

TEST
For Use in Preparing Tax Year 2004 Returns

STUDENT TESTING MATERIALS



FOR USE IN IRS VOLUNTEER PROGRAMS

- **Volunteer Income Tax Assistance (VITA)**
- **Tax Counseling for the Elderly (TCE)**

For the most up-to-date tax products and information visit www.irs.gov.

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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Confidentiality Statement:

All tax information you receive from taxpayers in your VOLUNTEER capacity is strictly confidential and should not, under any circumstances, be disclosed to unauthorized individuals.

Introduction to the Volunteer Assistor's Test

This test is an open-book test. You may use your course book or any other reference materials you will use as a volunteer. Please complete the test on your own. Taking the test in groups or with outside assistance could prove to be a disservice to the people you have volunteered to help.

The test is divided into four parts as outlined below.

You must pass the **Basic** and **Wage Earner** sections to be certified to prepare wage earner type returns such as Forms 1040EZ, 1040A and simple Form 1040.

You must pass the **Basic** and **Pension Earner** sections to be certified to prepare pension type returns and the more complex Form 1040.

You must pass the **Basic**, **Wage Earner** and **Pension Earner** sections to be certified to prepare all returns authorized under the VITA/TCE Program.

You must pass the **Basic**, **Wage Earner** and **Military** sections to be certified to prepare returns for members of the armed forces.

Part A—Basic

Covers the general tax laws which apply to all taxpayers. This section is based on lessons 1–7 of your course book.

Part B—Wage Earner

Covers credits and questions for the typical wage earner. This section is based on lessons 8–11 of your course book.

Part C—Pension Earner Covers credits and questions for the typical pension earner. This section is based on lessons 12–14 of your course book.

Part D—Military Returns Covers the unique questions for the typical member of the armed forces. This section is based on the military segment contained in the military course book.

What to do when you complete your test:

After you have completed your test, please transfer all answers to the tear-out Test Answer Sheet located on the next page. Forward the completed Test Answer Sheet and the completed Volunteer Agreement/Certification Sheet to your sponsor or instructor as directed for grading.

Do not send your entire test booklet unless otherwise directed.

You will receive your answer sheet back with your results. If you need to retake any part of the test, you will be provided the retest booklet.

You need to answer 70% of the questions correctly. If you fail any part(s), you need only take and pass the retest on the part(s) of the test you failed in order to become certified to prepare the returns as noted on the previous page.

Using Tax Software to take the Test

All social security numbers, employer identification numbers and routing/account numbers in this document are depicted as xxx-xx-xxxx, xx-xxxxxxx or xxxxxxxx accordingly. Volunteers using tax preparation software to complete the test should replace the x's as directed by the software. All taxpayer names and street addresses use names from a listing of colleges/universities as provided by IRS manuals. Use your city, state, and zip code when completing any of the forms.

Volunteers who use tax preparation software to complete the test or retest need to be aware of their version of software. Only the final 2004 version of software will generate the correct answers for 2004 tax returns.

Test Answer Sheet

Name: _____

Address: _____

(This information is needed to return your results promptly.)

Instructions: Record all of your answers on this sheet in the boxes provided below. Your instructor will tell you where you should send this sheet for grading. The grader will return this sheet to you. **Be sure to include your completed Volunteer Agreement (see next page) with this sheet.**

Part A — Basic (Requires 14 correct answers to pass)

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20

Part B — Wage Earner (Requires 14 correct answers to pass)

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20

Part C — Pension Earner (Requires 14 correct answers to pass)

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20

Part D — Military (Requires 28 correct answers to pass)

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40

Scoring and Certification – To be completed by the grader.

	Part A Basic	Part B Wage Earner	Part C Pension Earner	Part D Military
Number of correct answers				
Pass (yes/no)				
Certified (yes/no)				

You may take the retest for the part(s) you failed. Please ask your instructor for additional information.

The mission of the Volunteer Return Preparation Program is to provide free basic tax return preparation for eligible taxpayers. Volunteers are the program's most valuable resource. To establish the greatest degree of public trust Volunteers have a responsibility to provide high quality service and uphold the highest of ethical standards.

Participants in the Volunteer Return Preparation Program commit to the following standards of conduct:

- I will treat all taxpayers professionally, with courtesy and respect
- I will safeguard the confidentiality of taxpayer information
- I will apply the tax laws equitably and accurately to the best of my ability
- I will only prepare returns within the scope of my training and experience
- I will exercise reasonable care in the use and protection of equipment and supplies
- I will not solicit business from taxpayers I assist
- I will not accept payment for the services I provide

_____ Volunteer Name (print)	_____ Volunteer Signature and Date
_____ Home Street Address	_____ Daytime Telephone Number
_____ City, State and Zip Code	_____ E-mail Address
_____ Sponsoring Organization Name	

This form is to be retained at the Site or Partner level.

Certification (IRS or Sponsor Use Only)

	Part A Basic	Part B Wage Earner	Part C Pension Earner	Part D Military
Number of Correct Answers				
Pass (yes/no)				
Certified (yes/no)				

Certified by: _____ Date: _____

Privacy Act Notice

The Privacy Act of 1974 requires that when we ask for information we 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.

Our legal right to ask for information is 5 U.S.C. 301.

We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers.

Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Part A – Basic

For questions A-1 through A-13, determine whether each of the following statements is true or false (select a or b) and record your answers on the answer sheet located in the front of the test booklet.

- a. True**
- b. False**

- A-1 Wages reported on Form W-2 and unemployment compensation reported on Form 1099-G are considered taxable income.
- A-2 Tom is single, a full time student and 21 years old. He is claimed as a dependent by his parents. He earned \$3,500, and had \$209 withheld on his Form W-2. He had \$988 of dividends reported on Form 1099-DIV. Tom must file a federal income tax return.
- A-3 Robert is single, 67 years of age, and blind. His standard deduction is \$7,250.
- A-4 Henry and Louise are married, did not live together during 2004, and will file Married Filing Separately. Henry had Social Security benefits of \$13,000 and other income of \$10,000. Louise had Social Security benefits of \$12,000 and a Form W-2 reporting wages of \$10,000. Both are required to file a federal income tax return.
- A-5 David and Tracy have lived apart since April 11, 2004 and legally separated on July 21, 2004. Their son, Tom, lives with Tracy who maintains a home for the two of them. Tom is 22 years old, single, and a full time student. All are U.S. citizens. Tracy should file Married Filing Separately.
- A-6 William's wife passed away in November, 2003. He has one child, Eric, who he can claim as a dependent. William kept up a home for himself and Eric for all of 2004. William filed a joint return in 2003, and remains unmarried. He should file as Single on his 2004 federal income tax return.
- A-7 The 1040 series of forms provide a space to designate a "Third Party Designee." Because you prepared the tax return, the taxpayer asks you to be listed as the designee. You may agree to this request.
- A-8 An employer determines the amount of federal income tax to withhold based on information submitted by the employee on a Form W-4.
- A-9 Adjusted gross income is the total income minus adjustments to income.
- A-10 Contributions to traditional IRAs may be deductible as adjustments to income on Form 1040 or Form 1040A.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

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- A-11 The following five tests must all be met to claim an exemption for a dependent: Member of Household or Relationship Test; Citizen or Resident Test; Joint Return Test; Gross Income Test; and Support Test.
- A-12 Louise is single and turned 65 on January 1, 2005. She earned \$8,150 during 2004. Louise must file a federal tax return for 2004.
- A-13 Katherine will file as Head of Household and has adjusted gross income of \$34,525. She has the following expenses: medical expenses of \$4,500; state and local income taxes of \$3,000; home mortgage interest of \$5,300; and cash donations to her church of \$500. She should take the standard deduction.
-

For questions A-14 through A-20, select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

- A-14 Which of the following is taxable income?
- a. Child support
 - b. Veterans' disability benefits
 - c. Federal income tax refunds
 - d. Wages, salaries, bonuses, and commissions
 - e. Workers' compensation
- A-15 Which of the following statements is the best answer regarding contributions to traditional IRAs?
- a. The maximum amount taxpayers under the age of 50 may contribute to an IRA is \$3,000.
 - b. For married filing joint returns, the maximum IRA contribution can not exceed \$7,000 when both taxpayers are age 50 or older.
 - c. The deadline for contributing into an IRA for the year 2004 is April 15, 2005.
 - d. All of the above
 - e. None of the above
- A-16 Which of the following is not a deductible expense on Schedule A?
- a. Prescription medicines and drugs
 - b. Real estate taxes
 - c. Home mortgage interest
 - d. Direct contributions to an individual
 - e. Union dues and fees

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- A-17 John's taxable income is \$18,000. His filing status is single. Using the tax tables, what is John's federal income tax?
- a. 0
 - b. \$2,331
 - c. \$2,339
 - d. \$2,346
 - e. \$2,354
- A-18 Where does the Site Identification Number appear on the tax return?
- a. Beside the signature block
 - b. Third party designee block
 - c. Paid preparer's section
 - d. Adjusted gross income block
 - e. None of the above
- A-19 Sarah wants her refund deposited in her checking account. What information is needed?
- a. Routing number
 - b. Account number
 - c. Name of bank
 - d. Both a and b
 - e. None of the above
- A-20 To ensure the most accurate information is used to prepare tax returns, which of the following questions should you ask a taxpayer?
- a. Are you married or single?
 - b. Do you have children or anyone else who lives with you?
 - c. If others live with you, do you provide over half the cost of keeping up the home or do you provide more than 50% of their overall support?
 - d. Are any of the children full time students?
 - e. All of the above

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

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PART B – Wage Earner

For questions B-1 through B-10, select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

- B-1 Which of the following is not considered earned income for Earned Income Credit purposes?
- a. Wages from Form W-2
 - b. Strike benefits paid by the taxpayer's union
 - c. Alimony
 - d. Disability paid by an employer prior to minimum retirement age
 - e. Form 1099 MISC non-employee compensation
- B-2 Tom and Brenda are John's parents and claim him as a dependent on their joint return. John's grandmother Mary made the payment for his tuition and fees directly to a qualified college. John is a full-time student in his junior year and received no scholarship or grant. Who has the right to claim the education credit?
- a. John
 - b. Tom and Brenda
 - c. Mary
 - d. Tom, Brenda, and John
 - e. John and Mary
- B-3 In the above scenario can the Hope Scholarship Credit be claimed if all other rules are met?
- a. Yes
 - b. No
- B-4 Bethany and Tim are divorced. Their daughter, Lynette, is 12 and has lived with Bethany for 2 years. Bethany and Tim's divorce decree gives Tim the right to claim Lynette as a dependent. Who can claim Lynette for Earned Income Credit?
- a. Bethany
 - b. Tim
 - c. Both Bethany and Tim
 - d. Neither Bethany nor Tim
 - e. Lynette

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- B-5 Mary and her two children, both under 19 years of age, lived with her boyfriend, Derrick for all of 2004. The children are not Derrick's children, but he provides support for them. Mary did not earn any income in 2004, but Derrick made \$20,000 at his job. Can Derrick claim the children for EIC?
- a. Yes
 - b. No
- B-6 Jessica is a 23 year-old single mother with a two-year-old child. They lived together in their Boston apartment for all of 2004. Jessica made \$15,000 at her job and had no other income. Does she qualify for EIC?
- a. Yes
 - b. No
- B-7 Martino has three children, all under the age of 19. Martino and the children all lived with his mother, Charlotta, during 2004. Martino and Charlotta both have earned income under \$23,000. Who can claim the children for EIC?
- a. Martino
 - b. Charlotta
 - c. Martino and Charlotta may agree to each claim different children
 - d. Any of the above
 - e. Neither Martino nor Charlotta
- B-8 Which is not an eligibility requirement for claiming the EIC with a qualifying child?
- a. Age of the child
 - b. Claiming the child as a dependent
 - c. Relationship to the child
 - d. Taxpayer having earned income
 - e. Child must live with taxpayer in United States
- B-9 What is the maximum per child amount for Child Tax Credit?
- a. \$400
 - b. \$600
 - c. \$1,000
 - d. \$1,200
 - e. \$1,500

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- B-10 Ellen is divorced. She lives with her two daughters, 7-year-old Terri and 16-year-old Jennie. Which of the following is a qualifying expense for the Child and Dependent Care Credit?
- a. Sending Terri to a private elementary school
 - b. Sending Terri to an overnight summer camp
 - c. Paying Jennie to care for Terri
 - d. Paying for after school care at the Learning Center Day Care for Terri
 - e. Paying for after school care at the Learning Center Day Care for Jennie

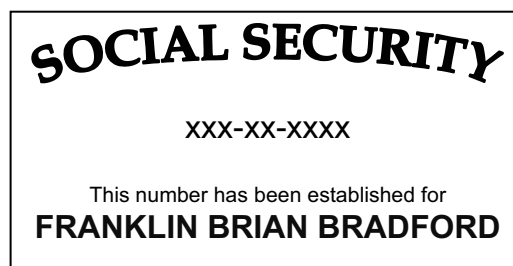
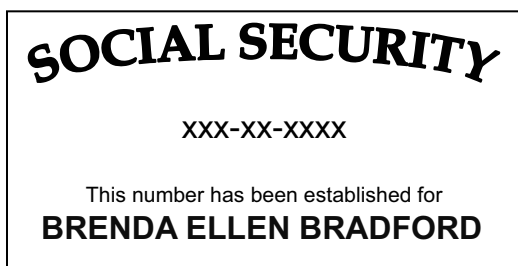
Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

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For questions B-11 through B-13, use the following scenario to complete a Form 1040 through line 62 and complete a Form 8863. Do not calculate a tuition and fees deduction on Form 1040, line 27. Select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

Brenda Bradford is a single mother with a son, Franklin, who is a full time student at the local university. He lives at home and is in his second year of college. The university classifies him as a sophomore.

