiply the number of miles driven in connection with your rental activities by:

- 50.5 cents for miles driven from January 1, 2008, through June 30, 2008; and
 - 58.5 cents for miles driven from July 1, 2008, through December 31, 2008.
- Include this amount and your parking fees and tolls on line 6.



You cannot deduct rental or lease payments, depreciation, or your actual auto expenses if you use the standard mileage rate.

If you deduct actual auto expenses:

- Include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show auto rental or lease payments on line 18 and depreciation on line 20.

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 2008 to banks or other financial institutions. Be sure to enter the total of all your mortgage interest in the "Totals" column even if you have only one property.

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 2008, the recipient should send you a Form 1098 or similar statement by February 2, 2009, 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. On the dotted line next to line 12, enter "See attached."

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. On the dotted line next to line 13, enter "See attached."

Line 14

You can deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized and depreciated (that is, they cannot be deducted in full in the year they are paid or incurred). See the instructions for line 20.

Line 17

You can deduct the cost of ordinary and necessary telephone calls related to your rental activities or royalty income (for example, calls to the renter). However, the base rate (including taxes and other charges) for local telephone service for the first telephone line into your residence is a personal expense and is not deductible.

Line 18

You may be able to deduct, on line 18, part or all of the cost of modifying existing commercial buildings to make them energy efficient. For details, see section 179D, Notice 2006-52, and Notice 2008-40. You can find Notice 2006-52 on page 1175 of Internal Revenue Bulletin 2006-26 at www.irs.gov/irb/2006-26_IRB/ar11.html. You can find Notice 2008-40 on page 725 of Internal Revenue Bulletin 2008-14 at www.irs.gov/irb/2008-14_IRB/ar12.html.

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 enter the total of all your depreciation in the "Totals" column even if you have only one property.

You must complete and attach Form 4562 only if you are claiming:

- Depreciation on property first placed in service during 2008,
- 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 2008.

See Pub. 527 for more information on depreciation of residential rental property. See Pub. 946 for a more comprehensive guide to depreciation.

If you have an economic interest in mineral property, you may be able to take a deduction for depletion. Mineral property includes oil and gas wells, mines, and other natural deposits (including geothermal deposits). See Pub. 535 for details.

Separating cost of land and buildings. If you buy buildings and your cost includes the cost of the land on which they stand, you must divide the cost between the land and the buildings to figure the basis for depreciation of the buildings. The part of the cost that you allocate to each asset is the ratio of the fair market value of that asset to the fair market value of the whole property at the time you buy it.

If you are not certain of the fair market values of the land and the buildings, you can divide the cost between them based on their assessed values for real estate tax purposes.

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, enter "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-2), 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. See the Instructions for Form 8582 to determine if your loss is limited.

If your rental real estate loss is not from a passive activity or you meet the exception for certain rental real estate activities (explained on page E-2), you do not have to

complete Form 8582. Enter the loss from line 22 on line 23.

Parts II and III

If you need more space in Part II or III to list your income or losses, attach a continuation sheet using the same format as shown in Part II or III. However, be sure to complete the "Totals" columns for lines 29a and 29b, or lines 34a and 34b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Tax preference items. If you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of preferences and adjustments from these entities for the alternative minimum tax on Form 6251 or Schedule I (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 the instructions for Form 1040 or Form 1040NR for how to get tax forms, instructions, and publications. Do not attach Schedules K-1 to your return. Keep them for your records.

If you are treating items on your tax return differently from the way the partnership (other than an electing large partnership) or S corporation reported them on its return, you may have to file Form 8082. If you are a partner in an electing large partnership, you must report the items shown on Schedule K-1 (Form 1065-B) on your tax return the same way that the partnership reported the items on Schedule K-1.

Special rules that limit losses. Please note the following.

- If you have a current year loss, or a prior year unallowed loss, from a partnership or an S corporation, see *At-Risk Rules* and *Passive Activity Loss Rules* beginning on page E-1.

Partners and S corporation shareholders should get a separate statement of income,

expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. If you are subject to the at-risk rules for any activity, check the box on the appropriate line in Part II, column (e) of Schedule E, and use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter any deductible loss from Form 6198 on the appropriate line in Part II, column (h) of Schedule E.

- If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (f), for that activity. But if you are a general partner or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity and you meet all of the conditions listed on page E-2 under *Exception for Certain Rental Real Estate Activities*, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (f).

If you have passive activity income, complete Part II, column (g), for that activity.

If you have nonpassive income or losses, complete Part II, columns (h) through (j), as appropriate.

Domestic Partnerships

See the Schedule K-1 instructions before entering on your return other partnership items from a passive activity or income or loss from any publicly traded partnership.

You can deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership if you were required to pay these expenses under the partnership agreement. See the instructions for line 27 on page E-7 for how to report these expenses.

Report allowable interest expense paid or incurred from debt-financed acquisitions in Part II or on Schedule A depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for federal tax on gasoline or other fuels on your 2007 Form 1040, or Form 1040NR, based on information received from the partnership, enter as income in column (g) or column (j), whichever applies, the amount of the credit claimed for 2007.

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on Schedule SE. Enter the amount from Schedule K-1 (Form 1065), box 14, code A (or from Schedule K-1 (Form 1065-B), box 9 (code J1)), on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

Foreign Partnerships

Follow the instructions below in addition to the instructions above for *Domestic Partnerships*.

If you are a U.S. person, you may have received Forms 1099-B, 1099-DIV, and 1099-INT reporting your share of certain partnership income, because payors of income to the foreign partnership generally are required to allocate and report payments of that income directly to each of the partners of the foreign partnership. If you received both Schedule K-1 and Form 1099 for the same type and source of partnership income, report only the income shown on Schedule K-1 in accordance with its instructions.

If you are not a U.S. person, you may have received Forms 1042-S reporting your share of certain partnership income, because payors of income to the foreign partnership generally are required to allocate and report payments of that income directly to each of the partners of the foreign partnership. If you received both Schedule K-1 and Form 1042-S for the same type and source of partnership income, report the income on your return as follows.

- For all income effectively connected with the conduct of a trade or business in the United States, report only the income shown on Schedule K-1 in accordance with its instructions.

- For all income **not** effectively connected with the conduct of a trade or business in the United States, report on page 4 of Form 1040NR only the income shown on Form 1042-S (if you are required to file Form 1040NR).

Requirement to file Form 8865. If you are a U.S. person, you may have to file Form 8865 if any of the following applies.

1. You controlled a foreign partnership (that is, you owned more than a 50% direct or indirect interest in the partnership).

2. You owned at least a 10% direct or indirect interest in a foreign partnership while U.S. persons controlled that partnership.

3. You had an acquisition, disposition, or change in proportional interest of a foreign partnership that:

- a. Increased your direct interest to at least 10% or reduced your direct interest of at least 10% to less than 10%, or

- b. Changed your direct interest by at least a 10% interest.

4. You contributed property to a foreign partnership in exchange for a partnership interest if:

- a. Immediately after the contribution, you owned, directly or indirectly, at least a 10% interest in the partnership, or

- b. The value of the property you contributed, when added to the value of any other property you or any related person contributed to the partnership during the 12-month period ending on the date of transfer, 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 generally limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of the basis limitation can be carried forward and deducted in a later year subject to the basis limitation for that year.

If you are claiming a deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See the Schedule K-1 instructions for details.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules. See pages E-1 and E-2.

Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on Form 1040, line 9a.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

Your share of the net income of an S corporation is not subject to self-employment tax.

Line 27

If you answered "Yes" on line 27, follow the instructions below. If you fail to follow these instructions, the IRS may send you a notice of additional tax due because the amounts reported by the partnership or S corporation on Schedule K-1 do not match the amounts you reported on your tax return.

Losses Not Allowed in Prior Years Due to the At-Risk or Basis Limitations

- Enter your total prior year unallowed losses that are now deductible on a separate line in column (h) of line 28. Do not combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

- Enter "PYA" in column (a) of the same line.

Prior Year Unallowed Losses From a Passive Activity Not Reported on Form 8582

- Enter on a separate line in column (f) of line 28 your total prior year unallowed losses not reported on Form 8582. Such

losses include prior year unallowed losses that are now deductible because you did not have an overall loss from all passive activities or you disposed of your entire interest in a passive activity in a fully taxable transaction. Do not combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

- Enter "PYA" in column (a) of the same line.

Unreimbursed Partnership Expenses

- You can deduct unreimbursed ordinary and necessary partnership expenses you paid on behalf of the partnership on Schedule E if you were required to pay these expenses under the partnership agreement (except amounts deductible only as itemized deductions, which you must enter on Schedule A).

- Enter unreimbursed partnership expenses from nonpassive activities on a separate line in column (h) of line 28. Do not combine these expenses with, or net them against, any other amounts from the partnership.

- If the expenses are from a passive activity and you are not required to file Form 8582, enter the expenses related to a passive activity on a separate line in column (f) of line 28. Do not combine these expenses with, or net them against, any other amounts from the partnership.

- Enter "UPE" in column (a) of the same line.

Line 28

For nonpassive income or loss (and passive income or losses for which you are not filing Form 8582), enter in the applicable column of line 28 your current year ordinary income or loss from the partnership or S corporation. Report each related item required to be reported on Schedule E (including items of income or loss stated separately on Schedule K-1) in the applicable column of a separate line following the line on which you reported the current year ordinary income or loss. Also enter a description of the related item (for example, depletion) in column (a) of the same line.

If you are required to file Form 8582, see the Instructions for Form 8582 before completing Schedule E.

Part III

Income or Loss From Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a Schedule K-1 (Form 1041) from the fiduciary. Your copy of Schedule

K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. Do not attach Schedule K-1 to your return. Keep it for your records.

If you are treating items on your tax return differently from the way the estate or trust reported them on its return, you may have to file Form 8082.

If you have estimated taxes credited to you from a trust (Form 1041, Schedule K-1, box 13, code A), enter "ES payment claimed" and the amount on the dotted line next to line 37. Do not include this amount in the total on line 37. Instead, enter the amount on Form 1040, line 63, or Form 1040NR, line 59.

A U.S. person who transferred property to a foreign trust may have to report the income received by the trust as a result of the transferred property if, during 2008, the trust had a U.S. beneficiary. See 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 combined totals of columns (d) and (e) on Schedule E, line 39. 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 43). It is also the smallest amount you are allowed to report as your alternative minimum taxable income (AMTI) on Form 6251, line 29.

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 43. 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 29. Enter "Sch. Q" on the dotted line to the left of this amount on Form 1040, line 43, and Form 6251, line 29, if applicable.

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 Schedule E, line 39.

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b. If you itemize your deductions, include this amount on Form 1040, Schedule A, line 23.

