

**RETEST**  
**For Use in Preparing Tax Year 2004 Returns**

# STUDENT TESTING MATERIALS



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## FOR USE IN IRS VOLUNTEER PROGRAMS

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

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For the most up-to-date tax products and information visit [www.irs.gov](http://www.irs.gov).

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# *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 Retest

This retest 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 retest on your own. Taking the retest in groups or with outside assistance could prove to be a disservice to the people you have volunteered to help.

The retest is divided into four parts as outlined below. You only need to complete the sections that you failed on the test.

**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 retest:**

After you have completed your retest, please transfer all answers to the tear-out Retest Answer Sheet located on the next page. Forward the completed Retest Answer Sheet and the completed Volunteer Agreement/Certification Sheet to your sponsor or instructor as directed for grading. **Do not send your entire retest booklet unless otherwise directed.**

You will receive your answer sheet back with your results.

**You need to answer 70% of the questions correctly in the sections you are completing on this retest.**

## **Using Tax Software to take the Retest**

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 retest 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.

# Retest 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, if you did not provide it with your test answer 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

**Retest 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)				



Department of the Treasury – Internal Revenue Service  
**Volunteer Agreement**  
(Standards of Conduct – Volunteer Return Preparation Program)

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)	_____ <b>Volunteer Signature and Date</b>
_____ 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 retest booklet.**

**a. True**

**b. False**

- A-1 James and Irene are married but file separately. James itemizes on his Form 1040. Irene also wants a return prepared. Although she wants to take the standard deduction, she must itemize.
- A-2 George marries on December 31, 2004. He has a choice of filing either single, married filing jointly, or married filing separately.
- A-3 William and Mary have a child born at 11:59 pm on December 31, 2004. The child only lived with the parents for 1 minute during 2004. They can claim the child as a dependent.
- A-4 John's only income in 2004 was from wages and \$34 in interest reported in Box 1 of a Form 1099-INT from his bank. He must report the interest on Schedule B.
- A-5 Contributions to Roth IRA's are deductible.
- A-6 The maximum amount of expense that can be deducted from income on Schedule C-EZ is \$5,000.
- A-7 Income reported on a Form 1099-MISC for a person who is self-employed, can be reported on Schedule C-EZ.
- A-8 A taxpayer asks you how long he or she should keep a tax return. Your answer should be, 3 years from the date the return was due or filed or 2 years from the date the tax was paid, whichever is later.
- A-9 Two taxpayers may claim the same exemption provided the dependent lived for 6 months of the year with each taxpayer.
- A-10 A taxpayer who has received a Form 1099-MISC for self-employment may be subject to self-employment taxes.
- A-11 Shirley receives child support from her former husband, Paul. Child support payments are taxable income to Shirley.

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

- A-12 If the taxpayer does not provide an account and routing number for a direct deposit, the IRS will automatically mail a check if a refund is due.
- A-13 Quality review procedures should be established at each site in order to find errors prior to filing returns.

**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 retest booklet.**

- A-14 Which of the following is an acceptable substitute for the original Social Security Card?
- a. A copy of last year's return
  - b. An original Form W-2 or Form 1099-Misc
  - c. A typed list showing names and social security numbers
  - d. A letter showing the information from the Social Security Administration
  - e. None of the above
- A-15 Which one of the following groupings contains only income that is considered taxable?
- a. Gambling winnings, farm income, child support, rents received
  - b. Dividends, gambling winnings, workers' compensation
  - c. Unemployment compensation, tips and gratuities
  - d. Back pay, commissions, workers' compensation, notary fees.
  - e. None of the above
- A-16 Which one of the following statements is true?
- a. Earned Income Credit (EIC) is the only refundable credit.
  - b. The Credit for Child and Dependent Care Expenses is the only refundable credit.
  - c. Child Tax Credit is the only refundable credit.
  - d. Additional Child Tax Credit is the only refundable credit.
  - e. EIC and Additional Child Tax Credit are the only refundable credits.
- A-17 Gerald and Kara are married but live apart. They file separate returns. Kara paid more than half the cost of keeping up her home for 2004. They lived apart beginning on 15 February, 2004. May and Elizabeth, their two children, lived with Kara for the entire year. Kara claims both children as dependents on her federal income tax return. What is Kara's most advantageous filing status?
- a. Married Filing Separately
  - b. Head of Household
  - c. Single
  - d. Married Filing Jointly
  - 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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- A-18 Which of the following can be reported on Schedule A?
- a. Rent
  - b. Mortgage interest and real estate taxes
  - c. Insurance on the home
  - d. Repairs, utilities & food
  - e. Welfare payments
- A-19 Which of the following items are deductible on Schedule A?
- a. Home repairs and insurance
  - b. Self employed expenses
  - c. Gambling losses to the extent of gambling winnings
  - d. Personal legal expenses
  - e. None of the above
- A-20 Which of the following statements regarding standard and itemized deductions is the most accurate and complete?
- a. Most taxpayers have a choice of taking a standard deduction or itemizing
  - b. The standard deduction reduces the amount of taxable income
  - c. The standard deduction is not the same for all taxpayers
  - d. If itemized deductions are greater than the standard deduction, it is usually in the taxpayers best interest to take the itemized deduction.
  - 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 the answers on the answer sheet located in the front of the retest booklet.**