You ask if Franklin had income to contribute to his support. Brenda tells you he did not.



Date of Birth:

Brenda, November 14, 1960


Franklin, January 19, 1982

You ask Brenda if she wants to contribute to the Presidential Election Campaign Fund, and she says no.

When asked, Brenda states she is a custodian at Hamilton High School and has no other income.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

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a Control number 121223		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov .		
b Employer identification number XX-XXXXXX			1 Wages, tips, other compensation 23,087.76		2 Federal income tax withheld 1,048.22			
c Employer's name, address, and ZIP code Hamilton High School 200 Third Street Your City, State Zip			3 Social security wages 23,087.76		4 Social security tax withheld 1,431.00			
			5 Medicare wages and tips 23,087.76		6 Medicare tax withheld 335.00			
			7 Social security tips		8 Allocated tips			
d Employee's social security number XXX-XX-XXXX			9 Advance EIC payment		10 Dependent care benefits			
e Employee's first name and initial Last name Brenda Bradford 224 W 83rd Street Your City, State Zip			11 Nonqualified plans		12a See instructions for box 12			
			13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b			
			14 Other		12c			
					12d			
f Employee's address and ZIP code			15 State Employer's state ID number XX XX-XXXXXX		16 State wages, tips, etc. 23,087.76		17 State income tax 231.00	
			18 Local wages, tips, etc.		19 Local income tax		20 Locality name	

Form **W-2 Wage and Tax Statement** **2004** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

Brenda also gives you a statement she received from the University of Hartford and asks you what she should do with it.

CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone number University of Hartford 289 Fourth Street Your City, State, and Zip Code		1 Payments received for qualified tuition and related expenses \$		OMB No. 1545-1574 2004		Tuition Statement	
		2 Amounts billed for qualified tuition and related expenses \$ 1,698.00		Form 1098-T			
FILER'S Federal identification no. XX-XXXXXXX	STUDENT'S social security number XXX-XX-XXXX	3 Adjustments made for a prior year \$		4 Scholarships or grants \$		Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service.	
STUDENT'S name Franklin Bradford		5 Adjustments to scholarships or grants for a prior year \$		7 Reimbursements or refunds of qualified tuition and related expenses from an insurance contract \$			
Street address (including apt. no.) 224 W. 83rd St. City, state, and ZIP code Your City, State, and Zip Code		6 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January-March 2005 <input type="checkbox"/>					
Service Provider/Acct. No. (opt.)		8 Check if at least half-time student <input checked="" type="checkbox"/>		9 Check if a graduate student <input type="checkbox"/>			

Form **1098-T** (keep for your records) Department of the Treasury - Internal Revenue Service

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Label

(See instructions on page 19.)

Use the IRS label.

Otherwise, please print or type.

Presidential Election Campaign (See page 19.)

For the year Jan. 1–Dec. 31, 2004, or other tax year beginning , 2004, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 19. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.

OMB No. 1545-0074
Your social security number
Spouse's social security number

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

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

Filing Status

Check only one box.

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 20.) 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 20)

Exemptions

If more than four dependents, see page 21.

6a Yourself. If someone can claim you as a dependent, do not check box 6a
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 21)
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 21)
Dependents on 6c not entered above
Add numbers on lines above

Income

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

If you did not get a W-2, see page 22.

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

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

Table with 2 columns: Line number, Amount. Rows 7-22.

Adjusted Gross Income

23 Deduction for clean-fuel vehicles (see page 29)
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ
25 IRA deduction (see page 29)
26 Student loan interest deduction (see page 31)
27 Tuition and fees deduction (see page 32)
28 Health savings account deduction. Attach Form 8889
29 Moving expenses. Attach Form 3903
30 One-half of self-employment tax. Attach Schedule SE
31 Self-employed health insurance deduction (see page 33)
32 Self-employed SEP, SIMPLE, and qualified plans
33 Penalty on early withdrawal of savings
34a Alimony paid b Recipient's SSN
35 Add lines 23 through 34a
36 Subtract line 35 from line 22. This is your adjusted gross income

Table with 2 columns: Line number, Amount. Rows 23-36.

Tax and Credits

Standard Deduction for—

- People who checked any box on line 38a or 38b or who can be claimed as a dependent, see page 34.

- All others: Single or Married filing separately, \$4,850

- Married filing jointly or Qualifying widow(er), \$9,700

- Head of household, \$7,150

37 Amount from line 36 (adjusted gross income)
38a Check if: You were born before January 2, 1940, Blind. Total boxes checked
b If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 34 and check here
39 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
40 Subtract line 39 from line 37
41 If line 37 is \$107,025 or less, multiply \$3,100 by the total number of exemptions claimed on line 6d. If line 37 is over \$107,025, see the worksheet on page 35
42 Taxable income. Subtract line 41 from line 40. If line 41 is more than line 40, enter -0-
43 Tax (see page 36). Check if any tax is from: a Form(s) 8814 b Form 4972
44 Alternative minimum tax (see page 38). Attach Form 6251
45 Add lines 43 and 44
46 Credit for child and dependent care expenses. Attach Form 2441
47 Credit for the elderly or the disabled. Attach Schedule R
48 Education credits. Attach Form 8863
49 Credits from: a Form 8396 b Form 8859
50 Foreign tax credit. Attach Form 1116 if required
51 Child tax credit (see page 40)
52 Retirement savings contributions credit. Attach Form 8880
53 Adoption credit. Attach Form 8839
54 Other credits. Check applicable box(es): a Form 3800 b Form 8801 c Specify
55 Add lines 46 through 54. These are your total credits
56 Subtract line 55 from line 45. If line 55 is more than line 45, enter -0-

Other Taxes

57 Self-employment tax. Attach Schedule SE
58 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
60 Advance earned income credit payments from Form(s) W-2
61 Household employment taxes. Attach Schedule H
62 Add lines 56 through 61. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

63 Federal income tax withheld from Forms W-2 and 1099
64 2004 estimated tax payments and amount applied from 2003 return
65 Earned income credit (EIC)
66 Excess social security and tier 1 RRTA tax withheld (see page 56)
67 Additional child tax credit. Attach Form 8812
68 Amount paid with request for extension to file (see page 56)
69 Other payments from: a Form 2439 b Form 4136 c Form 8885
70 Add lines 63 through 69. These are your total payments

Refund

Direct deposit? See page 56 and fill in 72b, 72c, and 72d.

71 If line 70 is more than line 62, subtract line 62 from line 70. This is the amount you overpaid
72a Amount of line 71 you want refunded to you
b Routing number
c Type: Checking Savings
d Account number
73 Amount of line 71 you want applied to your 2005 estimated tax
74 Amount you owe. Subtract line 70 from line 62. For details on how to pay, see page 57
75 Estimated tax penalty (see page 58)

Amount You Owe

Third Party Designee

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

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

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.

Education Credits
(Hope and Lifetime Learning Credits)
 ▶ See instructions.
 ▶ Attach to Form 1040 or Form 1040A.

Caution: You **cannot** take both an education credit and the tuition and fees deduction (Form 1040, line 27, or Form 1040A, line 19) for the **same student** in the same year.

Part I Hope Credit. Caution: You **cannot** take the Hope credit for more than **2** tax years for the **same student**.

1	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,000 for each student.	(d) Enter the smaller of the amount in column (c) or \$1,000	(e) Subtract column (d) from column (c)	(f) Enter one-half of the amount in column (e)	
2	Add the amounts in columns (d) and (f)			2			
3	Tentative Hope credit. Add the amounts on line 2, columns (d) and (f). If you are taking the lifetime learning credit for another student, go to Part II; otherwise, go to Part III ▶					3	

Part II Lifetime Learning Credit

4	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions)
5	Add the amounts on line 4, column (c), and enter the total		5
6	Enter the smaller of line 5 or \$10,000		6
7	Tentative lifetime learning credit. Multiply line 6 by 20% (.20) and go to Part III ▶		7

Part III Allowable Education Credits

8	Tentative education credits. Add lines 3 and 7	8	
9	Enter: \$105,000 if married filing jointly; \$52,000 if single, head of household, or qualifying widow(er)	9	
10	Enter the amount from Form 1040, line 37*, or Form 1040A, line 22	10	
11	Subtract line 10 from line 9. If zero or less, stop ; you cannot take any education credits.	11	
12	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)	12	
13	If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places)	13	× .
14	Multiply line 8 by line 13 ▶	14	
15	Enter the amount from Form 1040, line 43, or Form 1040A, line 28 (minus any alternative minimum tax included on Form 1040A, line 28)	15	
16	Enter the total, if any, of your credits from Form 1040, lines 46 and 47, or Form 1040A, lines 29 and 30	16	
17	Enter the amount from Form 6251, line 31	17	
18	Add lines 16 and 17	18	
19	Subtract line 18 from line 15. If zero or less, stop ; you cannot take any education credits ▶	19	
20	Education credits. Enter the smaller of line 14 or line 19 here and on Form 1040, line 48, or Form 1040A, line 31 ▶	20	

*See Pub. 970 for the amount to enter if you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

B-11 What is the amount of tentative education credits (Form 8863, line 8)?

- a. \$340
- b. \$640
- c. \$988
- d. \$1,349
- e. \$1,500

B-12 What is amount of total tax (Form 1040, line 62)?

- a. 0
- b. \$333
- c. \$633
- d. \$803
- e. \$973

B-13 Does Franklin qualify Brenda for the EIC?

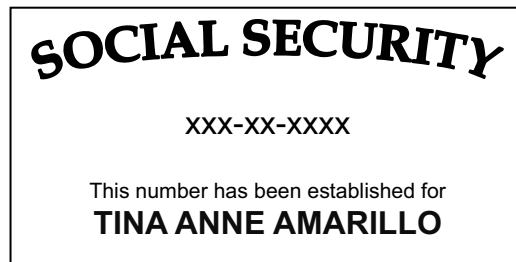
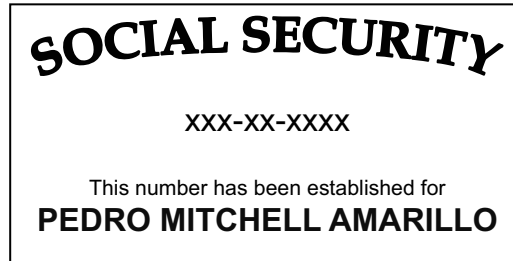
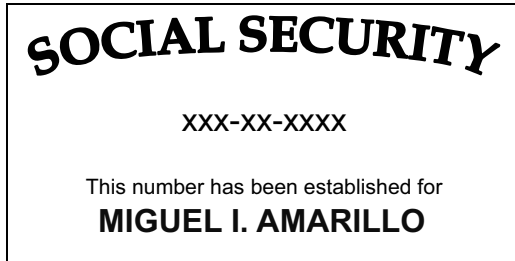
- a. Yes
- b. No

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

For questions B-14 through B-19, use the following scenario to complete a Form 1040 and appropriate worksheets, forms and schedules. Select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

Miguel is a single parent. He provides all the support for his children, Pedro and Tina, who live with him.



Dates of Birth:

Miguel, May 4, 1960

Pedro, April 6, 1998

Tina, May 17, 2000

Miguel says he is a journalist. He states that his current address is the same as the one on his check and would like his refund directly deposited in the bank.

He gives you all the information documents he's received. He says that he has no other income. After looking at his documents, you ask him if his EIC was disallowed or reduced in the past two years and he tells you it was not.

After being asked, he also states he did not receive any distributions from his retirement plan.


Miguel tells you he does not want to contribute to the Presidential Election Campaign.

During the interview, you determine he does not qualify for any adjustments to his total income. You also review his expenses and determine he cannot itemize and therefore will take the standard deduction.

Miguel states he did not forfeit any of his dependent care benefits.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

a Control number 123455		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov .	
b Employer identification number XX-XXXXXXX				1 Wages, tips, other compensation 21,084.66		2 Federal income tax withheld 1,248.22	
c Employer's name, address, and ZIP code Madison Magazine 200 E Third Your City, State Zip				3 Social security wages 21,609.66		4 Social security tax withheld 1,340.00	
				5 Medicare wages and tips 21,609.66		6 Medicare tax withheld 313.00	
				7 Social security tips		8 Allocated tips	
d Employee's social security number XXX-XX-XXXX				9 Advance EIC payment 710.00		10 Dependent care benefits 1,000.00	
e Employee's first name and initial Last name Miguel Amarillo 155 W First Street Your City, State Zip				11 Nonqualified plans		12a See instructions for box 12 D 525.00	
				13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code				15 State Employer's state ID number XX XX-XXXXXXX		16 State wages, tips, etc. 21,084.66	
				17 State income tax 211.00		18 Local wages, tips, etc.	
				19 Local income tax		20 Locality name	

Form **W-2 Wage and Tax Statement** **2004** Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. Bank of Asbury 1255 E 18th Street Your City, State ZIP		Payer's RTN (optional)	OMB No. 1545-0112 2004	Interest Income	
PAYER'S Federal identification number XX-XXXXXXX	RECIPIENT'S identification number XXX-XX-XXXX	1 Interest income not included in box 3 \$ 65.71		Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.	
RECIPIENT'S name Miguel I Amarillo		2 Early withdrawal penalty \$	3 Interest on U.S. Savings Bonds and Treas. obligations \$		
Street address (including apt. no.) 155 W First Street City, state, and ZIP code Your City, State ZIP		4 Federal income tax withheld \$ 0.00	5 Investment expenses \$		
Account number (optional) 11111222334		6 Foreign tax paid \$	7 Foreign country or U.S. possession		
Form 1099-INT		(keep for your records)		Department of the Treasury - Internal Revenue Service	

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Post Child Care
5540 Wilson Dr
Your City, State ZIP
XX-XXXXXXX

Amounts Received:

January 1, 2004	\$1,000
April 1, 2004	\$1,000
July 1, 2004	\$1,000
October 1, 2004	\$1,000

Total amount received from Miguel Amarillo for the care of Pedro and Tina is: \$4,000

Miguel I. Amarillo
155 W. First Street
Your City, State ZIP
(512) 444-5555

1234

Date _____

Pay to the

Order of _____ \$

_____ Dollars

Bank Of Asbury

For:

XXXXXXXXXX: 0011111222334 1234 _____

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Label

(See instructions on page 19.)