Part V Summary

Line 42

You will not be charged a penalty for underpayment of estimated tax if:

1. Your gross farming or fishing income for 2007 or 2008 is at least two-thirds of your gross income, and
2. You file your 2008 tax return and pay the tax due by March 2, 2009.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control number 1545-1972 and is shown below.

Recordkeeping	3 hr.
Learning about the law or the form	1 hr., 13 min.
Preparing the form	1 hr., 27 min.
Copying, assembling, and sending the form to the IRS	34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



2008 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, 1040NR, 1041, 1065, or 1065-B.

Your farming 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 examples of filled-in forms and schedules, and lists important dates that apply to farmers.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Section 179 deduction increased. For property placed in service during a tax year beginning in 2008, the limit for the section 179 deduction to expense certain depreciable business property has been increased to \$250,000. This limit will be reduced when the total cost of section 179 property placed in service during the tax year exceeds \$800,000.

Gulf Opportunity (GO) Zone property. In addition to the increase discussed above, the higher section 179 deduction has been extended for qualified section 179 GO Zone property when substantially all of the use is in specified portions of the GO Zone and is placed in service in 2008. For the location of specified GO Zone portions, see Notice 2007-36.

Special depreciation allowance. For qualifying property acquired and placed in service in 2008, you may be able to take a depreciation deduction equal to 50% of the adjusted basis of the property. Qualifying property includes certain property with a recovery period of 20 years or less, certain computer software, water utility property, or qualified leasehold improvements. For more information, see Pub. 946.

Exclusion from self-employment tax for certain Conservation Reserve Program (CRP) payments. Beginning in 2008, farmers receiving social security retirement or disability benefits do not have to pay self-employment tax on CRP payments. CRP payments are still subject to income tax.

Indian employment credit has been extended. The Indian employment credit has been extended for qualified wages paid to an employee through December 31, 2009.

Special rules for contributing food inventory have been extended. These rules were due to expire at the end of 2007 but have been extended to contributions made in 2008 and 2009.

Deduction for qualified clean-up costs in the GO Zone has expired. This deduction was available for certain demolition and clean-up costs paid or incurred before January 1, 2008.

Increased expensing for qualified timber property in the GO Zone has expired. The increased expensing limit was available for reforestation expenditures paid or incurred before January 1, 2008.

What's New—Disaster Areas

Kansas and Midwestern Disaster Areas

The following tax benefits are available for qualifying Schedule F filers in the Kansas and Midwestern disaster areas.

- Employee retention credit for employers.
- Deduction for qualified demolition and clean-up costs.
- Increased section 179 deduction for qualified property.
- Special depreciation allowance for qualified property.

For information about these benefits, see:

- Pub. 4492-A, Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes; and
- Pub. 4492-B, Information for Affected Taxpayers in the Midwestern Disaster Areas.

Special instructions for taxpayers affected by the May 4, 2007, Kansas storms and tornadoes. To claim a refund if you have already filed your 2007 tax return and have qualifying expenses for that year, file an amended return on Form 1040X, Amended U.S. Individual Income Tax Return, except as otherwise provided in Notice 2008-67. This notice is found on page 307 of Internal Revenue Bulletin 2008-32 at www.irs.gov/irb/2008-32_irb/ar14.html.

Other Federally Declared Disaster Areas

The following tax benefits are available for qualifying Schedule F filers affected by federally declared disasters occurring after December 31, 2007, and before January 1, 2010.

- Deduction for qualified demolition and clean-up costs (see Pub. 535).
- Increased section 179 deduction for qualified property (see Pub. 946).

- Special depreciation allowance for qualified property (see Pub. 946).

For a list of designated counties in federally declared disaster areas go to www.fema.gov/news/disasters.fema.

General Instructions

Other Schedules and Forms You May Have To File

- Schedule E, Part I, to report rental income from pastureland that is based on a flat charge. However, report on Schedule F, line 10, pasture income received from taking care of someone else's livestock. Also use Schedule E, Part I, to report farm rental income and expenses of a trust or estate based on crops or livestock produced by a tenant.
- Schedule J to figure your tax by averaging your farm income over the previous 3 years. Doing so may reduce your tax.
- Schedule SE to pay self-employment tax on income from your farming business.
- Form 4562 to claim depreciation (including the special allowance) on assets placed in service in 2008, to claim amortization that began in 2008, to make an election under section 179 to expense certain property, or to report information on vehicles and other listed property.
- Form 4684 to report a casualty or theft gain or loss involving farm business property, including purchased 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 crop or livestock shares produced by a tenant if you are an individual who did not materially participate in the management or operation of a farm. This income is not subject to self-employment tax. See Pub. 225.
- Form 8824 to report like-kind exchanges.

- Form 8903 to take a deduction for income from domestic production activities.
- Form 8910 to claim a credit for placing a new alternative motor vehicle in service for business use.
- Form 8911 to claim a credit for placing qualified alternative fuel vehicle refueling property in service for business use.

Heavy highway vehicle use tax. If you use certain highway trucks, truck-trailers, tractor trailers, or buses in your farming business, you may have to pay a federal highway motor vehicle use tax. See the Instructions for Form 2290 to find out if you owe this tax.

Information returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, 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 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file Form 8300. For details, see Pub. 1544.

Reportable transaction disclosure statement. If you entered into a reportable transaction in 2008, you must file Form 8886 to disclose information if your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. You may also have to pay interest and penalties on any reportable transaction understatements. For more information on reportable transactions, see *Reportable Transaction Disclosure Statement* on page C-2 of the instructions for Schedule C.

Husband-Wife Farm

If you and your spouse jointly own and operate a farm as an unincorporated business and share in the profits and losses, you are partners in a partnership whether or not you have a formal partnership agreement. File Form 1065 instead of Schedule F.

Exception—Qualified Joint Venture

If you and your spouse each materially participate as the only members of a jointly owned and operated farm, and you file a joint return for the tax year, you can make a joint election to be treated as a qualified joint venture instead of a partnership. For an explanation of “material participation,” see the instructions for Schedule C, line G, on page C-3, and the instructions for line E on this page.

Making the election. To make this election, you must divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule F. On each line of your separate Schedule F, you must enter your share of the applicable income, deduction, or loss. Each of you must also file a

separate Schedule SE to pay self-employment tax, as applicable.

As long as you remain qualified, your election cannot be revoked without IRS consent.

For more information, see *Exception—Qualified Joint Venture* on page C-2 of the instructions for Schedule C.

Exception—Community Income

If you and your spouse wholly own an unincorporated farming business as community property under the community property laws of a state, foreign country, or U.S. possession, the income and deductions are reported based on the following.

- If only one spouse participates in the business, all of the income from that business is the self-employment earnings of the spouse who carried on the business.
- If both spouses participate, the income and deductions are allocated to the spouses based on their distributive shares.
- If either or both you and your spouse are partners in a partnership, see Pub. 541.
- If you and your spouse elected to treat the business as qualifying joint venture, see *Exception—Qualified Joint Venture* on this page.

The only states with community property laws are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. A change in your reporting position will be treated as a conversion of the entity.

Estimated Tax

If you had to make estimated tax payments for 2008 and you underpaid your estimated tax, you will not be charged a penalty if both of the following apply.

- Your gross farming or fishing income for 2007 or 2008 is at least two-thirds of your gross income.
- You file your 2008 tax return and pay the tax due by March 2, 2009.

For details, see chapter 15 of Pub. 225.

Specific Instructions

Filers of Forms 1041, 1065, and 1065-B. Do not complete the block labeled “Social security number (SSN).” Instead, enter your employer identification number (EIN) on line D.

Line B

On line B, enter one of the 14 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income.

Line C

If you use the cash method, check box 1, “Cash.” Complete Schedule F, Parts I and II. Generally, report income in the year in which you actually or constructively received it and deduct expenses in the year you paid them. However, if the payment of

an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See chapter 2 of Pub. 225.

If you use an accrual method, check box 2, “Accrual.” Complete Schedule F, Parts II, III, and Part I, line 11. 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. 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 at any time been offered for sale in a way that would require registration with any federal or state agency, or
- More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A limited partner is one who can lose only the amount invested or required to be invested in the partnership. A limited entrepreneur is a person who does not take any active part in managing the business.

Line D

You need an employer identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, and firearms tax return. If you need an EIN, see the Instructions for Form SS-4. If you do not have an EIN, leave line D blank.

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-3. 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 or more of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if he or she actively manages the farm and the real property used for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent.

Check the “No” box if you did not materially participate. If you checked “No” and you have a loss from this business, see *Limit on passive losses* below. If you have a profit from this business activity but have current year losses from other passive activities or prior year unallowed passive ac-

tivity losses, see the Instructions for Form 8582.

Limit on passive losses. If you checked the "No" box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive 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, include both the cash actually or constructively received and the fair market value of goods or other property received for these items. Income is constructively received when it is credited to your account or set aside for you to use. However, direct payments or counter-cyclical payments received under the Farm Security and Rural Investment Act of 2002 are required to be included in income only in the year of actual receipt.

If you ran the farm yourself and received rents based on crop shares or farm production, report these rents as income on line 4.

Sales of livestock because of weather-related conditions. If you sold livestock because of drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if all of the following apply.

- Your main business is farming.
- You can show that you sold the livestock only because of weather-related conditions.
- Your area qualified for federal aid.

See chapter 3 of Pub. 225 for details.

Chapter 11 bankruptcy. If you were a debtor in a chapter 11 bankruptcy case during 2008, see page 20 in the instructions for Form 1040 and page SE-2 of the instructions for Schedule SE (Form 1040).

Forms 1099 or CCC-1099-G. If you received Forms 1099 or CCC-1099-G showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-1099-G amounts in the total amount reported on that line.

Form	Where to report
1099-PATR	Line 5a
1099-A	Line 7b
1099-MISC for crop insurance	Line 8a
1099-G or CCC-1099-G	
• for disaster payments	Line 8a
• for other agricultural program payments	Line 6a

You may also receive Form 1099-MISC for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

Lines 5a and 5b

If you received distributions from a cooperative in 2008, you should receive a Form 1099-PATR. On line 5a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemptions of nonqualified written notices of allocation and per-unit retain certificates.

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. Because you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 6a and 6b

Enter on line 6a the total of the following amounts.

- Direct payments.
- Counter-cyclical payments.
- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).

These amounts are government payments you received and are 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 can 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 2008 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. This amount may be reported to you on Form 1099-A.

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 chapter 3 of 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 2008 was the year of damage, you can elect to include certain proceeds in income for 2009. To make this election, check the box on line 8c and attach a statement to your return. See chapter 3 of Pub. 225 for a description of the proceeds for which an election can be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including federal crop disaster payments).

Enter on line 8a the total crop insurance proceeds you received in 2008, even if you elect to include them in income for 2009.

Enter on line 8b the taxable amount of the proceeds you received in 2008. Do not include proceeds you elect to include in income for 2009.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 2007 and elected to include in income for 2008.