- B-1 Which of the following is considered earned income for the Earned Income Credit?
- a. Alimony
  - b. Unemployment compensation
  - c. Workfare payments
  - d. Taxable scholarship not on a Form W-2
  - e. Disability paid by an employer prior to minimum retirement age
- B-2 Richard and Ellen are Donald's parents and cannot claim him as a dependent on their joint return. Donald's Aunt June made the payment for his tuition and fees to a qualified college. Donald is a full-time student in his senior year and received no scholarship or grant. Who is eligible to claim the education credit?
- a. Donald
  - b. Richard and Ellen
  - c. June
  - d. Richard, Ellen, and Donald
  - e. Donald and June
- B-3 In the above scenario can the lifetime learning credit be claimed?
- a. Yes
  - b. No
- B-4 Janice and Tom are divorced. Their son, Peter, is 10 and has lived with Tom for 2 years. Janice and Tom's divorce decree gives Janice the right to claim Peter as a dependent. Who can claim Peter for Earned Income Credit?
- a. Janice
  - b. Tom
  - c. Both Janice and Tom
  - d. Neither Janice nor Tom
  - e. Peter
- B-5 Beth and her two children, both under 19 years of age, lived with her boyfriend, Marty for all of 2004. The children are not Marty's children, but he provides support for them. Beth did not earn any income in 2004, but Marty earned \$15,000 at his job. Can Marty claim the children for EIC?
- a. Yes
  - b. No

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- B-6 Jackie is 66 years old and has a two-year-old grandchild who lives with her. They lived together in their Minneapolis apartment for all of 2004. Jackie made \$15,000 at her job and had no other income besides her Social Security. Does she qualify for the EIC?
- Yes
  - No
- B-7 Carlos has three children, ages 12, 14, and 16. Carlos and the children all lived with his mother, Marissa during 2004. Marissa and Carlos both have earned income less than \$19,000. Who can claim the children for the EIC?
- Carlos
  - Marissa
  - Marissa and Carlos may agree to each claim different children
  - Any of the above
  - Neither Marissa nor Carlos
- B-8 Which is not an eligibility requirement for claiming the EIC with a qualifying child?
- Age of the child
  - Claiming the child as a dependent
  - Taxpayer having earned income
  - Child must live with taxpayer in United States
  - Relationship to the child
- B-9 The maximum amount per child of Child Tax Credit is \_\_\_\_\_?
- B-10 Jack and Tanisha are married. Their two daughters, 3-year-old Tamara and 15-year-old Alisa live with them. Which of the following is a qualifying expense for the Child and Dependent Care Credit?
- Sending Tamara to a private elementary school.
  - Sending Tamara to an overnight summer camp.
  - Paying for after school care at the Sunrise Day Care for Tamara
  - Paying Alisa to care for Tamara
  - Paying for after school care at the Sunrise Day Care for Alisa

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**For questions B-11 through B-13, use the following scenario to complete a Form 1040 through line 62 and a Form 8863. Do not calculate a tuition and fees deduction on Form 1040, line 26. Select the most correct response and record your answers on the answer sheet located in the front of the retest booklet.**

Charles Hamilton is an unmarried single father with a son, Brian, who is a full time student at the local university. Brian lives at home and is in his second year of college. The university classifies him as a sophomore.

You ask if Brian had income to contribute to his support. Charles tells you he did not.