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

Presidential Election Campaign (See page 19.)

For the year Jan. 1–Dec. 31, 2004, or other tax year beginning , 2004, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 19. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.

OMB No. 1545-0074
Your social security number
Spouse's social security number

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

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

Filing Status

Check only one box.

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 20.) 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 20)

Exemptions

If more than four dependents, see page 21.

6a Yourself. If someone can claim you as a dependent, do not check box 6a
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 21)
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 21)
Dependents on 6c not entered above
Add numbers on lines above

Income

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

If you did not get a W-2, see page 22.

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

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

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

Adjusted Gross Income

23 Deduction for clean-fuel vehicles (see page 29)
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ
25 IRA deduction (see page 29)
26 Student loan interest deduction (see page 31)
27 Tuition and fees deduction (see page 32)
28 Health savings account deduction. Attach Form 8889
29 Moving expenses. Attach Form 3903
30 One-half of self-employment tax. Attach Schedule SE
31 Self-employed health insurance deduction (see page 33)
32 Self-employed SEP, SIMPLE, and qualified plans
33 Penalty on early withdrawal of savings
34a Alimony paid b Recipient's SSN
35 Add lines 23 through 34a
36 Subtract line 35 from line 22. This is your adjusted gross income

23
24
25
26
27
28
29
30
31
32
33
34a
35
36

Tax and Credits

Standard Deduction for—

- People who checked any box on line 38a or 38b or who can be claimed as a dependent, see page 34.

- All others:
Single or Married filing separately, \$4,850

- Married filing jointly or Qualifying widow(er), \$9,700

- Head of household, \$7,150

37	Amount from line 36 (adjusted gross income)	37	
38a	Check <input type="checkbox"/> You were born before January 2, 1940, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1940, <input type="checkbox"/> Blind. } checked ▶ 38a		
b	If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 34 and check here	38b	<input type="checkbox"/>
39	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	39	
40	Subtract line 39 from line 37	40	
41	If line 37 is \$107,025 or less, multiply \$3,100 by the total number of exemptions claimed on line 6d. If line 37 is over \$107,025, see the worksheet on page 35	41	
42	Taxable income. Subtract line 41 from line 40. If line 41 is more than line 40, enter -0-	42	
43	Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	43	
44	Alternative minimum tax (see page 38). Attach Form 6251	44	
45	Add lines 43 and 44	45	
46	Credit for child and dependent care expenses. Attach Form 2441	46	
47	Credit for the elderly or the disabled. Attach Schedule R	47	
48	Education credits. Attach Form 8863	48	
49	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859	49	
50	Foreign tax credit. Attach Form 1116 if required	50	
51	Child tax credit (see page 40)	51	
52	Retirement savings contributions credit. Attach Form 8880	52	
53	Adoption credit. Attach Form 8839	53	
54	Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify	54	
55	Add lines 46 through 54. These are your total credits	55	
56	Subtract line 55 from line 45. If line 55 is more than line 45, enter -0-	56	

Other Taxes

57	Self-employment tax. Attach Schedule SE	57	
58	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60	Advance earned income credit payments from Form(s) W-2	60	
61	Household employment taxes. Attach Schedule H	61	
62	Add lines 56 through 61. This is your total tax	62	

Payments

If you have a qualifying child, attach Schedule EIC.

63	Federal income tax withheld from Forms W-2 and 1099	63	
64	2004 estimated tax payments and amount applied from 2003 return	64	
65	Earned income credit (EIC)	65	
66	Excess social security and tier 1 RRTA tax withheld (see page 56)	66	
67	Additional child tax credit. Attach Form 8812	67	
68	Amount paid with request for extension to file (see page 56)	68	
69	Other payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	69	
70	Add lines 63 through 69. These are your total payments	70	

Refund

Direct deposit? See page 56 and fill in 72b, 72c, and 72d.

71	If line 70 is more than line 62, subtract line 62 from line 70. This is the amount you overpaid	71	
72a	Amount of line 71 you want refunded to you	72a	
b	Routing number	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number		
73	Amount of line 71 you want applied to your 2005 estimated tax	73	

Amount You Owe

74	Amount you owe. Subtract line 70 from line 62. For details on how to pay, see page 57	74	
75	Estimated tax penalty (see page 58)	75	

Third Party Designee

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

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

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

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

Child and Dependent Care Expenses

▶ Attach to Form 1040.
 ▶ See separate instructions.

Your social security number
 : :
 : :

Before you begin: You need to understand the following terms. See **Definitions** on page 1 of the instructions.

- **Dependent Care Benefits**
- **Qualifying Person(s)**
- **Qualified Expenses**
- **Earned Income**

Part I **Persons or Organizations Who Provided the Care**—You must complete this part.
 (If you need more space, use the bottom of page 2.)

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)

Did you receive dependent care benefits?	No	▶ Complete only Part II below.
	Yes	▶ Complete Part III on the back next.

Caution. If the care was provided in your home, you may owe employment taxes. See the instructions for Form 1040, line 61.

Part II **Credit for Child and Dependent Care Expenses**

2 Information about your **qualifying person(s)**. If you have more than two qualifying persons, see the instructions.

(a) Qualifying person's name		(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2004 for the person listed in column (a)
First	Last		

3 Add the amounts in column (c) of line 2. **Do not** enter more than \$3,000 for one qualifying person or \$6,000 for two or more persons. If you completed Part III, enter the amount from line 34

4 Enter your **earned income**

5 If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); **all others**, enter the amount from line 4

6 Enter the **smallest** of line 3, 4, or 5

7 Enter the amount from Form 1040, line 37

8 Enter on line 8 the decimal amount shown below that applies to the amount on line 7

If line 7 is:			If line 7 is:		
Over	But not over	Decimal amount is	Over	But not over	Decimal amount is
\$0—15,000		.35	\$29,000—31,000		.27
15,000—17,000		.34	31,000—33,000		.26
17,000—19,000		.33	33,000—35,000		.25
19,000—21,000		.32	35,000—37,000		.24
21,000—23,000		.31	37,000—39,000		.23
23,000—25,000		.30	39,000—41,000		.22
25,000—27,000		.29	41,000—43,000		.21
27,000—29,000		.28	43,000—No limit		.20

9 Multiply line 6 by the decimal amount on line 8. If you paid 2003 expenses in 2004, see the instructions

10 Enter the amount from Form 1040, line 43

11 Enter the amount, if any, from Form 6251, line 31 (see the instructions)

12 Subtract line 11 from line 10. If zero or less, **stop**. You cannot take the credit

13 **Credit for child and dependent care expenses.** Enter the **smaller** of line 9 or line 12 here and on Form 1040, line 46

For Paperwork Reduction Act Notice, see page 3 of the instructions.

Part III Dependent Care Benefits

14	Enter the total amount of dependent care benefits you received in 2004. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. Do not include amounts reported as wages in box 1 of Form(s) W-2. If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership	14		
15	Enter the amount forfeited, if any (see the instructions)	15		
16	Subtract line 15 from line 14	16		
17	Enter the total amount of qualified expenses incurred in 2004 for the care of the qualifying person(s)	17		
18	Enter the smaller of line 16 or 17	18		
19	Enter your earned income	19		
20	Enter the amount shown below that applies to you. <ul style="list-style-type: none"> • If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions for line 5). • If married filing separately, see the instructions for the amount to enter. • All others, enter the amount from line 19. 	20		
21	Enter the smallest of line 18, 19, or 20	21		
22	Enter the amount from line 14 that you received from your sole proprietorship or partnership. If you did not receive any such amounts, enter -0-	22		
23	Subtract line 22 from line 16	23		
24	Enter \$5,000 (\$2,500 if married filing separately and you were required to enter your spouse's earned income on line 20)	24		
25	Deductible benefits. Enter the smallest of line 21, 22, or 24. Also, include this amount on the appropriate line(s) of your return (see the instructions)	25		
26	Enter the smaller of line 21 or 24	26		
27	Enter the amount from line 25	27		
28	Excluded benefits. Subtract line 27 from line 26. If zero or less, enter -0-	28		
29	Taxable benefits. Subtract line 28 from line 23. If zero or less, enter -0-. Also, include this amount on Form 1040, line 7. On the dotted line next to line 7, enter "DCB"	29		

To claim the child and dependent care credit, complete lines 30–34 below.

30	Enter \$3,000 (\$6,000 if two or more qualifying persons)	30		
31	Add lines 25 and 28	31		
32	Subtract line 31 from line 30. If zero or less, stop . You cannot take the credit. Exception. If you paid 2003 expenses in 2004, see the instructions for line 9	32		
33	Complete line 2 on the front of this form. Do not include in column (c) any benefits shown on line 31 above. Then, add the amounts in column (c) and enter the total here	33		
34	Enter the smaller of line 32 or 33. Also, enter this amount on line 3 on the front of this form and complete lines 4–13	34		

Line 51—Child Tax Credit

What Is the Child Tax Credit?

This credit is for people who have a qualifying child (defined below). It is in addition to the credit for child and dependent care expenses on Form 1040, line 46, and the earned income credit on Form 1040, line 65.

Three Steps To Take the Child Tax Credit!

- Step 1.** Make sure you have a qualifying child for the child tax credit (defined below).
- Step 2.** Make sure you checked the box on Form 1040, line 6c, column (4), for each qualifying child.
- Step 3.** Answer the questions on this page to see if you may use the worksheet on page 41 to figure your credit or if you must use Pub. 972, Child Tax Credit. If you need Pub. 972, see page 7.

Qualifying Child for Child Tax Credit

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

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



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

An adopted child is always treated as your own child. An adopted child includes a child placed with you by an authorized

placement agency for legal adoption even if the adoption is not final. An authorized placement agency includes any person or court authorized by state law to place children for legal adoption.

Questions

Who Must Use Pub. 972



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

No. *Continue*

Yes. You must use Pub. 972 to figure your credit.
2. Is the amount on Form 1040, line 37, more than the amount shown below for your filing status?
 - Married filing jointly – \$110,000
 - Single, head of household, or qualifying widow(er) – \$75,000
 - Married filing separately – \$55,000

No. *Continue*

Yes. You must use Pub. 972 to figure your credit.
3. Are you claiming any of the following credits?
 - Retirement savings contributions credit, Form 8880 (see the instructions for Form 1040, line 52, on page 42)
 - Adoption credit, Form 8839 (see the instructions for Form 1040, line 53, on page 42)

No. Use the worksheet on page 38 to figure your child tax credit.

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

Child Tax Credit Worksheet—Line 51

Keep for Your Records



- To be a qualifying child for the child tax credit, the child must be **under age 17** at the end of 2004 and meet the other requirements listed on page 40.
- **Do not** use this worksheet if you answered “Yes” to question 1, 2, or 3 on page 40. Instead, use Pub. 972.

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

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

3. Add the amounts from Form 1040:

Line 46 _____

Line 47 + _____

Line 48 + _____

Line 49 + _____

Line 50 + _____ Enter the total. 3

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

Yes. You cannot take this credit because there is no tax to reduce. However, you may be able to take the **additional child tax credit**. See the **TIP** below. 4

No. Subtract line 3 from line 2.

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

Yes. Enter the amount from line 4. Also, you may be able to take the **additional child tax credit**. See the **TIP** below. 5

No. Enter the amount from line 1. This is your child tax credit.



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

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



Enter this amount on Form 1040, line 51.

Line 65 Earned Income Credit (EIC)

What Is the EIC?

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

To Take the EIC:

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



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

Step 1 All Filers

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

Yes. *Continue* → **No.** You cannot take the credit.
- Do you, and your spouse if filing a joint return, have a social security number that allows you to work or is valid for EIC purposes (see page 47)?

Yes. *Continue* → **No.** You cannot take the credit. Put "No" on the dotted line next to line 65.
- Is your filing status married filing separately?

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

Yes. You cannot take the credit. **No.** *Continue* →
- Were you a nonresident alien for any part of 2004?

Yes. See *Nonresident aliens* on page 47. **No.** Go to Step 2.

Step 2 Investment Income

- Add the amounts from Form 1040:

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

Investment Income =

*Do not include if line 13 is a loss.

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

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

Yes. See *Form 4797 filers* on page 46. **No.** You cannot take the credit.
- Do any of the following apply for 2004?
 - You are filing Schedule E.
 - You are reporting income or a loss from the rental of personal property not used in a trade or business.
 - You are reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child's interest and dividends).

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

Yes. Go to Step 3 on page 45. **No.** Go to Step 4 on page 45.

(Continued on page 45)

Continued from page 44

Step 3 Qualifying Child

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

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

or

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

or

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

AND

was at the end of 2004...

Under age 19

or

Under age 24 and a student (see page 47)

or

Any age and permanently and totally disabled (see page 47)

AND

who...