Line 10

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

- Illegal federal irrigation subsidies. See chapter 3 of Pub. 225.

- Bartering income.
- Income from cancellation of debt. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. If a federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a Form 1099-C, or similar statement, by February 2, 2009, showing the amount of debt canceled in 2008. However, you may be able to exclude the canceled debt from income. See Pub. 4681 for details.

- State gasoline or fuel tax refunds you received in 2008.

- The amount of credit for federal tax paid on fuels, if you deducted the total cost of the fuel on your 2007 Form 1040.

- The amount of credit for alcohol and cellulosic biofuel fuels that was claimed on Form 6478.

- The amount of credit for biodiesel and renewable diesel fuels that was claimed on Form 8864.

- Any recapture of excess depreciation on any listed property, including any section 179 expense deduction, if the business use percentage of that property decreased to 50% or less in 2008. Use Form 4797 to figure the recapture. See the instructions for Schedule C, line 13, on page C-5 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 chapter 5 of Pub. 946 to figure the amount.

- Any recapture of the deduction for clean-fuel vehicles and clean-fuel vehicle refueling property used in your farming business. For details on how to figure recapture, see Regulations section 1.179A-1.

- 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 the amount of the loss in parentheses.

- Any income from breeding fees, or fees from renting teams, machinery, or land.



For property acquired and hedging positions established, you must clearly identify on your books and records both the hedging transaction and the item(s) or aggregate risk that is being hedged.

Purchase or sales contracts are not true hedges if they offset losses that already occurred. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, report the profit or loss on Form 6781 instead of this line.

Part II. Farm Expenses

Do not deduct the following.

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.

- Expenses of raising anything you or your family used.

- The value of animals you raised that died.

- Inventory losses.

- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Capitalizing costs of property. If you produced real or tangible personal property or acquired property for resale, certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. However, these rules generally do not apply to expenses of:

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

2. Raising animals, or

3. Replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or casualty.



Exceptions (1) and (2) do not apply to tax shelters, farming syndicates, partnerships, or corporations required to use the accrual method of accounting under section 447 or 448(a)(3).

If you capitalize your expenses, do not reduce your deductions on lines 12 through 34e by the capitalized expenses. Instead, enter the total amount capitalized in parentheses on line 34f and enter "263A" in the space to the left of the total. See *Preproductive period expenses* on page F-7 for details.

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* next.

Election to deduct certain preproductive period expenses. If the preproductive period of any plant you produce is more than 2 years, you can elect to currently deduct the expenses rather than capitalize them. But you cannot make this election for the costs of planting or growing citrus or almond groves that are incurred before the end of the fourth tax year beginning with the tax year you planted them in their permanent grove. You are treated as having made the election by deducting the preproductive period expenses in the first

tax year for which you can make this election and by applying the special rules, discussed below.



In the case of a partnership or S corporation, the election must be made by the partner, shareholder, or member. This election cannot be made by tax shelters, farming syndicates, partnerships, or corporations required to use the accrual method of accounting under section 447 or 448(a)(3).

Unless you obtain IRS consent, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You cannot revoke this election without IRS consent.

Special rules. 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, and

- The alternative depreciation rules apply to property placed in service in any tax year your election is in effect.

For details, see *Uniform Capitalization Rules* in chapter 6 of Pub. 225.

Prepaid farm supplies. Generally, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm supplies not used or consumed during the year. They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to (a) capitalize the cost of poultry bought for use in your farming business and deduct it ratably over the lesser of 12 months or the useful life of the poultry, and (b) deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it.

If the limit applies, you can deduct prepaid farm supplies that do not exceed 50% of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For details and exceptions to these rules, see chapter 4 of Pub. 225.

Whether or not this 50% limit applies, your expenses for livestock feed paid during the year but consumed in the later year, may be subject to the rules explained later in the line 18 instructions.

Line 12

You can deduct the actual expenses of operating 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 five or more vehicles simultaneously in your farming 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 2008 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you take the standard mileage rate, multiply the number of business miles driven:

- Before July 1, 2008, by 50.5 cents, and
 - After June 30, 2008, by 58.5 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 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 claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested on Form 4562, Part V. Be sure to attach Form 4562 to your return.

For details, see Pub. 463.

Line 14

Deductible soil and water conservation expenses generally are those that are paid to conserve soil and water or to prevent erosion of land used for farming. These expenses include (but are not limited to) costs for the following.

- The treatment or movement of earth, such as leveling, grading, conditioning, terracing, contour furrowing, and the restoration of soil fertility.
- The construction, control, and protection of diversion channels, drainage ditches, irrigation ditches, earthen dams, watercourses, outlets, and ponds.
- The eradication of brush.
- 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, or to prepare land for center pivot irrigation systems.

Your deduction cannot exceed 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, the excess can be carried forward and deducted in later tax years. However, the amount deductible for any 1 year cannot exceed the 25% gross income limit for that year.

For details, see chapter 5 of Pub. 225.

Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment).

Do not include amounts paid for rental or lease of equipment that you operated yourself. Instead, report those amounts on line 26a.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You can also elect under section 179 to expense a portion of the cost of certain property you bought in 2008 for use in your farming business. The section 179 election is made on Form 4562.

For information about depreciation and the section 179 deduction, see chapter 7 of Pub. 225.

For details on the special depreciation allowance and section 179 deduction for qualified property in the GO Zone, see chapter 3 of Pub. 946.

See the Instructions for Form 4562 for information on when you must complete and attach Form 4562.

Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

Contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance are not deductible on Schedule F. However, you may be able to deduct on Form 1040, line 29 (or on Form 1040NR, line 28), 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 29, or Form 1040NR, line 28, for details.

Line 18

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

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

If all of the above apply, you can deduct the prepaid feed when paid, subject to the overall limit for *Prepaid farm supplies* explained on page F-4. If all of the above do not apply, you can deduct the prepaid feed only in the year it is consumed.

Line 20

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock, and deduct them when the livestock is sold.

Line 22

Deduct on this line premiums paid for farm business insurance. Deduct on line 17 amounts paid for employee accident and health insurance. Amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability are not deductible.

Lines 23a and 23b

Interest allocation rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. See chapter 4 of 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 chapter 4 of 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 2008 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 23b.

If you paid more mortgage interest than is shown on Form 1098, see chapter 4 of 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 2008 for later years; include only the part that applies to 2008.

Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 5884-A, Credits for Affected Midwestern Disaster Area Employers, lines 2 and 6;
- Form 8844, Empowerment Zone and Renewal Community Employment Credit, line 2;
- Form 8845, Indian Employment Credit, line 4; and
- Form 8861, Welfare-to-Work Credit, line 2.

Include the cost of boarding farm labor but not the value of any products they used from the farm. Include 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 28 (or on Form 1040NR, line 27), 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-EZ. File this form if you have a one-participant retirement plan that meets certain requirements. A one-participant

plan is a plan that covers only you (or you and your spouse).

Form 5500. File this form for a plan that does not meet the requirements for filing Form 5500-EZ.

For details, see Pub. 560.

Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an inclusion amount. See *Leasing a Car* in Pub. 463 to figure this amount.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farmland.

Line 27

Enter amounts you paid for incidental repairs and maintenance of farm buildings, machinery, and equipment that do not add to the property's value or appreciably prolong its life.

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.
- Federal unemployment tax.
- Federal highway use tax.
- Contributions to state unemployment insurance fund or disability benefit fund if they are considered taxes under state law.

Do not deduct the following taxes on this line.

- Federal income taxes, including your self-employment tax. However, you can deduct one-half of your self-employment tax on Form 1040, line 27.
- Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your farming business. Instead, treat these taxes as part of the cost of the property.
- Other taxes not related to your farming business.

Line 32

Enter amounts you paid for gas, electricity, water, and other utilities for business use on the farm. Do not include personal utilities. You cannot deduct the base rate (including taxes) of the first telephone line into your

residence, even if you use it for your farming business. But you can deduct expenses you paid for your farming business that are more than the cost of the base rate for the first phone line. For example, if you had a second phone line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Lines 34a Through 34f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc. Do not include fines or penalties paid to a government for violating any law.

At-risk loss deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2008. However, for the loss to be deductible, the amount "at risk" must be increased.

Bad debts. See chapter 10 of Pub. 535.

Business start-up costs. If your business began in 2008, you can elect to deduct up to \$5,000 of certain business start-up costs. This limit is reduced (but not below zero) by the amount by which your start-up costs exceed \$50,000. You can amortize any remaining qualified business start-up costs over 180 months. For details, see chapters 4 and 7 of Pub. 225. For amortization that begins in 2008, you must complete and attach Form 4562.

Business use of your home. You may be able to deduct certain expenses for business use of your home, subject to limitations. Use the worksheet in Pub. 587 to figure your allowable deduction. Do not use Form 8829.

Forestation and reforestation costs. Reforestation costs are generally capital expenditures. However, for each qualified timber property, you can elect to expense up to \$10,000 (\$5,000 if married filing separately) of qualifying reforestation costs paid or incurred in 2008.

You can elect to amortize the remaining costs over 84 months.

The amortization election does not apply to trusts and the expense election does not apply to estates and trusts. For details on reforestation expenses, see chapters 4 and 7 of Pub. 225. For amortization that begins in 2008, you must complete and attach Form 4562.

Legal and professional fees. You can include on this line fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to your farming business. Include fees for tax advice and for the preparation of tax forms related to your farming business. Also include expenses incurred in resolving asserted tax deficiencies related to your farming business.

Tools. You can deduct the amount you paid for tools that have a short life or cost a small amount, such as shovels and rakes.

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 and 24b, that begin on page C-6.

Preproductive period expenses. If you had preproductive period expenses in 2008 that you are capitalizing, enter the total of these expenses in parentheses on line 34f and enter "263A" in the space to the left of the total.

For details, see page F-4, *Capitalizing costs of property*, and *Uniform Capitalization Rules* in chapter 6 of Pub. 225.

Line 35

If line 34f is a negative amount, subtract it from the total of lines 12 through 34e. Enter the result on line 35.

Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Individuals, estates, and trusts must complete line 37 before entering the loss on line 36. If you checked the "No" box on line E, also see the Instructions for Form 8582.

Enter the net profit or deductible loss here and on Form 1040, line 18, and Schedule SE, line 1a. Nonresident aliens—enter the net profit or deductible loss here and on Form 1040NR, line 19. Estates and trusts—enter the net profit or deductible loss here and on Form 1041, line 6. Partnerships—do not complete line 37; instead, stop here and enter the profit or loss on this line and on Form 1065, line 5 (or Form 1065-B, line 7).

Community income. If you and your spouse had community income and are filing separate returns, see page SE-2 of the instructions for Schedule SE before figuring self-employment tax.