***Social Security***  
**XXX-XX-XXXX**  
This number has been established for  
*Charles Monroe Hamilton*

***Social Security***  
**XXX-XX-XXXX**  
This number has been established for  
*Brian J Hamilton*


Date of Birth:

Charles, February 14, 1960

Brian, June 19, 1983

You ask Charles if he wants to contribute to the Presidential Election Campaign Fund, and he says yes. When asked, Charles states he is a custodian at Drake 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**

a Control number <b>111223</b>		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov">www.irs.gov</a> .	
b Employer identification number <b>XX-XXXXXXX</b>				1 Wages, tips, other compensation <b>20,098.96</b>		2 Federal income tax withheld <b>948.23</b>	
c Employer's name, address, and ZIP code  <b>Drake High School</b> <b>200 Third Street</b> <b>Your City, State Zip</b>				3 Social security wages <b>20,098.96</b>		4 Social security tax withheld <b>1,246.00</b>	
				5 Medicare wages and tips <b>20,098.96</b>		6 Medicare tax withheld <b>291.00</b>	
				7 Social security tips		8 Allocated tips	
d Employee's social security number <b>XXX-XX-XXXX</b>				9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial Last name <b>Charles Hamilton</b>  <b>224 W 83rd Street</b> <b>Your City, State Zip</b>				11 Nonqualified plans		12a See instructions for box 12	
				13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b	
				14 Other		12c	
						12d	
f Employee's address and ZIP code							
15 State Employer's state ID number <b>XX XX-XXXXXXX</b>		16 State wages, tips, etc. <b>20,098.96</b>		17 State income tax <b>201.00</b>		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.

Date  CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone number <b>University of Lafayette</b> <b>289 Fourth Street</b> <b>Your City, State, and Zip Code</b>		1 Payments received for qualified tuition and related expenses <b>\$</b>		OMB No. 1545-1574 <b>2004</b> Form <b>1098-T</b>		<b>Tuition Statement</b>	
		2 Amounts billed for qualified tuition and related expenses <b>\$ 1,950.00</b>					
FILER'S Federal identification no. <b>XX-XXXXXXX</b>	STUDENT'S social security number <b>XXX-XX-XXXX</b>	3 Adjustments made for a prior year <b>\$</b>		4 Scholarships or grants <b>\$</b>		<b>Copy B For Student</b>  This is important tax information and is being furnished to the Internal Revenue Service.	
STUDENT'S name <b>Brian Hamilton</b>		5 Adjustments to scholarships or grants for a prior year <b>\$</b>		7 Reimbursements or refunds of qualified tuition and related expenses from an insurance contract <b>\$</b>			
Street address (including apt. no.) <b>224 W. 83rd St.</b> City, state, and ZIP code <b>Your City, State, and Zip Code</b>		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



Label

(See instructions on page 19.)

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

Label Here

For the year Jan. 1–Dec. 31, 2004, or other tax year beginning , 2004, ending , 20

Your first name and initial

Last name

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

Last name

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.

Your social security number

Spouse's social security number

Important!

You must enter your SSN(s) above.

Presidential Election Campaign

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

- 1 Single, 2 Married filing jointly, 3 Married filing separately, 4 Head of household, 5 Qualifying widow(er)

Exemptions

- 6a Yourself, 6b Spouse, 6c Dependents (1-4), 6d Total number of exemptions claimed

Income

- 7 Wages, salaries, tips, etc. Attach Form(s) W-2, 8a Taxable interest, 8b Tax-exempt interest, 9a Ordinary dividends, 9b Qualified dividends, 10 Taxable refunds, 11 Alimony received, 12 Business income, 13 Capital gain, 14 Other gains, 15a IRA distributions, 15b Taxable amount, 16a Pensions and annuities, 16b Taxable amount, 17 Rental real estate, 18 Farm income, 19 Unemployment compensation, 20a Social security benefits, 20b Taxable amount, 21 Other income, 22 Total income

Adjusted Gross Income

- 23 Deduction for clean-fuel vehicles, 24 Certain business expenses, 25 IRA deduction, 26 Student loan interest, 27 Tuition and fees, 28 Health savings account, 29 Moving expenses, 30 One-half of self-employment tax, 31 Self-employed health insurance, 32 Self-employed SEP, SIMPLE, and qualified plans, 33 Penalty on early withdrawal, 34a Alimony paid, 34b Recipient's SSN, 35 Add lines 23 through 34a, 36 Subtract line 35 from line 22

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 [ ] You were born before January 2, 1940, [ ] Blind. Total boxes if: [ ] Spouse was born before January 2, 1940, [ ] 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 [ ]
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 [ ] 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.

Name(s) shown on return

Your social security number

**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). <b>Do not</b> enter more than \$2,000 for each student.	(d) Enter the <b>smaller</b> 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) . . . . .					
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 ▶					

**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 . . . . .		
6	Enter the <b>smaller</b> of line 5 or \$10,000 . . . . .		
7	Tentative lifetime learning credit. Multiply line 6 by 20% (.20) and go to Part III . . . ▶		

**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, <b>stop</b> ; 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, <b>stop</b> ; you cannot take any education credits ▶		19	
20	<b>Education credits.</b> Enter the <b>smaller</b> 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. \$390
- b. \$980
- c. \$1,370
- d. \$1,475
- e. \$1,500

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

- a. 0
- b. \$375
- c. \$675
- d. \$804
- e. \$973

B-13 Does Brian qualify Charles 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**



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 retest booklet.