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

If the child did not live with you for the required time, see *Exception to "time lived with you" condition* on page 46.



If the child was married, see page 47.

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

- Yes.** **No.** *Continue* →

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

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

- Yes.** Go to question 3. **No.** Skip the next two questions; go to Step 4, question 2.

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2004?

- Yes.** See *Qualifying child of more than one person* on page 47. **No.** This child is your qualifying child. The child must have a valid social security number as defined on page 47 unless the child was born and died in 2004. Skip Step 4; go to Step 5 on page 46.

Step 4 Filers Without a Qualifying Child

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

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

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

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

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

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

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2004? Members of the military stationed outside the United States, see page 47 before you answer.

- Yes.** Go to Step 5 on page 46. **No.**
You cannot take the credit. Put "No" on the dotted line next to line 65.

(Continued on page 46)

Need more information or forms? See page 7.

Continued from page 45

Step 5 Earned Income

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

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

2. Figure earned income:

Form 1040, line 7 _____

Subtract, if included on line 7, any:

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

Earned Income =

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

- Yes.** Skip question 4 and Step 6; go to Worksheet B on page 49.
- No.** Continue

4. If you have:

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

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

Step 6 How To Figure the Credit

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

- Yes.** See *Credit figured by the IRS* on this page.
- No.** Go to Worksheet A on page 48.

Definitions and Special Rules

(listed in alphabetical order)

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

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

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

1. Put "Clergy" on the dotted line next to Form 1040, line 65.
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.

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

- Put "EIC" on the dotted line next to Form 1040, line 65.
- If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see *Form 8862, Who must file below*.

Exception to "time lived with you" condition. A child is considered to have lived with you for all of 2004 if the child was born or died in 2004 and your home was this child's home for the entire time he or she was alive in 2004. Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. If your child is presumed to have been kidnapped by someone who is not a family member, see Pub. 596 to find out if that child is a qualifying child for the EIC. To get Pub. 596, see page 7. If you were in the military stationed outside the United States, see *Members of the military* on page 47.

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

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

1. After your EIC was reduced or disallowed in an earlier year (a) you filed Form 8862 (or other documents) and your EIC was then allowed, and (b) your EIC has not been

reduced or disallowed again for any reason other than a math or clerical error.

2. You are taking the EIC without a qualifying child and the only reason your EIC was reduced or disallowed in the earlier year was because it was determined that a child listed on Schedule EIC was not your qualifying child.

Also, do not file Form 8862 or take the credit for 2 years if it was determined that your error was due to reckless or intentional disregard of the EIC rules (10 years if due to fraud).

Married child. A child who was married at the end of 2004 is a qualifying child only if (a) you can claim him or her as your dependent on Form 1040, line 6c, or (b) this child's other parent claims him or her as a dependent under the rules in Pub. 501 for children of divorced or separated parents.

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

Nonresident aliens. If your filing status is married filing jointly, go to Step 2 on page 44. Otherwise, stop; you cannot take the EIC.

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

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

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

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If both persons are the child's parents, the child will be treated as the qualifying child of the parent with whom the child lived for the longer period of time during 2004. If the child lived with each parent for the same amount of time, the child will be treated as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2004.

- If none of the persons is the child's parent, the child will be treated as the qualifying child of the person who had the highest AGI for 2004.

The child must have a valid social security number as defined on this page unless the child was born and died in 2004. If you do not have a qualifying child, stop; you cannot take the EIC. Put "No" on the dotted line next to line 65. If you have a qualifying child, skip Step 4; go to Step 5 on page 46.

Example. You and your 5-year-old daughter moved in with your mother in April 2004. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. If you and your mother cannot agree on who will treat your daughter as a qualifying child, the rules above apply. Under these rules, you are entitled to treat your daughter as a qualifying child because you are the child's parent. Your mother would not be entitled to claim any EIC unless she has a different qualifying child.

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

To find out how to get an SSN, see page 15. If you will not have an SSN by April 15, 2005, see *What if You Cannot File on Time?* on page 12.

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

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

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

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

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

Worksheet A—Earned Income Credit (EIC)—Line 65

Keep for Your Records

Before you begin: ✓ Be sure you are using the correct worksheet. Do not use this worksheet if you were self-employed, or you are filing Schedule SE because you were a member of the clergy or you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee. Instead, use Worksheet B that begins on page 49.



Part 1

All Filers Using Worksheet A

1. Enter your earned income from Step 5 on page 46. 1

2. Look up the amount on line 1 above in the EIC Table on pages 51–55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 2

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

3. Enter the amount from Form 1040, line 37. 3

4. Are the amounts on lines 3 and 1 the same?
 Yes. Skip line 5; enter the amount from line 2 on line 6.
 No. Go to line 5.

Part 2

Filers Who Answered “No” on Line 4

5. If you have:
 • No qualifying children, is the amount on line 3 less than \$6,400 (\$7,400 if married filing jointly)?
 • 1 or more qualifying children, is the amount on line 3 less than \$14,050 (\$15,050 if married filing jointly)?
 Yes. Leave line 5 blank; enter the amount from line 2 on line 6.
 No. Look up the amount on line 3 in the EIC Table on pages 51–55 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 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 65. ⋮

Reminder—

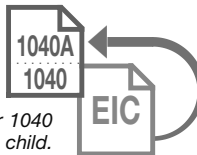
✓ If you have a qualifying child, complete and attach Schedule EIC.



If your EIC for a year after 1996 was reduced or disallowed, see page 46 to find out if you must file Form 8862 to take the credit for 2004.

SCHEDULE EIC
(Form 1040A or 1040)

Earned Income Credit
Qualifying Child Information



OMB No. 1545-0074

2004

Attachment
Sequence No. **43**

Department of the Treasury
Internal Revenue Service

Complete and attach to Form 1040A or 1040
only if you have a qualifying child.

Name(s) shown on return

Your social security number

Before you begin: See the instructions for Form 1040A, line 41, or Form 1040, line 65, to make sure that (a) you can take the EIC and (b) you have a qualifying child.



- If you take the EIC even though you are not eligible, you may not be allowed to take the credit for up to 10 years. See back of schedule for details.
- It will take us longer to process your return and issue your refund if you do not fill in all lines that apply for each qualifying child.
- Be sure the child's name on line 1 and social security number (SSN) on line 2 agree with the child's social security card. Otherwise, at the time we process your return, we may reduce or disallow your EIC. If the name or SSN on the child's social security card is not correct, call the Social Security Administration at 1-800-772-1213.

Qualifying Child Information

Child 1

Child 2

	First name	Last name	First name	Last name
1 Child's name If you have more than two qualifying children, you only have to list two to get the maximum credit.				
2 Child's SSN The child must have an SSN as defined on page 43 of the Form 1040A instructions or page 47 of the Form 1040 instructions unless the child was born and died in 2004. If your child was born and died in 2004 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate.				
3 Child's year of birth	Year _____ <i>If born after 1985, skip lines 4a and 4b; go to line 5.</i>		Year _____ <i>If born after 1985, skip lines 4a and 4b; go to line 5.</i>	
4 If the child was born before 1986—				
a Was the child under age 24 at the end of 2004 and a student?	<input type="checkbox"/> Yes. <i>Go to line 5.</i>	<input type="checkbox"/> No. <i>Continue</i>	<input type="checkbox"/> Yes. <i>Go to line 5.</i>	<input type="checkbox"/> No. <i>Continue</i>
b Was the child permanently and totally disabled during any part of 2004?	<input type="checkbox"/> Yes. <i>Continue</i>	<input type="checkbox"/> No. The child is not a qualifying child.	<input type="checkbox"/> Yes. <i>Continue</i>	<input type="checkbox"/> No. The child is not a qualifying child.
5 Child's relationship to you (for example, son, daughter, grandchild, niece, nephew, foster child, etc.)				
6 Number of months child lived with you in the United States during 2004 • If the child lived with you for more than half of 2004 but less than 7 months, enter "7". • If the child was born or died in 2004 and your home was the child's home for the entire time he or she was alive during 2004, enter "12".	_____ months <i>Do not enter more than 12 months.</i>		_____ months <i>Do not enter more than 12 months.</i>	



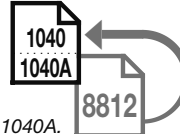
You may also be able to take the additional child tax credit if your child (a) was under age 17 at the end of 2004, (b) is claimed as your dependent on line 6c of Form 1040A or Form 1040, and (c) is a U.S. citizen or resident alien. For more details, see the instructions for line 42 of Form 1040A or line 67 of Form 1040.

For Paperwork Reduction Act Notice, see Form 1040A or 1040 instructions.

Cat. No. 13339M

Schedule EIC (Form 1040A or 1040) 2004

Additional Child Tax Credit



Department of the Treasury
Internal Revenue Service (99)

Complete and attach to Form 1040 or Form 1040A.

Name(s) shown on return

Your social security number

Part I All Filers

- 1 Enter the amount from line 1 of your Child Tax Credit Worksheet on page 41 of the Form 1040 instructions or page 38 of the Form 1040A instructions. If you used Pub. 972, enter the amount from line 8 of the worksheet on page 4 of the publication
- 2 Enter the amount from Form 1040, line 51, or Form 1040A, line 32
- 3 Subtract line 2 from line 1. If zero, **stop**; you cannot take this credit
- 4 Enter your total taxable earned income. See the instructions on back
- 5 Is the amount on line 4 more than \$10,750?
 No. Leave line 5 blank and enter -0- on line 6.
 Yes. Subtract \$10,750 from the amount on line 4. Enter the result
- 6 Multiply the amount on line 5 by 10% (.10) and enter the result
Next. Do you have three or more qualifying children?
 No. If line 6 is zero, **stop**; you cannot take this credit. Otherwise, skip Part II and enter the **smaller** of line 3 or line 6 on line 13.
 Yes. If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7.

1		
2		
3		
4		
5		
6		

Part II Certain Filers Who Have Three or More Qualifying Children

- 7 Enter the total of the withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see the instructions on back
- 8 **1040 filers:** Enter the total of the amounts from Form 1040, lines 30 and 58, plus any uncollected social security and Medicare or tier 1 RRTA taxes included on line 62.
1040A filers: Enter -0-.
- 9 Add lines 7 and 8
- 10 **1040 filers:** Enter the total of the amounts from Form 1040, lines 65 and 66.
1040A filers: Enter the total of the amount from Form 1040A, line 41, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see the instructions on back).
- 11 Subtract line 10 from line 9. If zero or less, enter -0-
- 12 Enter the **larger** of line 6 or line 11 here
Next, enter the **smaller** of line 3 or line 12 on line 13.

7		
8		
9		
10		
11		
12		

Part III Your Additional Child Tax Credit

- 13 This is your additional child tax credit

13		
----	--	--



Enter this amount on
Form 1040, line 67, or
Form 1040A, line 42.

Instructions

Purpose of Form

Use Form 8812 to figure your additional child tax credit.



The additional child tax credit may give you a refund even if you do not owe any tax.

Who Should Use Form 8812

First, complete the Child Tax Credit Worksheet that applies to you. See the instructions for Form 1040, line 51, or Form 1040A, line 32. If you meet the condition given in 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.

Effect of Credit on Welfare Benefits

Any refund you receive as a result of taking the additional child tax credit will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

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

Taxable Earned Income

1. Did you, or your spouse if filing a joint return, have net earnings from self-employment and use either optional method to figure those net earnings?

- No.** Go to question 2.
- Yes.** Use Pub. 972 to figure the amount to enter on Form 8812, line 4.

2. Are you claiming the earned income credit (EIC) on Form 1040, line 65, or Form 1040A, line 41?

- Yes.** Use the following chart to find the amount to enter on Form 8812, line 4.

IF you are filing Form . . .	AND you completed . . .	THEN enter on Form 8812, line 4, the amount from . . .
1040	Worksheet B on page 49 of your 1040 instructions	Worksheet B, line 4b.*
	Step 5 on page 46 of your 1040 instructions (but not Worksheet B)	Step 5, Earned Income
1040A	Step 5 on page 42 of your 1040A instructions	Step 5, Earned Income

* If you were a member of the clergy, subtract the following from the amount on line 4b: (a) the rental value of a home or the nontaxable portion of an allowance for a home furnished to you (including payments for utilities) and (b) the value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience.

- No. 1040 filers:** Go to question 3.
1040A filers: Skip question 3 and go to question 4.

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

- No.** Go to question 4.
- Yes.** Use Pub. 972 to figure the amount to enter on Form 8812, line 4.

4. Does the amount on line 7 of Form 1040 or Form 1040A include any of the following amounts?

- Taxable scholarship or fellowship grants not reported on a Form W-2.
 - Amounts paid to an inmate in a penal institution for work (enter "PRI" and the amount paid in the space next to line 7 of Form 1040 or 1040A).
 - Amounts received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (enter "DFC" and the amount received in the space next to line 7 of Form 1040 or 1040A). This amount may be reported in box 11 of your 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.
 - Amounts from Form 2555, line 41, or Form 2555-EZ, line 18.
- No.** Enter the amount from line 7 of Form 1040 or Form 1040A on Form 8812, line 4.
- Yes.** Subtract the total of those amounts from the amount on line 7 of Form 1040 or Form 1040A. (If an amount is included in more than one of the above categories, include it only once in figuring the total amount to subtract.) Enter the result on Form 8812, line 4.

Railroad Employees

If you worked for a railroad, include the following taxes in the total on Form 8812, line 7.

- Tier 1 tax withheld from your pay. This tax should be shown in box 14 of your Form(s) W-2 and identified as "Tier 1 tax."
- If you were an employee representative, 50% of the total tier 1 tax and tier 1 Medicare tax you paid for 2004.