Earned income credit. If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the instructions for Form 1040, lines 64a and 64b, for details.

Conservation Reserve Program (CRP) payments. If you received social security retirement or disability benefits in addition to CRP payments, the CRP payments are not subject to self-employment tax. You will deduct these payments from your net farm profit or loss on line 1b of Schedule SE. Do not make any adjustment on Schedule F.

Line 37

At-risk rules. Generally, if you have a loss from a farming activity and amounts in-

vested in the activity for which you are not at risk, you must complete Form 6198 to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check box 37b if you have amounts invested in this activity for which you are not at risk, such as the following.

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

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

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

Figuring your deductible loss. If all amounts are at risk in this activity, check box 37a. If you checked the "Yes" box on line E, 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, first complete Form 6198 to determine the amount of your deductible loss. If you checked the "Yes" box on line E, enter that amount on line 36. But if you checked the "No" box on line E, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter -0- on line 36. Be sure to attach Form 6198 to your return. If you checked box 37b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this activity not allowed for 2008 only because of the at-risk rules is treated as a deduction allocable to the activity in 2009.

For details, see Pub. 925 and the Instructions for Form 6198.

Part III. Farm Income—Accrual Method

If you use an accrual method, report farm income when you earn it, not when you receive it. Generally, you must include animals and crops in your inventory if you use

this method. See Pub. 225 for exceptions, inventory methods, how to change methods of accounting, and rules that require certain costs to be capitalized or included in inventory.

Chapter 11 bankruptcy. If you were a debtor in a chapter 11 bankruptcy case during 2008, see page 20 of the instructions for Form 1040 and page SE-2 of the instructions for Schedule SE (Form 1040).

Lines 39a Through 41c

See the instructions for lines 5a through 7c on page F-3.

Line 44

See the instructions for line 10 on page F-4.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control numbers 1545-1975 and 1545-1976 and is shown below.

Recordkeeping	7 hr., 5 min.
Learning about the law or the form	1 hr., 2 min.
Preparing the form	2 hr., 52 min.
Copying, assembling, and sending the form to the IRS	40 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



2008 Instructions for Schedule J

Income Averaging for Farmers and Fishermen

Use Schedule J (Form 1040) to elect to figure your 2008 income tax by averaging, over the previous 3 years (base years), all or part of your 2008 taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2008 income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

In order to qualify for this election, you are not required to have been in the business of farming or fishing during any of the base years.

You may elect to average farming or fishing income even if your filing status was not the same in the election year and the base years.

This election does not apply when figuring your alternative minimum tax on Form 6251. Also, you do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

What's New

Exxon Valdez litigation. If you received taxable income from this civil action, you may qualify to include the amount received as fishing income for income averaging purposes. See *Settlement from Exxon Valdez litigation* on page 2.

New rules for averaging farming and fishing income. The four items discussed below are effective for tax years beginning after July 22, 2008. However, you can apply these provisions to tax years beginning after December 31, 2003, and before July 23, 2008, if all provisions are consistently applied in each tax year.

Farming and fishing businesses. If you conduct both farming and fishing businesses, you must figure elected farm income by combining income, gains, losses, and deductions attributable to your farming and fishing businesses.

Lessors of fishing vessels. A lessor of a fishing vessel is engaged in a fishing business for income averaging purposes with respect to payments received under the lease, but only if the lease payments are (a) based on a share of the catch (or a share of the proceeds from the sale of the catch) from the lessee's use of the vessel in a fishing business (not a fixed payment), and (b) determined under a written lease agreement entered into before the lessee begins any significant fishing activities resulting in the catch.

Crew members on fishing vessels. A crew member on a fishing vessel is engaged in a fishing business for income averaging purposes with respect to the compensation earned as a crew member on a vessel engaged in a fishing business, but only if the compensation is based on a share of the catch (or a share of the proceeds from the sale of the catch).

Merchant Marine Capital Construction Fund (CCF) deposits. If you reduced your taxable income on Form 1040, line 43, or Form 1040NR, line 40, by any amount deposited into a CCF account, take into account the CCF reduction in figuring taxable income for income averaging purposes. Also, the CCF reduction is treated as a deduction attributable to your fishing business in figuring elected farm income. However, if any earnings (without regard to the carryback of any net operating or net capital loss) from the operation of agreement vessels in the fisheries of the United States or in the foreign or domestic commerce of the United States are not attributable to your fishing business, such amounts are not deductible when figuring elected farm income.

raising or harvesting any agricultural or horticultural commodity. This includes:

1. Operating a nursery or sod farm;
2. Raising or harvesting of trees bearing fruits, nuts, or other crops;
3. Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
4. Raising, shearing, feeding, caring for, training, and managing animals; and
5. Leasing land to a tenant engaged in a farming business, but only if the lease payments are (a) based on a share of the tenant's production (not a fixed amount), and (b) determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else, or
- Merely buying or reselling plants or animals grown or raised by someone else.

Fishing business. A fishing business is the trade or business of fishing in which the fish harvested, either in whole or in part, are intended to enter commerce or enter commerce through sale, barter, or trade. This includes:

1. The catching, taking, or harvesting of fish;
2. The attempted catching, taking, or harvesting of fish;
3. Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish;
4. Any operations at sea in support of, or in preparation for, any activity described in (1) through (3) above;
5. Leasing a fishing vessel, but only if the lease payments are (a) based on a share of the catch (or a share of the proceeds from

General Instructions

Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2005, 2006, and 2007 to figure your tax on Schedule J.

If you need copies of your tax returns, use Form 4506. There is a \$57 fee (subject to change) for each return requested. If your main home, principal place of business, or tax records are located in a federally declared disaster area, this fee will be waived. If you want a free transcript of your tax return or account, use Form 4506-T. See your Form 1040 instruction booklet to find out how to get these forms.

Keep a copy of your 2008 income tax return to use for income averaging in 2009, 2010, or 2011.

Definitions

Farming business. A farming business is the trade or business of cultivating land or

the sale of the catch) from the lessee's use of the vessel in a fishing business (not a fixed payment), and (b) determined under a written lease entered into before the lessee begins any significant fishing activities resulting in the catch; and

6. Compensation as a crew member on a vessel engaged in a fishing business, but only if the compensation is based on a share of the catch (or a share of the proceeds from the sale of the catch).

The word fish means finfish, mollusks, crustaceans, and all other forms of marine animal and plant life other than marine mammals and birds.

A fishing business does not include any scientific research activity which is conducted by a scientific research vessel.

Settlement from Exxon Valdez litigation. You will be treated as engaged in a fishing business with respect to any qualified settlement income you received if either of the following applies.

1. You were a plaintiff in the civil action *In re Exxon Valdez*, No. 89-095-CV (HRH) (Consolidated) (D.Alaska); or

2. All of the following apply.

a. You were a beneficiary of a plaintiff described in (1) above,

b. You acquired the right to receive qualified settlement income from that plaintiff, and

c. You were the spouse or an immediate relative of that plaintiff.

Qualified settlement income is any taxable interest and punitive damage awards you received (whether as lump sums or periodic payments) in connection with the Exxon Valdez civil action described above. Qualified settlement income includes all such awards, whether received before or after the judgement and whether related to a settlement or a judgement.

Additional Information

See Pub. 225 and Regulations section 1.1301-1T for more information.

Specific Instructions

Line 2

Elected Farm Income

To figure your elected farm income, first figure your taxable income from farming or fishing. This includes all income, gains, losses, and deductions attributable to your farming or fishing business. If you conduct both farming and fishing businesses, you must figure your elected farm income by combining income, gains, losses, and deductions attributable to your farming and fishing businesses.

Elected farm income also includes any gain or loss from the sale or other disposition of property regularly used in your farming or fishing business for a substantial period of time. However, if such gain or loss is realized after cessation of the farming or fishing business, the gain or loss is treated as attributable to a farming or fishing business only if the property is sold within a reasonable time after cessation of the farming or fishing business. A sale or other disposition within one year of the cessation is considered to be within a reasonable time.

Elected farm income does not include income, gain, or loss from the sale or other disposition of land or from the sale of development rights, grazing rights, and other similar rights.

You should find your income, gains, losses, and deductions from farming or fishing reported on different tax forms, such as:

- Form 1040, line 7, or Form 1040NR, line 8, income from wages and other compensation you received (a) as a shareholder in an S corporation engaged in a farming or fishing business or (b) as a crew member on a vessel engaged in a fishing business (but see *Fishing business* on page 1);

- Form 1040, line 21, or Form 1040NR, line 21, income from Exxon Valdez litigation;

- Form 1040, line 27, deduction for one-half of self-employment tax, but only to the extent that deduction is attributable to your farming or fishing business;

- Form 1040, line 43, or Form 1040NR, line 40, CCF reduction, except to the extent that any earnings (without regard to the carryback of any net operating or net capital loss) from the operation of agreement vessels in the fisheries of the United States or in the foreign or domestic commerce of the United States are not attributable to your fishing business;

- Schedule C or C-EZ;
- Schedule D;
- Schedule E, Part II;
- Schedule F;
- Form 4797; and
- Form 4835.

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

Your elected farm income cannot exceed your taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the smaller of your total net capital gain or your net capital gain attributable to your farming or fish-

ing 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.

Line 4

Figure the tax on the amount on line 3 using:

- The 2008 Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, or Foreign Earned Income Tax Worksheet from the 2008 Instructions for Form 1040 or Form 1040NR; or

- The Schedule D Tax Worksheet in the 2008 Instructions for Schedule D.

Enter the tax on line 4.

Line 5

If you used Schedule J to figure your tax for:

- 2007 (that is, you entered the amount from the 2007 Schedule J, line 22, on line 44 of your 2007 Form 1040, on line 41 of your 2007 Form 1040NR, or on Form 1040X for 2007), enter on line 5 the amount from your 2007 Schedule J, line 11.

- 2006 but not 2007, enter on line 5 the amount from your 2006 Schedule J, line 15.

- 2005 but not 2006 or 2007, enter on line 5 the amount from your 2005 Schedule J, line 3.

If you figured your tax for 2005, 2006, and 2007 without using Schedule J, enter on line 5 the taxable income from your 2005 tax return (or as previously adjusted by the IRS, or corrected on an amended return). But if that amount is zero or less, complete the worksheet on page J-3 to figure the amount to enter on line 5.

If you did not file a tax return for 2005, 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 2005 for at least 3 years after April 15, 2009 (or the date you file your 2008 tax return, if later).

Instructions for 2005 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2005 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2006. This could happen if the taxable income before subtracting exemptions—shown on your 2005 Form 1040, line 41, or your 2005 Form 1040NR, line 38 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by

which your 2005 capital loss carryover to 2006 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2005 Schedule D, line 16, over the loss on your 2005 Schedule D, line 21. If you had any net operating loss (NOL) carrybacks to 2005, be sure you refigured your 2005 capital loss carryover to 2006.

Line 3. If you had an NOL for 2005, enter the amount of that NOL from line 25 of the 2005 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2005, enter the portion, if any, of the NOL carryovers and carrybacks to 2005 that were not used in 2005 and were carried to years after 2005.

Example. John Farmington, who is single, did not use income averaging for 2005, 2006, or 2007. For 2008, John has \$18,000 of elected farm income on Schedule J, line 2. The taxable income before subtracting exemptions on his 2005 Form 1040, line

41, is \$4,050. A deduction for exemptions of \$3,200 is shown on line 42, and line 43, taxable income, is \$850. However, John had a \$21,750 NOL for 2006, \$9,000 of which was remaining to carry to 2005 after the NOL was carried back to 2004. To complete line 1 of the 2005 Taxable Income Worksheet, John combines the \$9,000 NOL deduction with the \$850 from his 2005 Form 1040, line 43. The result is a negative \$8,150, John's 2005 taxable income, which he enters as a positive amount on line 1 of the 2005 Taxable Income Worksheet.

When John filed his 2005 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$4,000 capital loss carryover to 2006. However, when John carried back the 2006 NOL (\$9,000 of which was carried to 2005), he refigured his 2005 capital loss carryover to 2006 as

\$7,000. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John had \$850 of taxable income in 2005 that reduced the 2006 NOL carryback. The \$3,200 exemption deduction and \$3,000 net capital loss deduction also reduced the amount of the 2006 NOL carryback. Therefore, only \$1,950 was available to carry to 2007 and later years, as shown on line 10 of his 2006 Form 1045, Schedule B. John enters the \$1,950 on line 3 of the worksheet, and \$4,950 (\$1,950 plus the \$3,000 line 2 amount) on line 4. He then subtracts the \$4,950 from the \$8,150 on line 1 and enters the result, \$3,200, on line 5 of the worksheet. He enters a negative \$3,200 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$2,800 on Schedule J, line 7.

2005 Taxable Income Worksheet—Line 5

Keep for Your Records



Complete this worksheet if you **did not** use Schedule J to figure your tax for both 2006 and 2007 **and** your 2005 taxable income was zero or less. See the instructions that begin on page J-2 before completing this worksheet.

- | | | |
|---|----|----------------------|
| 1. Figure the taxable income from your 2005 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2005, do not include any NOL carryovers or carrybacks to 2005. Enter the result as a positive amount | 1. | <input type="text"/> |
| 2. If there is a loss on your 2005 Schedule D, line 21, add that loss (as a positive amount) and your 2005 capital loss carryover to 2006. Subtract from that sum the amount of the loss on your 2005 Schedule D, line 16, and enter the result | 2. | <input type="text"/> |
| 3. If you had an NOL for 2005, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2005 that were not used in 2005 and were carried to years after 2005 | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 5 | 5. | <input type="text"/> |

Line 8

If line 7 is zero, enter -0- on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2005 Tax Rate Schedules below,

- The 2005 Qualified Dividends and Capital Gain Tax Worksheet on the next page, or

- The 2005 Schedule D Tax Worksheet in the 2005 Schedule D instructions (but

use the 2005 Tax Rate Schedules below when figuring the tax on lines 34 and 36 of the Schedule D Tax Worksheet).

2005 Tax Rate Schedules—Line 8

Schedule X—Use if your 2005 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2—Use if your 2005 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$7,300	.....	10%	\$0	\$0	\$7,300	.....	10%	\$0
7,300	29,700	\$730.00 +	15%	7,300	7,300	29,700	\$730.00 +	15%	7,300
29,700	71,950	4,090.00 +	25%	29,700	29,700	59,975	4,090.00 +	25%	29,700
71,950	150,150	14,652.50 +	28%	71,950	59,975	91,400	11,658.75 +	28%	59,975
150,150	326,450	36,548.50 +	33%	150,150	91,400	163,225	20,457.75 +	33%	91,400
326,450	.....	94,727.50 +	35%	326,450	163,225	.....	44,160.00 +	35%	163,225
Schedule Y-1—Use if your 2005 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z—Use if your 2005 filing status was Head of household				
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$14,600	.....	10%	\$0	\$0	\$10,450	.....	10%	\$0
14,600	59,400	\$1,460.00 +	15%	14,600	10,450	39,800	\$1,045.00 +	15%	10,450
59,400	119,950	8,180.00 +	25%	59,400	39,800	102,800	5,447.50 +	25%	39,800
119,950	182,800	23,317.50 +	28%	119,950	102,800	166,450	21,197.50 +	28%	102,800
182,800	326,450	40,915.50 +	33%	182,800	166,450	326,450	39,019.50 +	33%	166,450
326,450	.....	88,320.00 +	35%	326,450	326,450	.....	91,819.50 +	35%	326,450



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2008 Schedule J, lines 5 and 6, does not include any net capital gain.
- You (a) entered qualified dividends on your 2005 Form 1040, line 9b (or your 2005 Form 1040A, line 9b, or 2005 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2005 Form 1040, line 13 (or your 2005 Form 1040A, line 10, or 2005 Form 1040NR, line 14) and checked the box on that line; or (c) filed Schedule D in 2005 and you answered “Yes” on lines 17 and 20 of that Schedule D.

<p>1. Amount from your 2008 Schedule J, line 7</p> <p>2. Amount from your 2005 Form 1040, line 9b (or your 2005 Form 1040A, line 9b, or 2005 Form 1040NR, line 10b)</p> <p>3. Did you file Schedule D in 2005? <input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2005 Schedule D, but do not enter less than -0- <input type="checkbox"/> No. Enter the amount from your 2005 Form 1040, line 13 (or your 2005 Form 1040A, line 10, or 2005 Form 1040NR, line 14)</p> <p>4. Add lines 2 and 3</p> <p>5. Amount, if any, from your 2005 Form 4952, line 4g</p> <p>6. Subtract line 5 from line 4. If zero or less, enter -0-</p> <p>7. Subtract line 6 from line 1. If zero or less, enter -0-</p> <p>8. Enter the smaller of: <ul style="list-style-type: none"> • The amount on line 1, or • \$29,700 if single or married filing separately or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR; \$59,400 if married filing jointly or qualifying widow(er), or if you checked filing status box 6 on Form 1040NR; \$39,800 if head of household. </p> <p>9. Is the amount on line 7 equal to or more than the amount on line 8? <input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the “No” box. <input type="checkbox"/> No. Enter the amount from line 7</p> <p>10. Subtract line 9 from line 8</p> <p>11. Multiply line 10 by 5% (.05)</p> <p>12. Are the amounts on lines 6 and 10 the same? <input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16. <input type="checkbox"/> No. Enter the smaller of line 1 or line 6</p> <p>13. Enter the amount from line 10 (if line 10 is blank, enter -0-)</p> <p>14. Subtract line 13 from line 12</p> <p>15. Multiply line 14 by 15% (.15)</p> <p>16. Figure the tax on the amount on line 7. Use the 2005 Tax Rate Schedules on page J-4</p> <p>17. Add lines 11, 15, and 16</p> <p>18. Figure the tax on the amount on line 1. Use the 2005 Tax Rate Schedules on page J-4</p> <p>19. Tax. Enter the smaller of line 17 or line 18 here and on your 2008 Schedule J, line 8</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. _____</p> <p>16. _____</p> <p>17. _____</p> <p>18. _____</p> <p>19. _____</p>
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Line 9

If you used Schedule J to figure your tax for:

- 2007 (that is, you entered the amount from the 2007 Schedule J, line 22, on line 44 of your 2007 Form 1040, on line 41 of 2007 Form 1040NR, or on Form 1040X for 2007), enter on line 9 the amount from your 2007 Schedule J, line 15.
- 2006 but not 2007, enter on line 9 the amount from your 2006 Schedule J, line 3.

If you figured your tax for both 2006 and 2007 without using Schedule J, enter on line 9 the taxable income from your 2006 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you did not file a tax return for 2006, 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 2006 until at least 3 years after April 15, 2009 (or the date you file your 2008 tax return, if later).

Instructions for 2006 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2006 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2007. This could happen if the

taxable income before subtracting exemptions—shown on your 2006 Form 1040, line 41, or your 2006 Form 1040NR, line 38, (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2006 capital loss carryover to 2007 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2006 Schedule D, line 16, over the loss on your 2006 Schedule D, line 21. If you had any NOL carrybacks to 2006, be sure you refigured your 2006 capital loss carryover to 2007.

Line 3. If you had an NOL for 2006, enter the amount of that NOL from line 25 of the 2006 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2006, enter the portion, if any, of the NOL carryovers and carrybacks to 2006 that were not used in 2006 and were carried to years after 2006.

Example. John Farmington did not use income averaging for 2005, 2006, or 2007. The taxable income before subtracting exemptions on his 2006 Form 1040, line 41, is a negative \$29,900. A deduction for exemptions of \$3,300 is shown on line 42, and line 43, taxable income, is limited to zero. John subtracts from the \$29,900 loss the \$3,300 deduction for exemptions. The result is a negative \$33,200, John's 2006 taxable income, which he enters as a positive amount on line 1 of the 2006 Taxable Income Worksheet.

When John filed his 2006 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 16 (as adjusted). He also had a \$7,000 capital loss carryover to 2007. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John enters \$21,750 on line 3 of the worksheet, the 2006 NOL from his 2006 Form 1045, Schedule A, line 25. Of the \$33,200 negative taxable income, the \$3,300 deduction for exemptions, the \$3,000 capital loss deduction, and his \$5,150 standard deduction were not allowed in figuring the NOL. John had a \$21,750 loss on his 2006 Schedule F, the only other item on his 2006 tax return.

John enters \$24,750 (the \$3,000 line 2 amount plus the \$21,750 line 3 amount) on line 4 and \$8,450 (the \$33,200 line 1 amount minus the \$24,750 line 4 amount) on line 5. He enters \$8,450 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$2,450 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2009, he will enter the negative \$2,450 amount on his 2009 Schedule J as his 2006 taxable income for income averaging purposes.

2006 Taxable Income Worksheet—Line 9

Keep for Your Records



Complete this worksheet if you **did not** use Schedule J to figure your tax for 2007 **and** your 2006 taxable income was zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2006 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2006, do not include any NOL carryovers or carrybacks to 2006. Enter the result as a positive amount		1.	<input type="text"/>
2. If there is a loss on your 2006 Schedule D, line 21, add that loss (as a positive amount) and your 2006 capital loss carryover to 2007. Subtract from that sum the amount of the loss on your 2006 Schedule D, line 16, and enter the result	2.	<input type="text"/>	
3. If you had an NOL for 2006, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2006 that were not used in 2006 and were carried to years after 2006	3.	<input type="text"/>	
4. Add lines 2 and 3	4.	<input type="text"/>	
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 9	5.	<input type="text"/>	

Line 12

If line 11 is zero or less, enter -0- on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2006 Tax Rate Schedules below,

- The 2006 Qualified Dividends and Capital Gain Tax Worksheet on page J-8,

- The 2006 Schedule D Tax Worksheet in the 2006 Schedule D instructions (but use the 2006 Tax Rate Schedules below

when figuring the tax on the Schedule D Tax Worksheet, lines 34 and 36), or

- The 2006 Foreign Earned Income Tax Worksheet below.