1040A Filers

If you, or your spouse if filing a joint return, had more than one employer for 2004 and total wages of over \$87,900, figure any excess social security and tier 1 railroad retirement (RRTA) taxes withheld. See the instructions for Form 1040A, line 43. Include any excess on Form 8812, line 10.

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 Internal Revenue Code section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 6 min.; **Learning about the law or the form**, 5 min.; **Preparing the form**, 28 min.; **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 Form 1040 or Form 1040A.

Credit for Qualified Retirement Savings Contributions

Department of the Treasury
Internal Revenue Service

▶ Attach to Form 1040 or Form 1040A.
▶ See instructions on back.

Attachment
Sequence No. **129**

Name(s) shown on return

Your social security number



You **cannot** take this credit if **either** of the following applies.

- The amount on Form 1040, line 37, or Form 1040A, line 22, is more than \$25,000 (\$37,500 if head of household; \$50,000 if married filing jointly).
- The person(s) who made the qualified contribution or elective deferral **(a)** was born after January 1, 1987, **(b)** is claimed as a dependent on someone else's 2004 tax return, or **(c)** was a **student** (see instructions).

	(a) You	(b) Your spouse
1 Traditional and Roth IRA contributions for 2004. Do not include rollover contributions		
2 Elective deferrals to a 401(k) or other qualified employer plan, voluntary employee contributions, and 501(c)(18)(D) plan contributions for 2004 (see instructions)		
3 Add lines 1 and 2		
4 Certain distributions received after 2001 and before the due date (including extensions) of your 2004 tax return (see instructions). If married filing jointly, include both spouses' amounts in both columns. See instructions for an exception		
5 Subtract line 4 from line 3. If zero or less, enter -0-		
6 In each column, enter the smaller of line 5 or \$2,000		
7 Add the amounts on line 6. If zero, stop ; you cannot take this credit		
8 Enter the amount from Form 1040, line 37*, or Form 1040A, line 22		

9 Enter the applicable decimal amount shown below:

If line 8 is—		And your filing status is—		
Over—	But not over—	Married filing jointly	Head of household	Single, Married filing separately, or Qualifying widow(er)
Enter on line 9—				
---	\$15,000	.5	.5	.5
\$15,000	\$16,250	.5	.5	.2
\$16,250	\$22,500	.5	.5	.1
\$22,500	\$24,375	.5	.2	.1
\$24,375	\$25,000	.5	.1	.1
\$25,000	\$30,000	.5	.1	.0
\$30,000	\$32,500	.2	.1	.0
\$32,500	\$37,500	.1	.1	.0
\$37,500	\$50,000	.1	.0	.0
\$50,000	---	.0	.0	.0

Note: If line 9 is zero, **stop**; you cannot take this credit.

10 Multiply line 7 by line 9		
11 Enter the amount from Form 1040, line 45, or Form 1040A, line 28		
12 Enter the total of your credits from Form 1040, lines 46 through 51, or Form 1040A, lines 29 through 32		
13 Subtract line 12 from line 11. If zero, stop ; you cannot take this credit		
14 Credit for qualified retirement savings contributions. Enter the smaller of line 10 or line 13 here and on Form 1040, line 52, or Form 1040A, line 33		

*See Pub. 590 for the amount to enter if you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

B-14 What is the amount on Form 2441 Line 3?

- a. \$1,500
- b. \$2,000
- c. \$3,000
- d. \$4,000
- e. \$5,000

B-15 What is the amount on Form 2441 Line 8?

- a. 0.35
- b. 0.31
- c. 0.28
- d. 0.25
- e. 0.20

B-16 Which of Miguel's children qualify him for the Child Tax Credit?

- a. Pedro
- b. Tina
- c. Both Pedro and Tina
- d. Neither Pedro nor Tina

B-17 What is the total tax amount (Form 1040, Line 62)?

- a. 0
- b. \$470
- c. \$565
- d. \$660
- e. \$710

B-18 What is the Earned Income Tax Credit amount (Form 1040, Line 65)?

- a. \$2,839
- b. \$2,829
- c. \$2,808
- d. \$2,797
- e. \$2,787

B-19 What is the Additional Child Tax Credit amount (Form 1040, Line 67)?

- a. \$470
- b. \$1,034
- c. \$1,059
- d. \$1,530
- e. \$2,000

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

For question B-20, complete a Form 8863 and select the correct response. Record your answer on the answer sheet located in the front of the test booklet.

- B-20 Cassandra Jacobs tells you that she just finished her last year of a four-year accounting degree in 2004. That last year cost her \$3,000 in tuition expense. She received a Pell grant to cover \$1,000 of her tuition cost and paid the remaining \$2,000 in 2004. If all other requirements are met, how much is her tentative education credit (Form 8863, line 8)?
- a. \$600
 - b. \$1,500
 - c. \$400
 - d. \$800
 - e. 0

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Education Credits
(Hope and Lifetime Learning Credits)
 ▶ See instructions.
 ▶ Attach to Form 1040 or Form 1040A.

Caution: You **cannot** take both an education credit and the tuition and fees deduction (Form 1040, line 27, or Form 1040A, line 19) for the **same student** in the same year.

Part I Hope Credit. Caution: You **cannot** take the Hope credit for more than **2** tax years for the **same student**.

1	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). Do not enter more than \$2,000 for each student.	(d) Enter the smaller of the amount in column (c) or \$1,000	(e) Subtract column (d) from column (c)	(f) Enter one-half of the amount in column (e)
2	Add the amounts in columns (d) and (f)			2		
3	Tentative Hope credit. Add the amounts on line 2, columns (d) and (f). If you are taking the lifetime learning credit for another student, go to Part II; otherwise, go to Part III ▶					3

Part II Lifetime Learning Credit

4	(a) Student's name (as shown on page 1 of your tax return) First name Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions)
5	Add the amounts on line 4, column (c), and enter the total		5
6	Enter the smaller of line 5 or \$10,000		6
7	Tentative lifetime learning credit. Multiply line 6 by 20% (.20) and go to Part III ▶		7

Part III Allowable Education Credits

8	Tentative education credits. Add lines 3 and 7		8
9	Enter: \$105,000 if married filing jointly; \$52,000 if single, head of household, or qualifying widow(er)		9
10	Enter the amount from Form 1040, line 37*, or Form 1040A, line 22		10
11	Subtract line 10 from line 9. If zero or less, stop ; you cannot take any education credits.		11
12	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er)		12
13	If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places)		13 × .
14	Multiply line 8 by line 13 ▶		14
15	Enter the amount from Form 1040, line 43, or Form 1040A, line 28 (minus any alternative minimum tax included on Form 1040A, line 28)		15
16	Enter the total, if any, of your credits from Form 1040, lines 46 and 47, or Form 1040A, lines 29 and 30		16
17	Enter the amount from Form 6251, line 31		17
18	Add lines 16 and 17		18
19	Subtract line 18 from line 15. If zero or less, stop ; you cannot take any education credits ▶		19
20	Education credits. Enter the smaller of line 14 or line 19 here and on Form 1040, line 48, or Form 1040A, line 31 ▶		20

*See Pub. 970 for the amount to enter if you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico.
 For Paperwork Reduction Act Notice, see page 3. Cat. No. 25379M Form **8863** (2004)

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

PART C – Pension Earner

For questions C-1 through C-3, select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

- C-1 Allen sold 125 shares of Carthage Box Co. stock on July 17, 2004. His gross proceeds were \$12,500. He purchased his shares through a company investment program in the 1980's. He has a letter from his company indicating his total cost of the shares is \$750. His letter also states he paid a commission on the sale of \$35. What is his taxable profit?
- a. \$11,715
 - b. \$11,750
 - c. \$0
 - d. \$12,500
 - e. \$750
- C-2 Barry tells you he purchased 100 shares of Itasco, Inc. stock for \$5 per share in 1985. There were no adjustments to the basis since the stock was purchased. What is the **basis** of Barry's stock?
- a. 0
 - b. \$100c. \$500
 - d. \$535
 - e. None of the above
- C-3 John hands you a Form 1099-B for the sale of 31 shares of Glendale Life Insurance Company stock with net proceeds of \$612. When you question John, he states he never bought any shares of Glendale Life, but he's had a Glendale Life Insurance policy since he got married 43 years ago. Which answer best describes John's circumstance?
- a. John does not have to report this transaction because it is not reported on a Form 1099-DIV.
 - b. John must report this transaction and his taxable gain is \$0.
 - c. John must report this transaction and his taxable short-term gain is \$612.
 - d. John must report this transaction and his taxable long-term gain is \$612.
 - e. None of the above

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

For question C-4, complete the simplified method worksheet. Select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

C-4 Julio is single and retired from the Penn Corp on December 31, 2003 at age 55. He gives you his Form 1099-R. Julio states he began receiving his pension in January, 2004, and has received monthly payments ever since.

What is the taxable portion of Julio's pension (Simplified Method Worksheet, line 9)?

- a. \$16,448
- b. \$15,800
- c. \$3,052
- d. \$19,500
- e. None of the above

<input type="checkbox"/> CORRECTED (if checked)				OMB No. 1545-0119		2004	Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code Penn Corporation 22 North 3rd Street Your City, State, and Zip Code		1 Gross distribution \$ 16,448.00	2a Taxable amount \$		2b Taxable amount not determined <input checked="" type="checkbox"/> Total distribution <input type="checkbox"/>				Copy B Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return.
PAYER'S Federal identification number xx-xxxxxxx	RECIPIENT'S identification number xxx-xx-xxxx	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$		5 Employee contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$		
RECIPIENT'S name Julio Valdosta Street address (including apt. no.) 456 West 125th Ave City, state, and ZIP code Your City, State, and Zip Code		7 Distribution code(s) <input type="checkbox"/> IRA/SEP/SIMPLE	8 Other \$ %		9a Your percentage of total distribution %		9b Total employee contributions \$ 19,500.00		This information is being furnished to the Internal Revenue Service.
Account number (optional)		10 State tax withheld \$	11 State/Payer's state no.		12 State distribution \$		13 Local tax withheld \$		
		14 Name of locality	15 Local distribution \$						

Form **1099-R**

Department of the Treasury - Internal Revenue Service

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records

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



Note. If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 2004 on Form 1040, line 16a.

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

Table 1 for Line 3 Above

IF the age at annuity starting date (see page 27) was . . .	AND your annuity starting date was—	
	before November 19, 1996, enter on line 3 . . .	after November 18, 1996, enter on line 3 . . .
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

Table 2 for Line 3 Above

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

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

For questions C-5 through C-10, select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

- C-5 Dorothy brings you the following information to prepare her tax return: her Form SSA-1099, two Forms 1099-INT, and a Form 1099-DIV. Dorothy's date of birth is April 1, 1932. While you are preparing her tax return, what other information is essential to correctly prepare Dorothy's return?
- a. Dorothy's filing status and number of dependents
 - b. Whether she is legally blind
 - c. Whether she has any IRA or 401K accounts
 - d. Answers a and b above
 - e. Answers a, b, and c above
- C-6 Under which of the following circumstances should you recommend the taxpayer adjust the amount of withholding and/or estimated payments they will have for 2005?
- a. Taxpayer had no tax liability for 2004 and has \$50 per month withheld from his/her pension during 2004.
 - b. Taxpayer had dividend and interest income in addition to his pension and had no withholding during 2004. His tax liability was \$1,997. Upon completing his return, you discover he must pay an Estimated Tax Penalty.
 - c. Taxpayer had withholding of \$120 and estimated tax payments of \$700 in 2004. He had a total tax liability in 2004 of \$900.
 - d. Taxpayer had a Federal Tax Liability for 2003 of \$0. In 2004, taxpayer had no withholding, paid no estimated taxes, and sold all his Series E savings bonds with a resulting tax liability of \$1,500.
 - e. Both a and b.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

- C-7 Gordon has the following sources of income for 2004:
- fully taxable annuity reported on Form 1099-R;
 - fully taxable IRA distribution reported on Form 1099-R;
 - Social Security Benefits reported on Form SSA-1099;
 - Form 1099-INT with Box 1, Interest Income;
 - Form W-2 with \$2,100 in wages; and
 - Form 1099-MISC with \$339 in Non-Employee Compensation.

Which statement is correct?

- a. He should report his pension and IRA distribution on the same line on his return because they were both reported on Form 1099R.
 - b. He should report his pension and IRA distribution on his return because they were both fully taxable. He will need to complete the Social Security Benefits worksheet to determine if any of his benefits are taxable.
 - c. He does not have to report his wages because they are less than the amount that he is allowed to earn and still receive his full Social Security benefit.
 - d. He does not have to report his Form 1099MISC income because it is under \$400.
 - e. None of the above.
- C-8 Dana Curry is married and has elected to file as married filing separately even though she lived with her spouse for the whole year. She received a Form SSA-1099 with a Box 5 amount of \$7,000. Which of the following statements is correct?
- a. 100% of her Social Security is taxable because she's elected to file as Married Filing Separate.
 - b. The amount to be entered on Line 8 of the Social Security Benefits Worksheet is \$32,000.
 - c. Line 8 of the Social Security Benefits Worksheet is left blank and 85% of her Social Security Benefit is subject to tax.
 - d. The amount to be entered on Line 8 of the Social Security Benefits Worksheet should be \$25,000.
 - e. None of the above.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

- C-9 Which of the following statements correctly describe the minimum distribution rules?
- a. Taxpayers are required to receive minimum distributions from qualified employee retirement plans, qualified annuity plans, deferred compensation plans, tax-sheltered annuity plans and traditional IRA's.
 - b. A taxpayer is subject to an excise tax of 100% on required minimum distributions that are not taken.
 - c. A taxpayer may avoid the excise tax on minimum distributions not taken by taking at least 90% of the required minimum distribution.
 - d. All of the above.
 - e. None of the above.
- C-10 Steve is 43 and on disability from his job as a forklift driver. He has a non-work related illness and is receiving disability income from his employer. Which of the following statements is correct?
- a. If Steve's employer issued a Form W-2 for his disability income, it should be reported on Form 1040, Line 7.
 - b. Steve must include in income any disability pension received under a plan paid for by his employer.
 - c. If Steve's employer issued a Form 1099-R with Code 3 in Box 7 for Steve's disability income, the income should be reported on Form 1040, Line 7, if Steve has not reached minimum retirement age.
 - d. All of the above.
 - e. None of the above.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

For questions C-11 through C-13, use the following scenario to complete a Form 1040 through Line 36 and appropriate worksheets. Either fill-in the blank or select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

Ray (born December 7, 1921) and Susan Parks (born July 4, 1929) are retired and filing a joint tax return. Ray retired from a railway career in 1984 when contributions were recovered in the first one to three years of retirement. They both have Forms RRB-1099/1099R from the railroad. Susan's RRB-1099 is blank. Susan has a Form 1099-R from her banking career and a Form SSA-1099 from Social Security.