2006 Tax Rate Schedules—Line 12

Keep for Your Records



Schedule X—Use if your 2006 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2—Use if your 2006 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$7,550	.....	10%	\$0	\$0	\$7,550	.....	10%	\$0
7,550	30,650	\$755.00 +	15%	7,550	7,550	30,650	\$755.00 +	15%	7,550
30,650	74,200	4,220.00 +	25%	30,650	30,650	61,850	4,220.00 +	25%	30,650
74,200	154,800	15,107.50 +	28%	74,200	61,850	94,225	12,020.00 +	28%	61,850
154,800	336,550	37,675.50 +	33%	154,800	94,225	168,275	21,085.00 +	33%	94,225
336,550	.....	97,653.00 +	35%	336,550	168,275	.....	45,521.50 +	35%	168,275
Schedule Y-1—Use if your 2006 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z—Use if your 2006 filing status was Head of household				
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$15,100	.....	10%	\$0	\$0	\$10,750	.....	10%	\$0
15,100	61,300	\$1,510.00 +	15%	15,100	10,750	41,050	\$1,075.00 +	15%	10,750
61,300	123,700	8,440.00 +	25%	61,300	41,050	106,000	5,620.00 +	25%	41,050
123,700	188,450	24,040.00 +	28%	123,700	106,000	171,650	21,857.50 +	28%	106,000
188,450	336,550	42,170.00 +	33%	188,450	171,650	336,550	40,239.50 +	33%	171,650
336,550	.....	91,043.00 +	35%	336,550	336,550	.....	94,656.50 +	35%	336,550

2006 Foreign Earned Income Tax Worksheet—Line 12

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or the housing exclusion on your 2006 Form 2555 or Form 2555-EZ.

1. Enter the amount from your 2006 Schedule J, line 11 1.
2. Enter the amount from your (and your spouse's, if filing jointly) 2006 Form 2555, line 45, or Form 2555-EZ, line 18 2.
3. Enter the total amount of any itemized deductions you could not claim in 2006 because they were related to excluded income 3.
4. Subtract line 3 from line 2. If zero or less, enter -0- 4.
5. Combine lines 1 and 4. If zero or less, enter -0- 5.
6. Tax on amount on line 5. Use the 2006 Tax Rate Schedules above, the 2006 Schedule D Tax Worksheet,* or the Qualified Dividends and Capital Gain Tax Worksheet,* whichever applies. . . . 6.
7. Tax on amount on line 4. Use the 2006 Tax Rate Schedules above 7.
8. Subtract line 7 from line 6. Enter the result here and on your 2006 Schedule J, line 12 8.

*Enter the amount from line 5 above on line 1 of the 2006 Qualified Dividends and Capital Gain Tax Worksheet on page J-8 or Schedule D Tax Worksheet in the 2006 Schedule D instructions if you use either of those worksheets to figure the tax on line 6 above. Complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 7 and 8 above.



Use this worksheet **only** if both of the following apply.

- Your elected farm income on the your 2008 Schedule J, line 2, does not include any net capital gain.
- You (a) entered qualified dividends on your 2006 Form 1040, line 9b (or your 2006 Form 1040A, line 9b, or 2006 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2006 Form 1040, line 13 (or your 2006 Form 1040A, line 10, or 2006 Form 1040NR, line 14) and checked the box on that line; or (c) filed Schedule D in 2006 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from your 2008 Schedule J, line 11	1.		
2. Amount from your 2006 Form 1040, line 9b (or your 2006 Form 1040A, line 9b, or 2006 Form 1040NR, line 10b)	2.		
3. Did you file Schedule D in 2006?			
<input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2006 Schedule D, but do not enter less than -0-	3.		
<input type="checkbox"/> No. Enter the amount from your 2006 Form 1040, line 13 (or your 2006 Form 1040A, line 10, or 2006 Form 1040NR, line 14)			
4. Add lines 2 and 3	4.		
5. Amount, if any, from your 2006 Form 4952, line 4g	5.		
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.		
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.		
8. Enter the smaller of:			
• The amount on line 1, or	8.		
• \$30,650 if single or married filing separately or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;			
\$61,300 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;			
\$41,050 if head of household.			
9. Is the amount on line 7 equal to or more than the amount on line 8?			
<input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the “No” box.			
<input type="checkbox"/> No. Enter the amount from line 7	9.		
10. Subtract line 9 from line 8	10.		
11. Multiply line 10 by 5% (.05)	11.		
12. Are the amounts on lines 6 and 10 the same?			
<input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16.			
<input type="checkbox"/> No. Enter the smaller of line 1 or line 6	12.		
13. Enter the amount from line 10 (if line 10 is blank, enter -0-)	13.		
14. Subtract line 13 from line 12	14.		
15. Multiply line 14 by 15% (.15)	15.		
16. Figure the tax on the amount on line 7. Use the 2006 Tax Rate Schedules on page J-7	16.		
17. Add lines 11, 15, and 16	17.		
18. Figure the tax on the amount on line 1. Use the 2006 Tax Rate Schedules on page J-7	18.		
19. Tax. Enter the smaller of line 17 or line 18 here and on your 2008 Schedule J, line 12	19.		

Line 13

If you used Schedule J to figure your tax for 2007 (that is, you entered the amount from the 2007 Schedule J, line 22, on line 44 of your 2007 Form 1040, on line 41 of your 2007 Form 1040NR, or on Form 1040X for 2007), enter on line 13 the amount from your 2007 Schedule J, line 3.

If you did not use Schedule J to figure your tax for 2007, enter on line 13 the taxable income from your 2007 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you did not file a tax return for 2007, 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 2007 until at least 3 years after April 15, 2009 (or the date you file your 2008 tax return, if later).

Instructions for 2007 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2007 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2008. This could happen if the taxable income before subtracting exemptions—shown on your 2007 Form 1040, line 41, or your 2007 Form 1040NR, line 38 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2007 capital loss carryover to 2008 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2007 Schedule D, line 16, over the loss on your 2007 Schedule D, line 21.

Line 3. If you had an NOL for 2007, enter the amount of that NOL from line 25 of the 2007 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2007, enter the portion, if any, of the NOL carryovers and carrybacks to 2007 that were not used in 2007 and were carried to years after 2007.

Example. John Farmington did not use income averaging for 2005, 2006, or 2007. The taxable income before subtracting exemptions on his 2007 Form 1040, line 41, is a negative \$1,000. This amount includes an NOL deduction on his 2007 Form 1040, line 21, of \$1,950. The \$1,950 is the portion of the 2006 NOL that was remaining from 2005 to be carried to 2007. See the examples on pages J-3 and J-6. A deduction for exemptions of \$3,400 is shown on Form 1040, line 42, and line 43, taxable income, is limited to zero. John does not have an NOL for 2007. John subtracts from the \$1,000 negative amount on Form 1040, line 41, the \$3,400 deduction for exemptions. The result is a negative \$4,400, John's 2007 taxable income, which he enters as a positive amount on line 1 of the 2007 Taxable Income Worksheet.

When John filed his 2007 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2008 (his 2007 capital loss carryover to 2008 was \$5,000, not \$4,000, because the amount on his Form 1040, line 41, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He subtracts from the \$8,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$1,000 on line 2 of the worksheet.

John enters -0- on line 3 of the worksheet because he does not have an NOL for 2007 and did not have an NOL carryover from 2007 available to carry to 2008 and later years. The NOL deduction for 2007 of \$1,950 was reduced to zero because it did not exceed his modified taxable income of \$3,950. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$3,400 exemption deduction to negative taxable income (figured without regard to the NOL deduction) of \$2,450. John enters \$1,000 on line 4 and \$3,400 on line 5. He enters \$3,400 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$2,600 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2009, he will enter \$2,600 on his 2009 Schedule J as his 2007 taxable income for income averaging purposes.

Line 16

If line 15 is zero or less, enter -0- on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2007 Tax Rate Schedules on page J-10,
- The 2007 Qualified Dividends and Capital Gain Tax Worksheet on page J-11,
- The 2007 Schedule D Tax Worksheet in the 2007 Schedule D instructions (but use the 2007 Tax Rate Schedules on page J-10 when figuring the tax on the Schedule D Tax Worksheet, lines 34 and 36), or
- The 2007 Foreign Earned Income Tax Worksheet on page J-12.

2007 Taxable Income Worksheet—Line 13

Keep for Your Records 

Complete this worksheet if your 2007 taxable income was zero or less. See the instructions above before completing this worksheet.

- | | | |
|---|----|----------------------|
| 1. Figure the taxable income from your 2007 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2007, do not include any NOL carryovers or carrybacks to 2007. Enter the result as a positive amount | 1. | <input type="text"/> |
| 2. If there is a loss on your 2007 Schedule D, line 21, add that loss (as a positive amount) and your 2007 capital loss carryover to 2008. Subtract from that sum the amount of the loss on your 2007 Schedule D, line 16, and enter the result | 2. | <input type="text"/> |
| 3. If you had an NOL for 2007, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2007 that were not used in 2007 and were carried to years after 2007 | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13 | 5. | <input type="text"/> |

2007 Tax Rate Schedules—Line 16

Schedule X —Use if your 2007 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2 —Use if your 2007 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$7,825	.....	10%	\$0	\$0	\$7,825	.....	10%	\$0
7,825	31,850	\$782.50 +	15%	7,825	7,825	31,850	\$782.50 +	15%	7,825
31,850	77,100	4,386.25 +	25%	31,850	31,850	64,250	4,386.25 +	25%	31,850
77,100	160,850	15,698.75 +	28%	77,100	64,250	97,925	12,486.25 +	28%	64,250
160,850	349,700	39,148.75 +	33%	160,850	97,925	174,850	21,915.25 +	33%	97,925
349,700	.....	101,469.25+	35%	349,700	174,850	.....	47,300.50 +	35%	174,850
Schedule Y-1 —Use if your 2007 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z —Use if your 2007 filing status was Head of household				
If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>		If Schedule J, line 15, is: Over—	<i>But not over—</i>	Enter on Schedule J, line 16	<i>of the amount over—</i>	
\$0	\$15,650	.....	10%	\$0	\$0	\$11,200	.....	10%	\$0
15,650	63,700	\$1,565.00 +	15%	15,650	11,200	42,650	\$1,120.00 +	15%	11,200
63,700	128,500	8,772.50 +	25%	63,700	42,650	110,100	5,837.50 +	25%	42,650
128,500	195,850	24,972.50 +	28%	128,500	110,100	178,350	22,700.00 +	28%	110,100
195,850	349,700	43,830.50 +	33%	195,850	178,350	349,700	41,810.00 +	33%	178,350
349,700	.....	94,601.00 +	35%	349,700	349,700	.....	98,355.50 +	35%	349,700