They received \$3,200 interest from Pomona Savings Bank. They also brought in a year-end statement from the Waldorf Tax-Exempt Fund which shows tax-exempt interest received during the year of \$1,300. They have no other income.

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
First National Savings Bank 25 N. 35th Street Your City, State and Zip Code		\$ 6,942.00	2004 Form 1099-R		
PAYER'S Federal identification number xx-xxxxxxx		2a Taxable amount	2b Taxable amount not determined <input type="checkbox"/>		Copy B Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return. This information is being furnished to the Internal Revenue Service.
RECIPIENT'S identification number xxx-xx-xxxx		\$ 6,942.00	Total distribution <input type="checkbox"/>		
RECIPIENT'S name Susan Parks Street address (including apt. no.) 2241 East 54th St. City, state, and ZIP code Your City, State, and Zip Code		3 Capital gain (included in box 2a)	4 Federal income tax withheld		
		\$ 0.00	\$ 0.00		
Account number (optional)		5 Employee contributions or insurance premiums	6 Net unrealized appreciation in employer's securities		
		\$	\$		
		7 Distribution code(s)	IRA/SEP/SIMPLE	8 Other	
		7	<input type="checkbox"/>	\$ %	
		9a Your percentage of total distribution	9b Total employee contributions		
		%	\$		
		10 State tax withheld	11 State/Payer's state no.		12 State distribution
		\$			\$
		\$			\$
		13 Local tax withheld	14 Name of locality		15 Local distribution
		\$			\$
		\$			\$

Form 1099-R Department of the Treasury - Internal Revenue Service

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N RUSH ST CHICAGO IL 60611-2092		<h1>2004</h1>	PAYMENTS BY THE RAILROAD RETIREMENT BOARD	
PAYER'S FEDERAL IDENTIFYING NO. 36-3314600			3. Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 2004	11,340.00
1. Claim Number and Payee Code		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2004	0.00	
2. Recipient's Identification Number xxx-xx-xxxx		5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2004	11,340.00	
Recipient's Name, Street Address, City, State, and Zip Code Ray Parks 2241 East 54th St. Your City, State, and Zip Code		6. Workers' Compensation Offset in 2004	0.00	
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid for 2003		
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 2002		
		9. Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 2000		
		10. Federal Income Tax Withheld	120.00	11. Medicare Premium Total

FORM RRB-1099 **DO NOT ATTACH TO YOUR INCOME TAX RETURN**

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N RUSH ST CHICAGO IL 60611-2092		<h1>2004</h1>	ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD	
PAYER'S FEDERAL IDENTIFYING NO. 36-3314600			3. Employee Contributions	
1. Claim Number and Payee Code		4. Contributory Amount Paid	9,646.00	
2. Recipient's Identification Number xxx-xx-xxxx		5. Vested Dual Benefit		
Recipient's Name, Street Address, City, State, and ZIP Code Ray Parks 2241 East 54th St. Your City, State, and Zip Code		6. Supplemental Annuity	542.00	
		7. Total Gross Paid	10,188.00	
		8. Repayments		
		9. Federal Income Tax Withheld		
		10. Rate of Tax		11. Country

FORM RRB-1099-R

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N RUSH ST CHICAGO IL 60611-2092		<h1>2004</h1>	ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD	
PAYER'S FEDERAL IDENTIFYING NO. 36-3314600			3. Employee Contributions	
1. Claim Number and Payee Code		4. Contributory Amount Paid	3,086.00	
2. Recipient's Identification Number xxx-xx-xxxx		5. Vested Dual Benefit		
Recipient's Name, Street Address, City, State, and ZIP Code Susan Parks 2241 East 54th St. Your City, State, and Zip Code		6. Supplemental Annuity	0.00	
		7. Total Gross Paid	3,086.00	
		8. Repayments		
		9. Federal Income Tax Withheld	1,260.00	
		10. Rate of Tax		11. Country

FORM RRB-1099-R

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2004 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
 • SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name Susan Parks		Box 2. Beneficiary's Social Security Number xxx-xx-xxxx
Box 3. Benefits Paid in 2004 9,185.00	Box 4. Benefits Repaid to SSA in 2004 0.00	Box 5. Net Benefits for 2003 (Box 3 minus Box 4) 9,185.00

DESCRIPTION OF AMOUNT IN BOX 3

Paid by check or direct deposit: \$8,386.00

Medicare premiums deducted: \$799.00

Total: \$9,185.00

DESCRIPTION OF AMOUNT IN BOX 4

Box 6. Voluntary Federal Income Tax Withholding
0.00

Box 7. Address
2241 East 54th Street
Your City, State, and Zip Code

Box 8. Claim Number (Use this number if you need to contact SSA.)

Label

(See instructions on page 19.)

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

Presidential Election Campaign (See page 19.)

Label Here

For the year Jan. 1–Dec. 31, 2004, or other tax year beginning , 2004, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 19. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.

OMB No. 1545-0074
Your social security number
Spouse's social security number

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

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

Filing Status

Check only one box.

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 20.) 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 20)

Exemptions

If more than four dependents, see page 21.

6a Yourself. If someone can claim you as a dependent, do not check box 6a
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if qualifying child for child tax credit (see page 21)
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 21)
Dependents on 6c not entered above
Add numbers on lines above

Income

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

If you did not get a W-2, see page 22.

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

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

Table with 2 columns: Line number, Amount. Rows 7-22.

Adjusted Gross Income

23 Deduction for clean-fuel vehicles (see page 29)
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ
25 IRA deduction (see page 29)
26 Student loan interest deduction (see page 31)
27 Tuition and fees deduction (see page 32)
28 Health savings account deduction. Attach Form 8889
29 Moving expenses. Attach Form 3903
30 One-half of self-employment tax. Attach Schedule SE
31 Self-employed health insurance deduction (see page 33)
32 Self-employed SEP, SIMPLE, and qualified plans
33 Penalty on early withdrawal of savings
34a Alimony paid b Recipient's SSN
35 Add lines 23 through 34a
36 Subtract line 35 from line 22. This is your adjusted gross income

Table with 2 columns: Line number, Amount. Rows 23-36.

Tax and Credits

Standard Deduction for—

- People who checked any box on line 38a or 38b or who can be claimed as a dependent, see page 34.

- All others:
Single or Married filing separately, \$4,850

- Married filing jointly or Qualifying widow(er), \$9,700

- Head of household, \$7,150

37	Amount from line 36 (adjusted gross income)	37	
38a	Check <input type="checkbox"/> You were born before January 2, 1940, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1940, <input type="checkbox"/> Blind. } checked ▶ 38a		
b	If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 34 and check here	38b	<input type="checkbox"/>
39	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	39	
40	Subtract line 39 from line 37	40	
41	If line 37 is \$107,025 or less, multiply \$3,100 by the total number of exemptions claimed on line 6d. If line 37 is over \$107,025, see the worksheet on page 35	41	
42	Taxable income. Subtract line 41 from line 40. If line 41 is more than line 40, enter -0-	42	
43	Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	43	
44	Alternative minimum tax (see page 38). Attach Form 6251	44	
45	Add lines 43 and 44	45	
46	Credit for child and dependent care expenses. Attach Form 2441	46	
47	Credit for the elderly or the disabled. Attach Schedule R	47	
48	Education credits. Attach Form 8863	48	
49	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859	49	
50	Foreign tax credit. Attach Form 1116 if required	50	
51	Child tax credit (see page 40)	51	
52	Retirement savings contributions credit. Attach Form 8880	52	
53	Adoption credit. Attach Form 8839	53	
54	Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify	54	
55	Add lines 46 through 54. These are your total credits	55	
56	Subtract line 55 from line 45. If line 55 is more than line 45, enter -0-	56	

Other Taxes

57	Self-employment tax. Attach Schedule SE	57	
58	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60	Advance earned income credit payments from Form(s) W-2	60	
61	Household employment taxes. Attach Schedule H	61	
62	Add lines 56 through 61. This is your total tax	62	

Payments

If you have a qualifying child, attach Schedule EIC.

63	Federal income tax withheld from Forms W-2 and 1099	63	
64	2004 estimated tax payments and amount applied from 2003 return	64	
65	Earned income credit (EIC)	65	
66	Excess social security and tier 1 RRTA tax withheld (see page 56)	66	
67	Additional child tax credit. Attach Form 8812	67	
68	Amount paid with request for extension to file (see page 56)	68	
69	Other payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	69	
70	Add lines 63 through 69. These are your total payments	70	

Refund

Direct deposit? See page 56 and fill in 72b, 72c, and 72d.

71	If line 70 is more than line 62, subtract line 62 from line 70. This is the amount you overpaid	71	
72a	Amount of line 71 you want refunded to you	72a	
b	Routing number <input type="text"/>	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number <input type="text"/>		
73	Amount of line 71 you want applied to your 2005 estimated tax	73	

Amount You Owe

74	Amount you owe. Subtract line 70 from line 62. For details on how to pay, see page 57	74	
75	Estimated tax penalty (see page 58)	75	

Third Party Designee

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

Designee's name ▶	Phone no. ▶ ()	Personal identification number (PIN) ▶	<input type="text"/>
-------------------	-----------------	--	----------------------

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 20. Keep a copy for your records. ▶	Your signature	Date	Your occupation	Daytime phone number ()
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

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

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. 08

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address

Form with dotted lines for listing payer names and details for interest.

- 2 Add the amounts on line 1
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a

Note. If line 4 is over \$1,500, you must complete Part III.

Table with columns for Amount and rows for lines 1, 2, 3, and 4.

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

- 5 List name of payer

Form with dotted lines for listing payer names and details for ordinary dividends.

- 6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a

Note. If line 6 is over \$1,500, you must complete Part III.

Table with columns for Amount and rows for lines 5 and 6.

Part III Foreign Accounts and Trusts

(See page B-2.)

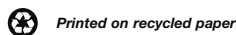
You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; or (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

- 7a At any time during 2004, did you have an interest in or a signature or other authority over a financial account in a foreign country...
b If "Yes," enter the name of the foreign country
8 During 2004, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust?

Yes/No grid for questions 7a, b, and 8.

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule B (Form 1040) 2004



Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

- Before you begin:**
- ✓ Complete Form 1040, lines 21, 23 through 25, and 28 through 34a, if they apply to you.
 - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 35 (see page 33).
 - ✓ If you are married filing separately and you lived apart from your spouse for all of 2004, enter “D” to the right of the word “benefits” on line 20a.
 - ✓ Be sure you have read the **Exception** on page 27 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.



1. Enter the total amount from box 5 of all your Forms SSA-1099 and Forms RRB-1099	1.		
2. Enter one-half of line 1	2.		
3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21	3.		
4. Enter the amount, if any, from Form 1040, line 8b	4.		
5. Add lines 2, 3, and 4	5.		
6. Enter the total of the amounts from Form 1040, lines 23 through 25, and 28 through 34a, plus any write-in adjustments you entered on the dotted line next to line 35	6.		
7. Is the amount on line 6 less than the amount on line 5?			
<input type="checkbox"/> No. None of your social security benefits are taxable.			
<input type="checkbox"/> Yes. Subtract line 6 from line 5	7.		
8. If you are:			
• Married filing jointly, enter \$32,000			
• Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2004, enter \$25,000			
• Married filing separately and you lived with your spouse at any time in 2004, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17			
9. Is the amount on line 8 less than the amount on line 7?			
<input type="checkbox"/> No. None of your social security benefits are taxable. You do not have to enter any amounts on line 20a or 20b of Form 1040. But if you are married filing separately and you lived apart from your spouse for all of 2004, enter -0- on line 20b. Be sure you entered “D” to the right of the word “benefits” on line 20a.			
<input type="checkbox"/> Yes. Subtract line 8 from line 7	9.		
10. Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2004 ..	10.		
11. Subtract line 10 from line 9. If zero or less, enter -0-	11.		
12. Enter the smaller of line 9 or line 10	12.		
13. Enter one-half of line 12	13.		
14. Enter the smaller of line 2 or line 13	14.		
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-	15.		
16. Add lines 14 and 15	16.		
17. Multiply line 1 by 85% (.85)	17.		
18. Taxable social security benefits. Enter the smaller of line 16 or line 17	18.		
• Enter the amount from line 1 above on Form 1040, line 20a.			
• Enter the amount from line 18 above on Form 1040, line 20b.			

TIP If part of your benefits are taxable for 2004 **and** they include benefits paid in 2004 that were for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

- C-11 How much taxable pension income will be reported on Form 1040 Line 16b?
- a. \$20,216
 - b. \$31,556
 - c. \$40,741
 - d. \$19,674
 - e. None of the above
- C-12 What is the total tax exempt interest reported on Form 1040, Line 8b? _____
- C-13 How much of their combined Social Security and RRB Social Security-equivalent benefits will be reported on form 1040, Line 20b? _____

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

For questions C-14 through C-20, use the following scenario to complete a Form 1040 and appropriate schedules and worksheets. Either fill-in the blank or select the most correct response. Record your answers on the answer sheet located in the front of the test booklet.

Joe and Shirley Coker arrive at your site with documents needed to prepare their tax return. They are retired. Joe was born on June 13, 1935 and Shirley was born on May 21, 1944. They provide their Social Security cards and the information returns shown below. Joe and Shirley live at 2325 Third Ave. and their telephone number is (555) 111-1212.

Estimated tax payments of \$150 per quarter were made on the 15th of April, June, and September of 2004. The fourth payment was made on the 15th of January 2005. Shirley has started taking an IRA withdrawal from the bank. She withdrew her IRA funds in December 2004.

Joe accumulated 688 stock shares of Gannon Corporation (GC) over a ten year period ending in 1997. His total investment in stock was \$603.20. The Baylor-Holmes Bank (BHB) stock was purchased on September 23, 2002.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119		2004 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.			
PAYER'S name, street address, city, state, and ZIP code Gannon Corporation Pension Fund 123 Erskine Blvd. Your City, State, and Zip Code		1 Gross distribution \$ 16,412.00	2a Taxable amount \$ 16,412.00					2b Taxable amount not determined <input type="checkbox"/>	
PAYER'S Federal identification number xx-xxxxxxx		RECIPIENT'S identification number xxx-xx-xxxx		3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$ 583.00		Copy B Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return.	
RECIPIENT'S name Joseph Coker		5 Employee contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$		This information is being furnished to the Internal Revenue Service.			
Street address (including apt. no.) 2325 Third Ave.		7 Distribution code(s) 7	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other \$ %				9a Your percentage of total distribution %	
City, state, and ZIP code Your City, State, and Zip Code		10 State tax withheld \$		11 State/Payer's state no. -----		12 State distribution \$			
Account number (optional)		13 Local tax withheld \$		14 Name of locality -----		15 Local distribution \$			

Form **1099-R**

Department of the Treasury - Internal Revenue Service

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119		2004 Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.			
PAYER'S name, street address, city, state, and ZIP code Doane Savings Bank 321 2nd St. Your City, State, and Zip Code		1 Gross distribution \$ 3,629.00	2a Taxable amount \$ 3,629.00					2b Taxable amount not determined <input type="checkbox"/>	
PAYER'S Federal identification number xx-xxxxxxx		RECIPIENT'S identification number xxx-xx-xxxx		3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$		Copy B Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return.	
RECIPIENT'S name Shirley Coker		5 Employee contributions or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$		This information is being furnished to the Internal Revenue Service.			
Street address (including apt. no.) 2325 Third Ave.		7 Distribution code(s) 7	IRA/SEP/SIMPLE <input checked="" type="checkbox"/>	8 Other \$ %				9a Your percentage of total distribution %	
City, state, and ZIP code Your City, State, and Zip Code		10 State tax withheld \$		11 State/Payer's state no. -----		12 State distribution \$			
Account number (optional)		13 Local tax withheld \$		14 Name of locality -----		15 Local distribution \$			

Form **1099-R**

Department of the Treasury - Internal Revenue Service

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2004 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
 • SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name Joseph Coker		Box 2. Beneficiary's Social Security Number XXX-XX-XXXX
Box 3. Benefits Paid in 2004 10,281.00	Box 4. Benefits Repaid to SSA in 2004 0.00	Box 5. Net Benefits for 2003 (Box 3 minus Box 4) 10,281.00
DESCRIPTION OF AMOUNT IN BOX 3 Paid by check or direct deposit \$ 9,482.00 Medicare premiums deducted \$ 799.00 Total \$10,281.00		DESCRIPTION OF AMOUNT IN BOX 4 Box 6. Voluntary Federal Income Tax Withholding 0.00 Box 7. Address 2325 Third Ave. Your City, State, and Zip Code Box 8. Claim Number (Use this number if you need to contact SSA.)

Form SSA-1099-SM (1-2005)

DO NOT RETURN THIS FORM TO SSA OR IRS

CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. Irvine National Savings and Loan 64 S. 17th Ave. Your City, State, and Zip Code		Payer's RTN (optional)	OMB No. 1545-0112 2004 Form 1099-INT
PAYER'S Federal identification number xx-xxxxxxx	RECIPIENT'S identification number xxx-xx-xxxx	1 Interest income not included in box 3 \$ 403.00	
RECIPIENT'S name Joseph Coker		2 Early withdrawal penalty \$ 25.00	3 Interest on U.S. Savings Bonds and Treas. obligations \$
Street address (including apt. no.) 2325 Third Ave.		4 Federal income tax withheld \$ 0.00	5 Investment expenses \$
City, state, and ZIP code Your City, State, and Zip Code		6 Foreign tax paid \$	7 Foreign country or U.S. possession
Account number (optional)			

Interest Income

Copy B For Recipient

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form **1099-INT**

(keep for your records)

Department of the Treasury - Internal Revenue Service

Consolidated Statement**Account Number: C4321A****Payer:**

Employer ID# xx-xxxxxx
 Wharton and Taylor Financial Services
 800 East 43rd Street
 Your City, State Zip

Account Holder:

SSN: xxx-xx-xxxx
 Joseph Coker
 Shirley Coker
 2325 Third Ave.
 Your City, State, Zip

2004 Interest Income – 1099-INT

Type	Box 1: Interest Income Not Included in Box 3	Box 2: Early Withdrawal Penalty	Box 3: US Savings Bond	Box 4: Federal Income Tax Withheld	Box 6: Foreign Tax Paid	Box 7: Foreign Country or US Possession
------	---	---------------------------------------	---------------------------	--	----------------------------	---

Cash Management Account	\$83.51		\$1,121.44			
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Fisk Bank CD	\$709.47			\$71.00		
--------------	----------	--	--	---------	--	--

2004 Dividends & Distributions – 1099-DIV

Box 1a Total Ordinary Dividends	Box 1b Qualified Dividends	Box 2a Total Capital Gain Distribution	Box 2c Section 1202 Gain
---------------------------------------	----------------------------------	--	--------------------------------

\$487.50	\$357.49	\$4.49	
----------	----------	--------	--

No other entries.

2004 Proceeds from Broker and Barter Exchange Transactions – 1099B

Security	Quantity	Date Acquired	Date Liquidated	Sale Price	Cost Basis	Gain(Loss)
BHB	205	9/23/02	6/15/2004	\$6,749.00	\$7,667.00	(\$918)
GC	688	N/A	9/15/2004	\$8,914.00	N/A	N/A
Total Sales				\$15,663.00		

2004 Non-Reportable Dividends/Interest

Your City Bond

Tax Exempt Interest Paid
 \$463.00

Label

(See instructions on page 19.)

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

Presidential Election Campaign (See page 19.)

Label Here

For the year Jan. 1–Dec. 31, 2004, or other tax year beginning , 2004, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 19. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.

OMB No. 1545-0074
Your social security number
Spouse's social security number

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

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

Filing Status

Check only one box.

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See page 20.) 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 20)

Exemptions

If more than four dependents, see page 21.

6a Yourself. If someone can claim you as a dependent, do not check box 6a
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) If qualifying child for child tax credit (see page 21)
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 21)
Dependents on 6c not entered above
Add numbers on lines above

Income

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

If you did not get a W-2, see page 22.

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

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

Table with 2 columns: Line number, Amount. Rows 7-22.

Adjusted Gross Income

23 Deduction for clean-fuel vehicles (see page 29)
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ
25 IRA deduction (see page 29)
26 Student loan interest deduction (see page 31)
27 Tuition and fees deduction (see page 32)
28 Health savings account deduction. Attach Form 8889
29 Moving expenses. Attach Form 3903
30 One-half of self-employment tax. Attach Schedule SE
31 Self-employed health insurance deduction (see page 33)
32 Self-employed SEP, SIMPLE, and qualified plans
33 Penalty on early withdrawal of savings
34a Alimony paid b Recipient's SSN
35 Add lines 23 through 34a
36 Subtract line 35 from line 22. This is your adjusted gross income

Table with 2 columns: Line number, Amount. Rows 23-36.

Tax and Credits

Standard Deduction for—

• People who checked any box on line 38a or 38b or who can be claimed as a dependent, see page 34.

• All others: Single or Married filing separately, \$4,850

Married filing jointly or Qualifying widow(er), \$9,700

Head of household, \$7,150

37 Amount from line 36 (adjusted gross income)
38a Check if: [] You were born before January 2, 1940, [] Blind. Total boxes checked
b If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 34 and check here
39 Itemized deductions (from Schedule A) or your standard deduction (see left margin)
40 Subtract line 39 from line 37
41 If line 37 is \$107,025 or less, multiply \$3,100 by the total number of exemptions claimed on line 6d. If line 37 is over \$107,025, see the worksheet on page 35
42 Taxable income. Subtract line 41 from line 40. If line 41 is more than line 40, enter -0-
43 Tax (see page 36). Check if any tax is from: a [] Form(s) 8814 b [] Form 4972
44 Alternative minimum tax (see page 38). Attach Form 6251
45 Add lines 43 and 44
46 Credit for child and dependent care expenses. Attach Form 2441
47 Credit for the elderly or the disabled. Attach Schedule R
48 Education credits. Attach Form 8863
49 Credits from: a [] Form 8396 b [] Form 8859
50 Foreign tax credit. Attach Form 1116 if required
51 Child tax credit (see page 40)
52 Retirement savings contributions credit. Attach Form 8880
53 Adoption credit. Attach Form 8839
54 Other credits. Check applicable box(es): a [] Form 3800 b [] Form 8801 c [] Specify
55 Add lines 46 through 54. These are your total credits
56 Subtract line 55 from line 45. If line 55 is more than line 45, enter -0-

Other Taxes

57 Self-employment tax. Attach Schedule SE
58 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137
59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required
60 Advance earned income credit payments from Form(s) W-2
61 Household employment taxes. Attach Schedule H
62 Add lines 56 through 61. This is your total tax

Payments

If you have a qualifying child, attach Schedule EIC.

63 Federal income tax withheld from Forms W-2 and 1099
64 2004 estimated tax payments and amount applied from 2003 return
65 Earned income credit (EIC)
66 Excess social security and tier 1 RRTA tax withheld (see page 56)
67 Additional child tax credit. Attach Form 8812
68 Amount paid with request for extension to file (see page 56)
69 Other payments from: a [] Form 2439 b [] Form 4136 c [] Form 8885
70 Add lines 63 through 69. These are your total payments

Refund

Direct deposit? See page 56 and fill in 72b, 72c, and 72d.

71 If line 70 is more than line 62, subtract line 62 from line 70. This is the amount you overpaid
72a Amount of line 71 you want refunded to you
b Routing number
c Type: [] Checking [] Savings
d Account number
73 Amount of line 71 you want applied to your 2005 estimated tax

Amount You Owe

74 Amount you owe. Subtract line 70 from line 62. For details on how to pay, see page 57
75 Estimated tax penalty (see page 58)

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 58)? [] Yes. Complete the following. [] No
Designee's name
Phone no.
Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation Daytime phone number
Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

Paid Preparer's Use Only

Preparer's signature Date Check if self-employed []
Firm's name (or yours if self-employed), address, and ZIP code EIN Phone no.

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. **08**

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

- 1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ►

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 2** Add the amounts on line 1
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ►

Note. If line 4 is over \$1,500, you must complete Part III.

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9a.)

- 5** List name of payer ►

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

- 6** Add the amounts on line 5. Enter the total here and on Form 1040, line 9a . ►

Note. If line 6 is over \$1,500, you must complete Part III.

Part III Foreign Accounts and Trusts

(See page B-2.)

You must complete this part if you **(a)** had over \$1,500 of taxable interest or ordinary dividends; or **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

- 7a** At any time during 2004, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1.

- b** If "Yes," enter the name of the foreign country ►

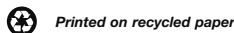
- 8** During 2004, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2

Amount	
1	
2	
3	
4	
Amount	
5	
6	

Yes	No
/ /	/ /
/ /	/ /

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule B (Form 1040) 2004



**SCHEDULE D
(Form 1040)**

Department of the Treasury
Internal Revenue Service (99)
Name(s) shown on Form 1040

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2004

Attachment
Sequence No. **12**

Your social security number

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-6 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
1					
2 Enter your short-term totals, if any, from Schedule D-1, line 2					
3 Total short-term sales price amounts. Add lines 1 and 2 in column (d)					
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824					4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet on page D-5 of the Instructions					6 ()
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (f)					7

Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-6 of the instructions)	(e) Cost or other basis (see page D-6 of the instructions)	(f) Gain or (loss) Subtract (e) from (d)
8					
9 Enter your long-term totals, if any, from Schedule D-1, line 9					
10 Total long-term sales price amounts. Add lines 8 and 9 in column (d)					
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824					11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1					12
13 Capital gain distributions. See page D-2 of the instructions					13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet on page D-5 of the Instructions					14 ()
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (f). Then go to Part III on the back					15

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11338H

Schedule D (Form 1040) 2004

Part III Summary

16 Combine lines 7 and 15 and enter the result. If line 16 is a loss, skip lines 17 through 20, and go to line 21. If a gain, enter the gain on Form 1040, line 13

16

17 Are lines 15 and 16 **both** gains?

Yes. Go to line 18.