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2008 Schedule J, line 2, does not include any net capital gain.
- You (a) entered qualified dividends on your 2007 Form 1040, line 9b (or your 2007 Form 1040A, line 9b, or 2007 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2007 Form 1040, line 13 (or your 2007 Form 1040A, line 10, or 2007 Form 1040NR, line 14) and checked the box on that line; or (c) filed Schedule D in 2007 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from your 2008 Schedule J, line 15	1.	<input type="text"/>
2. Amount from your 2007 Form 1040, line 9b (or your 2007 Form 1040A, line 9b, or 2007 Form 1040NR, line 10b)	2.	<input type="text"/>
3. Did you file Schedule D in 2007?		
<input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2007 Schedule D, but do not enter less than -0-	3.	<input type="text"/>
<input type="checkbox"/> No. Enter the amount from your 2007 Form 1040, line 13 (or your 2007 Form 1040A, line 10, or 2007 Form 1040NR, line 14)		
4. Add lines 2 and 3	4.	<input type="text"/>
5. Amount, if any, from your 2007 Form 4952, line 4g	5.	<input type="text"/>
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8. Enter the smaller of:		
• The amount on line 1, or	8.	<input type="text"/>
• \$31,850 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR; \$63,700 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR; \$42,650 if head of household.		
9. Is the amount on line 7 equal to or more than the amount on line 8?		
<input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the “No” box.	9.	<input type="text"/>
<input type="checkbox"/> No. Enter the amount from line 7		
10. Subtract line 9 from line 8	10.	<input type="text"/>
11. Multiply line 10 by 5% (.05)	11.	<input type="text"/>
12. Are the amounts on lines 6 and 10 the same?		
<input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16.	12.	<input type="text"/>
<input type="checkbox"/> No. Enter the smaller of line 1 or line 6		
13. Enter the amount from line 10 (if line 10 is blank, enter -0-)	13.	<input type="text"/>
14. Subtract line 13 from line 12	14.	<input type="text"/>
15. Multiply line 14 by 15% (.15)	15.	<input type="text"/>
16. Figure the tax on the amount on line 7. Use the 2007 Tax Rate Schedules on page J-10	16.	<input type="text"/>
17. Add lines 11, 15, and 16	17.	<input type="text"/>
18. Figure the tax on the amount on line 1. Use the 2007 Tax Rate Schedules on page J-10	18.	<input type="text"/>
19. Tax. Enter the smaller of line 17 or line 18 here and on your 2008 Schedule J, line 16	19.	<input type="text"/>



Before you begin: ✓ If Schedule J, line 15, is zero or less, do not complete this worksheet.

1. Enter the amount from your 2008 Schedule J, line 15	1.	
2. Enter the amount from your (and your spouse's, if filing jointly) 2007 Form 2555, line 45, or Form 2555-EZ, line 18	2.	
3. Add lines 1 and 2	3.	
4. Tax on the amount on line 3. Use the 2007 Tax Rate Schedules on page J-10, the 2007 Qualified Dividends and Capital Gain Tax Worksheet on page J-11,* or the 2007 Schedule D Tax Worksheet in the 2007 Schedule D instructions,* whichever applies.	4.	
5. Tax on the amount on line 2. Use the 2007 Tax Rate Schedules on page J-10.	5.	
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2008 Schedule J, line 16	6.	

**Enter the amount from line 3 above on line 1 of the 2007 Qualified Dividends and Capital Gain Tax Worksheet or the 2007 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2007 Form 1040, line 43, from line 6 of your 2007 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2007 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

If you did not have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.

If you had a capital gain excess, complete a second 2007 Qualified Dividends and Capital Gain Tax Worksheet or 2007 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2007 Foreign Earned Income Tax Worksheet above.

1. Reduce the amount you would otherwise enter on line 3 of your 2007 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2007 Schedule D Tax Worksheet (but not below zero) by your capital gain excess.
2. Reduce the amount you would otherwise enter on your 2007 Form 1040, line 9b, (but not below zero) by any of your capital gain excess not used in (1) above.
3. Reduce the amount on your 2007 Schedule D (Form 1040), line 18, (but not below zero) by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2007 Unrecaptured Section 1250 Gain Worksheet on page D-9 of the 2007 Instructions for Schedule D (Form 1040).

Lines 18, 19, and 20

If you amended your return or the IRS made changes to it, enter the corrected amount.



2008 Instructions for Schedule SE (Form 1040)

Self-Employment Tax

Use Schedule SE (Form 1040) to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are and even if you are already getting social security or Medicare benefits.

Additional information. See Pub. 225 or Pub. 334.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

For 2008, the maximum amount of self-employment income subject to social security tax is \$102,000.

Conservation Reserve Program (CRP) payments. The Food, Conservation, and Energy Act of 2008 excludes CRP payments from self-employment tax for individuals receiving social security benefits for retirement or disability. This is effective for payments received after December 31, 2007. See the instructions for line 1b on page SE-3.

Optional methods to figure net earnings. Beginning after December 31, 2007, the amount of gross and net income from self-employment you may have when using the farm optional method or nonfarm optional method has increased. This allows electing taxpayers to secure up to four credits of social security benefits coverage. In future years, the thresholds will be indexed to maintain that level of coverage. See *Optional Methods* on page SE-4.

General Instructions

Who Must File Schedule SE

You must file Schedule SE if:

- Your net earnings from self-employment (see page SE-3) from other than church employee income were \$400 or more, or
- You had church employee income of \$108.28 or more—see *Employees of Churches and Church Organizations* later.

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 (farm or non-farm) for yourself, 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-3.

Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you must pay SE tax. Church employee income is wages you received as an employee (other than as a minister or member of a religious order) of a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

Ministers and Members of Religious Orders

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed Form 4361 and received IRS approval, you will be exempt from paying SE tax on those net earnings. If you had no other income subject to SE tax, enter "Exempt—Form 4361" on Form 1040, line 57. However, if you had other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.



If you have ever filed Form 2031 to elect social security coverage on your earnings as a minister, you cannot revoke that election.

If you must pay SE tax, include this income on either Short or Long Schedule SE, line 2. But do not report it on Long Schedule SE, line 5a; it is not considered church employee income. Also, include on line 2:

- The rental value of a home or an allowance for a home furnished to you (including payments for utilities), and
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience.

However, do not include on line 2:

- Retirement benefits you received from a church plan after retirement, or
- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement.

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. However, when figuring SE tax, subtract the al-

lowable expenses from your self-employment earnings and attach an explanation.

If you were a U.S. citizen or resident alien serving outside the United States as a minister or member of a religious order and you must pay SE tax, you cannot reduce your net earnings by the foreign earned income exclusion or the foreign housing exclusion or deduction.

See Pub. 517 for details.

Members of Certain Religious Sects

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are exempt from SE tax if you received IRS approval by filing Form 4029. In this case, do not file Schedule SE. Instead, enter "Exempt—Form 4029" on Form 1040, line 57. See Pub. 517 for details.

U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, or the U.S. Virgin Islands. Report income from this employment on either Short or Long Schedule SE, line 2. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

Exception—Dual citizens. A person with dual U.S.-foreign citizenship is generally considered to be a U.S. citizen for social security purposes. However, if you are a U.S. citizen and also a citizen of a country with which the United States has a bilateral social security agreement, other than Canada or Italy, your work for the government of that foreign country is always exempt from U.S. social security taxes. For further information about these agreements, see the exception shown in the next section.

U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, in most cases you must pay SE tax. You cannot reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Exception. The United States has social security agreements with many countries to eliminate dual taxes under two social security systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following countries: Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, 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:

1. Visit the Social Security Administration (SSA) website at www.socialsecurity.gov/international;

2. Call the SSA's Office of International Programs at:

- a. (410) 965-0144 for questions on benefits under agreements, or

- b. (410) 965-3549 for questions on the coverage rules of the agreements; or

3. Write to Social Security Administration, Office of International Programs, P.O. Box 17741, Baltimore, MD 21235-7741 USA.

If your self-employment income is exempt from SE tax, you should get a statement from the appropriate agency of the foreign country verifying that your self-employment income is subject to social security coverage in that country. If the foreign country will not issue the statement, contact the SSA at the address shown above. Do not complete Schedule SE. Instead, attach a copy of the statement to Form 1040 and enter "Exempt, see attached statement" on Form 1040, line 57.

Chapter 11 Bankruptcy Cases

While you are a debtor in a chapter 11 bankruptcy case, your net profit or loss from self-employment (for example, from Schedule C or Schedule F) will not be included in your Form 1040 income. Instead, it will be included on the income tax return (Form 1041) of the bankruptcy estate. However, you (not the bankruptcy estate) are responsible for paying self-employment tax on your net earnings from self-employment.

Enter on the dotted line to the left of Schedule SE, line 3, "Chap. 11 bankruptcy income" and the amount of your net profit

or (loss). Combine that amount with the total of lines 1a, 1b, and 2 (if any) and enter the result on line 3.

For other reporting requirements, see page 20 in the instructions for Form 1040.

More Than One Business

If you had two or more businesses, your net earnings from self-employment are the combined net earnings from all of your businesses. If you had a loss in one business, it reduces the income from another. Figure the combined SE tax on one Schedule SE.

Joint Returns

Show the name of the spouse with self-employment income on Schedule SE. If both spouses have self-employment income, each must file a separate Schedule SE. However, if one spouse qualifies to use Short Schedule SE (front of form) and the other must use Long Schedule SE (back of form), both can use the same form. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Enter the combined SE tax on Form 1040, line 57.

Community Income

If any of the income from a business (including farming) is community income, then the income and deductions are reported based on the following.

- If only one spouse participates in the business, all of the income from that business is the self-employment earnings of the spouse who carried on the business.

- If both spouses participate, the income and deductions are allocated to the spouses based on their distributive shares.

- If either or both you and your spouse are partners in a partnership, see *Partnership Income or Loss* on page SE-3.

- If you and your spouse elected to treat the business as a qualifying joint venture, see *Qualified Joint Ventures* on this page.

Married filing separately. If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the self-employment income. Also, attach Schedule(s) C, C-EZ, or F (showing the spouse's share of community income and expenses) to the return of each spouse.

If you are the spouse who carried on the business, you must include on Schedule SE, line 3, the net profit or (loss) reported on the other spouse's Schedule C, C-EZ, or F (except income not included in net earnings from self-employment as explained on page SE-3). Enter on the dotted line to the left of Schedule SE, line 3, "Community income taxed to spouse" and the amount of any net profit or (loss) allocated to your spouse as community income. Combine

that amount with the total of lines 1a, 1b, and 2 and enter the result on line 3.

If you are not the spouse who carried on the business and you had no other income subject to SE tax, enter "Exempt community income" on Form 1040, line 57; do not file Schedule SE. However, if you had \$400 or more of other earnings subject to SE tax, include on Schedule SE, line 1a or 2, the net profit or (loss) from Schedule(s) C, C-EZ, or F allocated to you as community income. Also, enter on the dotted line to the left of Schedule SE, line 3, "Exempt community income" and the allocated amount. If that amount is a net profit, subtract it from the total of lines 1a, 1b, 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 1a, 1b, 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 based on the community property laws of your state. See Pub. 555 for more information.

Qualified Joint Ventures

If you and your spouse materially participate (see *Material participation* in the 2008 Instructions for Schedule C) as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make a joint election to be taxed as a qualified joint venture instead of a partnership.

To make this election, you must divide all items of income, gain, loss, deduction, and credit attributable to the business between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule C, C-EZ, or F. On each line of your separate Schedule C, C-EZ, or F, you must enter your share of the applicable income, deduction, or loss. Each of you also must file a separate Schedule SE to pay SE tax, as applicable.

Rental real estate business. If you and your spouse make the election for your rental real estate business, the income generally is not subject to SE tax (for an exception, see item 3 under *Other Income and Losses Included in Net Earnings From Self-Employment* on page SE-3).

If the election is made for a farm rental business that is not included in self-employment, file two forms 4835, Farm Rental Income and Expenses.

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 flowchart on page 1 of Schedule SE to see if you can use Section A, Short Schedule SE, or if you must use Section B, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the following instructions to see what to include as net earnings and how to fill in either Short or Long Schedule SE, lines 1 and 2. Enter all negative amounts in parentheses.

Line 1b (Short or Long Schedule SE)

If you were receiving social security retirement or social security disability benefits at the time you received your Conservation Reserve Program (CRP) payment(s), enter the amount of your taxable CRP payment(s) on line 1b. These payments are included on Schedule F, line 6b, or listed on Schedule K-1 (Form 1065), box 20, code X.

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 1a or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. 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. However, if you reduce the amount you enter on Schedule SE, attach an explanation. See Partner's Instructions for Schedule K-1 (Form 1065) for details. Limited partners include only guaranteed payments for services actually rendered to or on behalf of the partnership.

If a partner died and the partnership continued, include in self-employment income the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she died. See section 1402(f).

If you were married and both you and your spouse were partners in a partnership, each of you must report your net earnings from self-employment from the partnership. 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. If only one of you was a partner in a partnership, the spouse who was the partner must report his or her net earnings from self-employment from the partnership.

Community income. Your own distributive share of partnership income is included

in figuring your net earnings from self-employment. Unlike the division of that income between spouses for figuring income tax, no part of your share can be included in figuring your spouse's net earnings from self-employment.

Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or a share of the proceeds from the sale of them). This applies even if you paid another person (an agent) to do the actual work or management for you. Report your net earnings for income tax purposes on Schedule F (Form 1040) and for SE tax purposes on Schedule SE. See Pub. 225 for details.

Other Income and Losses Included in Net Earnings From Self-Employment

1. Rental income from a farm if, as landlord, you materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you materially participated in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests for landlords are explained in chapter 12 of Pub. 225.

2. Cash or a payment-in-kind from the Department of Agriculture for participating in a land diversion program.

3. Payments for the use of rooms or other space when you also provided substantial services for the convenience of your tenants. Examples are hotel rooms, boarding houses, tourist camps or homes, trailer parks, parking lots, warehouses, and storage garages. See chapter 5 of Pub. 334 for more information.

4. Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.

5. Income you receive as a direct seller. Newspaper carriers or distributors of any age are direct sellers if certain conditions apply. See chapter 5 of Pub. 334 for details.

6. Amounts received by current or former self-employed insurance agents and salespersons that are:

a. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement,

b. Renewal commissions, or

c. Deferred commissions paid after retirement for sales made before retirement.

However, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment (as explained in item 10 under *Income and Losses Not Included in Net Earnings From Self-Employment* beginning on this page).

7. Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See chapter 10 of Pub. 334 for details.

8. 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.

9. Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

10. Fees and other payments received by you for services as a director of a corporation.

11. 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.

12. 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.

13. Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

Income and Losses Not Included in Net Earnings From Self-Employment

1. Salaries, fees, etc., subject to social security or Medicare tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained in item 8 under *Other Income and Losses Included in Net Earnings From Self-Employment*) or as an employee or employee representative under the railroad retirement system.

2. Fees received for services performed as a notary public. If you had no other income subject to SE tax, enter "Exempt—Notary" on Form 1040, line 57; do not file Schedule SE. However, if you had other earnings of \$400 or more subject to SE tax, enter "Exempt—Notary" and the amount of your net profit as a notary public from Schedule C or Schedule C-EZ on the dotted line to the left of Schedule SE, line 3. Subtract that amount from the total of lines 1a, 1b, and 2 and enter the result on line 3.

3. Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.

4. Income from real estate rentals if you did not receive the income in the course of a trade or business as a real estate dealer. Report this income on Schedule E, or on Schedule C or C-EZ if you and your spouse made an election to be taxed as a qualified joint venture.

5. Income from farm rentals (including rentals paid in crop shares) if, as landlord,

you did not materially participate in the production or management of the production of farm products on the land. See chapter 12 of Pub. 225 for details.

Report this income on Form 4835. Use two Forms 4835 if you and your spouse made an election to be taxed as a qualified joint venture.

6. Payments you receive from the Conservation Reserve Program if you are receiving social security benefits for retirement or disability. Deduct these payments on line 1b of Schedule SE.

7. 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.

8. Gain or loss from:

a. The sale or exchange of a capital asset;

b. The sale, exchange, involuntary conversion, or other disposition of property unless the property is stock in trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or

c. Certain transactions in timber, coal, or domestic iron ore.

9. Net operating losses from other years.

10. Termination payments you received as a former insurance salesperson if all of the following conditions are met.

a. The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

b. The payment was received after termination of your agreement to perform services for the company.

c. You did not perform any services for the company after termination and before the end of the year in which you received the payment.

d. You entered into a covenant not to compete against the company for at least a 1-year period beginning on the date of termination.

e. The amount of the payment depended primarily on policies sold by or credited to your account during the last year of the agreement, or the extent to which those policies remain in force for some period after termination, or both.

f. The amount of the payment did not depend to any extent on length of service or overall earnings from services performed for the company (regardless of whether eligibility for the payment depended on length of service).

Statutory Employee Income

If you were required to check the box on Schedule C or C-EZ, line 1, because you were a statutory employee, do not include the net profit or (loss) from that Schedule C, line 31 (or the net profit from Schedule C-EZ, line 3), on Short or Long Schedule SE, line 2. But if you file Long Schedule SE, be sure to include statutory employee

social security wages and tips from Form W-2 on line 8a.

Optional Methods

How Can the Optional Methods Help You?

Social security coverage. The optional methods may give you credit toward your social security coverage even though you have a loss or a small amount of income from self-employment.

Earned income credit (EIC). Using the optional methods may qualify you to claim the EIC or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$4,200. 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 \$4,200. Figure the additional child tax credit with and without using the optional methods to see if the optional methods will benefit you.

Child and dependent care credit. The optional methods may help you qualify for this credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$4,200. Figure this credit with and without using the optional methods to see if the optional methods will benefit you.

Self-employed health insurance deduction. The optional methods of computing net earnings from self-employment may be used to figure your self-employed health insurance deduction.



Using the optional methods may give you the benefits described above, but they may also increase your SE tax.

Changing Your Method

You can change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do this, file Form 1040X.

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$6,300 or less or your net farm profits were less than \$4,548. Net farm profits are:

- The total of the amounts from Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), box 14, code A, minus
- The amount you would have entered on Schedule SE, line 1b, had you not used the optional method.

There is no limit on how many years you can use this method.

Under this method, report in Part II, line 15, two-thirds of your gross farm income,

up to \$4,200, 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.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. If you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm self-employment if your net nonfarm profits were less than \$4,548 and also less than 72.189% of your gross nonfarm income. Net nonfarm profits are the total of the amounts from:

- Schedule C (Form 1040), line 31,
- Schedule C-EZ (Form 1040), line 3,
- Schedule K-1 (Form 1065), box 14, code A (from other than farm partnerships), and
- Schedule K-1 (Form 1065-B), box 9, code J1.

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 optional 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, report in Part II, line 17, two-thirds of your gross nonfarm income, up to \$4,200, as your net earnings. But you cannot report less than your actual net earnings from nonfarm self-employment.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See *Farm Optional Method* on this page for details.

Using Both Optional Methods

If you can use both methods, you can report less than your total actual net earnings from farm and nonfarm self-employment, but you cannot report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you cannot report more than \$4,200 of net earnings from self-employment.

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* These items may not be included in this package. To reduce printing costs, we have sent you only the forms you may need based on what you filed last year.



Where Do You File?

If an envelope 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 address shown below that applies to you. If you want to use a private delivery service, see page 8.



Envelopes without enough postage will be returned to you by the post office. Your envelope may need additional postage if it contains more than five pages or is oversized (for example, it is over 1/4" thick). Also, include your complete return address.

IF you live in...	THEN use this address if you:	
	Are not enclosing a check or money order...	Are enclosing a check or money order...
Alabama, Florida, Georgia, North Carolina, South Carolina, Virginia	Department of the Treasury Internal Revenue Service Center Atlanta, GA 39901-0002	Department of the Treasury Internal Revenue Service Center Atlanta, GA 39901-0102
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, Vermont	Department of the Treasury Internal Revenue Service Center Andover, MA 05501-0002	Department of the Treasury Internal Revenue Service Center Andover, MA 05501-0102
Arkansas, Connecticut, Delaware, Indiana, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, West Virginia	Department of the Treasury Internal Revenue Service Center Kansas City, MO 64999-0002	Department of the Treasury Internal Revenue Service Center Kansas City, MO 64999-0102
Kentucky, Louisiana, Mississippi, Tennessee, Texas	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0002	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0102
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Illinois, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Department of the Treasury Internal Revenue Service Center Fresno, CA 93888-0002	Department of the Treasury Internal Revenue Service Center Fresno, CA 93888-0102
A foreign country, American Samoa, or Puerto Rico (or are excluding income under Internal Revenue Code section 933), or use an APO or FPO address, or file Form 2555, 2555-EZ, or 4563, or are a dual-status alien or nonpermanent resident of Guam or the Virgin Islands*	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0215 USA	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0215 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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