No. Skip lines 18 through 21, and go to line 22.

18 Enter the amount, if any, from line 7 of the **28% Rate Gain Worksheet** on page D-7 of the instructions ▶

18

19 Enter the amount, if any, from line 18 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-8 of the instructions ▶

19

20 Are lines 18 and 19 **both** zero or blank?

Yes. Complete Form 1040 through line 42, and then complete the **Qualified Dividends and Capital Gain Tax Worksheet** on page 37 of the Instructions for Form 1040. **Do not** complete lines 21 and 22 below.

No. Complete the **Schedule D Tax Worksheet** on page D-10 of the instructions. **Do not** complete lines 21 and 22 below.

21 If line 16 is a loss, enter here and on Form 1040, line 13, the **smaller** of:

- The loss on line 16 or
- (\$3,000), or if married filing separately, (\$1,500) }

21 ()

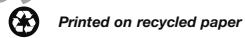
Note. When figuring which amount is smaller, treat both amounts as positive numbers.

22 Do you have qualified dividends on Form 1040, line 9b?

Yes. Complete Form 1040 through line 42, and then complete the **Qualified Dividends and Capital Gain Tax Worksheet** on page 37 of the Instructions for Form 1040.

No. Complete the rest of Form 1040.

Proof as of June 18, 2004 (subject to change)



Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

- Before you begin:**
- ✓ Complete Form 1040, lines 21, 23 through 25, and 28 through 34a, if they apply to you.
 - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 35 (see page 33).
 - ✓ If you are married filing separately and you lived apart from your spouse for all of 2004, enter “D” to the right of the word “benefits” on line 20a.
 - ✓ Be sure you have read the **Exception** on page 27 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.



1. Enter the total amount from box 5 of all your Forms SSA-1099 and Forms RRB-1099	1.		
2. Enter one-half of line 1		2.	
3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21		3.	
4. Enter the amount, if any, from Form 1040, line 8b		4.	
5. Add lines 2, 3, and 4		5.	
6. Enter the total of the amounts from Form 1040, lines 23 through 25, and 28 through 34a, plus any write-in adjustments you entered on the dotted line next to line 35		6.	
7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> No. None of your social security benefits are taxable.			
<input type="checkbox"/> Yes. Subtract line 6 from line 5		7.	
8. If you are: • Married filing jointly, enter \$32,000 • Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2004, enter \$25,000 • Married filing separately and you lived with your spouse at any time in 2004, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17		8.	
9. Is the amount on line 8 less than the amount on line 7? <input type="checkbox"/> No. None of your social security benefits are taxable. You do not have to enter any amounts on line 20a or 20b of Form 1040. But if you are married filing separately and you lived apart from your spouse for all of 2004, enter -0- on line 20b. Be sure you entered “D” to the right of the word “benefits” on line 20a.			
<input type="checkbox"/> Yes. Subtract line 8 from line 7		9.	
10. Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2004		10.	
11. Subtract line 10 from line 9. If zero or less, enter -0-		11.	
12. Enter the smaller of line 9 or line 10		12.	
13. Enter one-half of line 12		13.	
14. Enter the smaller of line 2 or line 13		14.	
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-		15.	
16. Add lines 14 and 15		16.	
17. Multiply line 1 by 85% (.85)		17.	
18. Taxable social security benefits. Enter the smaller of line 16 or line 17 • Enter the amount from line 1 above on Form 1040, line 20a. • Enter the amount from line 18 above on Form 1040, line 20b.		18.	

TIP If part of your benefits are taxable for 2004 **and** they include benefits paid in 2004 that were for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

Qualified Dividends and Capital Gain Tax Worksheet—Line 43

Keep for Your Records

Before you begin:

- ✓ See the instructions for line 43 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.



1. Enter the amount from Form 1040, line 42	1.	<input type="text"/>	
2. Enter the amount from Form 1040, line 9b	2.	<input type="text"/>	
3. Are you filing Schedule D?			
<input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of Schedule D, but do not enter less than -0-	} . . . 3.	<input type="text"/>	
<input type="checkbox"/> No. Enter the amount from Form 1040, line 13		<input type="text"/>	
4. Add lines 2 and 3	4.	<input type="text"/>	
5. If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise, enter -0-	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"/>	
• \$29,050 if single or married filing separately,		<input type="text"/>	
• \$58,100 if married filing jointly or qualifying widow(er), or \$38,900 if head of household.		<input type="text"/>	
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		<input type="text"/>	
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		<input type="text"/>	
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 Tax Table or Tax Computation Worksheet, whichever applies	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 Tax Table or Tax Computation Worksheet, whichever applies	18.	<input type="text"/>	
19. Tax on all taxable income. Enter the smaller of line 17 or line 18. Also include this amount on Form 1040, line 43	19.	<input type="text"/>	

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

- C-14 What is the amount of taxable interest reported on Form 1040, Line 8a?
- a. \$1,250
 - b. \$1,608
 - c. \$2,317
 - d. \$2,780
 - e. \$1,914
- C-15 What is the amount of the net long term capital gain or (loss) reported on Schedule D, Line 15?
- a. \$7,996
 - b. (\$918)
 - c. \$8,311
 - d. \$7,397
 - e. None of the above
- C-16 What is the amount of the penalty on early withdrawal of savings reported on Form 1040, Line 33?
- a. \$403
 - b. \$25
 - c. \$378
 - d. \$1,171
 - e. None of the above
- C-17 What is the amount of total social security benefits reported on Form 1040, Line 20a?
- a. \$10,281
 - b. \$0
 - c. \$8,739
 - d. \$9,482
 - e. None of the above
- C-18 What is the amount of total payments reported on Form 1040, Line 70?
- a. \$0
 - b. \$1,104
 - c. \$1,121
 - d. \$1,033
 - e. \$1,254

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C-19 What is the amount of tax exempt interest reported on Form 1040, Line 8b?

C-20 What is the amount of qualified dividends reported Form 1040, Line 9b?

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Part D – Military Returns

For questions D-1 through D-28 determine whether each of the following statements is true or false and record your answers on the answer sheet located in the front of the test booklet.

- a. True**
- b. False**

- D-1 The President of the United States must designate combat zones. A combat zone is an area in which the U.S. Armed Forces are engaging or have engaged in combat.
- D-2 Private Brown cannot deduct moving costs associated with a permanent change of duty station.
- D-3 Uniform expenses exceeding any allowances or reimbursements may be deducted by active duty personnel if the uniforms are worn only on duty.
- D-4 To avoid processing and refund (if applicable) delays, it is extremely important that taxpayers use the correct social security number, report all income and select the correct filing status.
- D-5 If a member of a reserve component of the Armed Forces travels more than 100 miles away from home in connection with his or her performance of services as a member of the reserves, he/she can deduct the travel expenses.
- D-6 Members of the Armed Forces who served in a combat zone are allowed additional time to take care of tax matters.
- D-7 Active duty personnel serving outside of the United States and Puerto Rico are granted an automatic three-month extension to file.
- D-8 Armed Services personnel receive an automate extension to file their tax return if they are in a combat zone.
- D-9 The 180-day rule starts the first day in a combat zone or in a hospital.
- D-10 If travel and transportation costs are fully covered by the military, you need not report all of the transactions on the tax return.
- D-11 If excess travel funds are reimbursed to the Government, those funds are not reported as income.
- D-12 In order to be deductible, travel expenses must exceed any advance, allowance, or reimbursement.

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

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- D-13 For purposes of the determination of “away from home,” the taxpayer’s main place of business or post of duty is generally considered the taxpayer’s home.
- D-14 Rental income and expenses are frequent occurrences since Armed Forces personnel are not able to sell their home when they get orders to relocate.
- D-15 Military pay attributable to active service in a combat zone that is excluded from gross income will not appear on your Form W-2 in the box marked “Wages, tips, other compensation.”
- D-16 Student loan repayments (amounts that the armed forces pays on behalf of the service member) attributable during periods of service in the combat zone are excludible from income.
- D-17 Morris is 18 and has been in the military all year. His mother cannot claim him as a dependent.
- D-18 Captain Clarke can claim his mother, who is a citizen and resident of Spain, on his tax return.
- D-19 A re-enlistment bonus signed while assigned to a combat zone is not taxable income.
- D-20 Special tax forgiveness provisions apply to individuals who die while serving in a combat zone or from wounds, disease, or injury incurred while serving in a combat zone.
- D-21 If illness occurs due to service in a combat zone, the income exclusion continues during the time spent in a hospital inside or outside the combat zone.
- D-22 If, as a result of serving in a combat zone, a service person becomes a prisoner of war, the combat zone exclusion continues.
- D-23 If a member of the armed forces serves in a combat zone from March 1 to November 1, they cannot deduct all eight months of combat zone pay.
- D-24 Taxpayers must include all taxable income on their return even if they do not receive a Form 1099.
- D-25 Airman Hanna cannot file Schedule C-EZ to report business income of \$40,000 and business expenses of \$3,000.
- D-26 Private Howard has net income of \$390 on his Schedule C-EZ and needs to file Schedule SE to calculate self-employment tax.

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- D-27 Spellman sold his main home on July 12, 2004 and had a capital gain of \$26,000. The home which was purchased in 1995, was his main residence until October 1998 when he went on qualified official extended duty. His qualified extended duty ended on February 14, 2004. He lived in his residence until he sold it. Spellman can have the 5-year test period suspended.
- D-28 Publication 3, Armed Forces' Tax Guide, covers the special tax situations of active members of the U.S. Armed Forces and is available on the IRS web site at www.irs.gov.

For questions D-29 through D-40, select the most correct response and record your answers on the answer sheet located in the front of the test booklet.

- D-29 Which of the following permanent change of station expenses are qualified moving expenses?
- Transportation of household goods
 - Travel from the old home to the new home
 - Lodging while traveling from the old home to the new home
 - All of the above
 - None of the above
- D-30 Which of the following excess expenses are not deductible?
- Packing of household goods
 - Renting a trailer to transport household goods
 - Meals en-route from one permanent change of station to another
 - Automobile expenses from one permanent change of station to another
 - None of the above
- D-31 Seaman Morris Brown and his wife moved from Naval Station, San Diego to Naval Station, Norfolk. He received a dislocation allowance of \$1,400, mileage an allowance of \$500, and per diem allowance of \$300. The allowances were not reported on his W-2. His expenses included: dislocation (\$1,500), travel (\$350), and meals (\$500). Compute his moving expense deduction.
- 0
 - \$100
 - \$1,400
 - \$1,500
 - \$1,600

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- D-32 Deadline extensions for combat zone are arrived at:
- a. 30 days after return
 - b. 180 days after return
 - c. 180 days plus any days that were left for the taxpayer to take action with the IRS before entering the combat zone.
 - d. There is no extension
 - e. None of the above
- D-33 Which of the following is not a designated combat zone?
- a. Yemen
 - b. Djibouti
 - c. Germany
 - d. Jordan
 - e. None of the above
- D-34 To claim a personal exemption for a spouse that is a non-resident alien, the following must be true:
- a. The spouse's world-wide income must be reported
 - b. The spouse must be treated as a resident alien
 - c. A joint return must be filed the first year
 - d. All of the above
 - e. None of the above
- D-35 Box 1 on what form indicates includible income?
- a. W-7
 - b. W-5
 - c. W-4
 - d. W-2
 - e. None of the above
- D-36 What agency makes the determination whether a medical disability is approved?
- a. Veterans' Administration
 - b. Department of Defense
 - c. Internal Revenue Service
 - d. Social Security Administration
 - e. Department of Health and Human Services

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

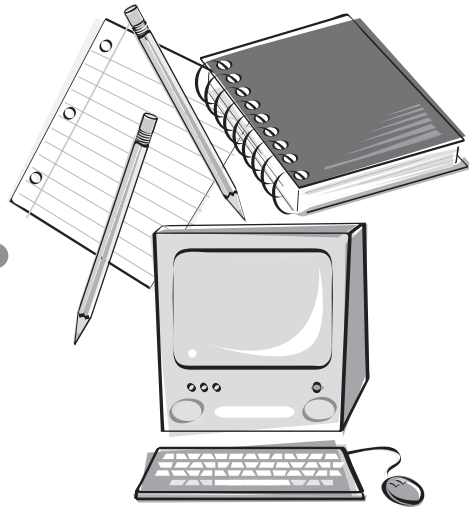
Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

- D-37 What item is not a qualifying item in a combat zone?
- a. Active Duty pay
 - b. Student loan repayments
 - c. Awards for suggestions
 - d. Retirement pay
 - e. None of the above
- D-38 What tax year is used when claiming business income?
- a. The year in which the income is used
 - b. Whatever tax year is most beneficial to the taxpayer
 - c. The year when the income was received
 - d. The year in which the business declares a profit
 - e. None of the above
- D-39 If a mortgaged residence is rented out for part of the year, what form(s) is (are) used to claim mortgage interest and property taxes?
- a. Mortgage interest is not allowable while the residence is rented
 - b. Only Schedule A
 - c. Only Schedule E
 - d. Both Schedule A and E
 - e. None of the above
- D-40 Which of the following military compensations do not meet the definition of “earned income” for purposes of the EITC?
- a. Excludable combat zone compensation
 - b. The Basic Allowance for Housing (BAH)
 - c. The Basic Allowance for Subsistence (BAS)
 - d. All of the above
 - e. None of the above

Record all answers on the tear-out Test Answer Sheet located in the front of the test booklet

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