Margarita is an unmarried single parent. She provides all the support for her children, Pedro and Tina, who live with her.

**Social Security**  
 XXX-XX-XXXX  
 This number has been established for  
 Margarita I Loras

**Social Security**  
 XXX-XX-XXXX  
 This number has been established for  
 Pedro M Loras

**Social Security**  
 XXX-XX-XXXX  
 This number has been established for  
 Tina A Loras

Dates of Birth:

Margarita, October 4, 1960

Pedro, April 6, 1998

Tina, May 7, 2000

Margarita says she is a photographer. She states that her current address is the same as the one on her check and would like her refund directly deposited in the bank.


She gives you two income documents. When you ask her, she says she has no additional income. After looking at her documents, you ask her if her EIC was disallowed or reduced in the past two years and she tells you that it was not.

Margarita tells you she does not want to contribute to the Presidential Election Campaign.

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

Margarita states she did not forfeit any of her dependent care benefits.

After being asked, she also states she did not receive any distributions from her retirement plan.

a Control number 1122333		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov">www.irs.gov</a> .				
b Employer identification number XX-XXXXXXX				1 Wages, tips, other compensation 19,084.66	2 Federal income tax withheld 1,248.22					
c Employer's name, address, and ZIP code  Hesston Magazine 200 E Third Street 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 810.00	10 Dependent care benefits 1,000.00					
e Employee's first name and initial Last name Margarita Loras  155 W First Street Your City, State Zip				11 Nonqualified plans		12a See instructions for box 12 D 2,525.00				
				13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <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. 19,084.66	17 State income tax 191.00	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. <b>Bank of Greenville</b> <b>1255 E 18th Street</b> <b>Your City, State ZIP</b>		Payer's RTN (optional)	OMB No. 1545-0112 <b>2004</b> Form <b>1099-INT</b>	<b>Interest Income</b>
PAYER'S Federal identification number <b>XX-XXXXXXX</b>	RECIPIENT'S identification number <b>XXX-XX-XXXX</b>	1 Interest income not included in box 3 <b>\$ 85.71</b>		
RECIPIENT'S name <b>Margarita I Loras</b> Street address (including apt. no.) <b>155 W First Street</b> City, state, and ZIP code <b>Your City, State ZIP</b>		2 Early withdrawal penalty <b>\$</b>	3 Interest on U.S. Savings Bonds and Treas. obligations <b>\$</b>	<b>Copy B For Recipient</b> 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.
Account number (optional) <b>11111222334</b>		4 Federal income tax withheld <b>\$</b>	5 Investment expenses <b>\$</b>	
		6 Foreign tax paid <b>\$</b>	7 Foreign country or U.S. possession	

Form **1099-INT** (keep for your records) Department of the Treasury - Internal Revenue Service

**Margarita Loras**  
155 W. First Street  
Your City, State Zip Code **1234**

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

**VOID**

\_\_\_\_\_ DOLLARS

**Bank of Greenville**

For \_\_\_\_\_

| xxxxxxxxxxxx | 0011111222334 1234

**Laredo Child Care**  
5540 Wilson Dr.  
Your City, State ZIP  
XX-XXXXXXX

*Amounts Received:*

January 1, 2004 \$800  
April 1, 2004 \$800  
July 1, 2004 \$800  
October 1, 2004 \$800

Total amount received from Margarita Loras for the care of Pedro and Tina is: \$3200



Label

(See instructions on page 19.)

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

Label Here

For the year Jan. 1-Dec. 31, 2004, or other tax year beginning , 2004, ending , 20
Your first name and initial Last name
If a joint return, spouse's first name and initial Last name
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.

Your social security number

Spouse's social security number

Important!

You must enter your SSN(s) above.

Presidential Election Campaign (See page 19.)

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

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

Table with columns: (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). Includes instructions for dependents and boxes checked on 6a and 6b.

If more than four dependents, see page 21.

d Total number of exemptions claimed

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.

Table with 2 columns: Description and Amount. Rows include: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 8b Tax-exempt interest; 9a Ordinary dividends; 9b Qualified dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Add the amounts in the far right column for lines 7 through 21. This is your total income.

Adjusted Gross Income

Table with 2 columns: Description and Amount. Rows include: 23 Deduction for clean-fuel vehicles; 24 Certain business expenses of reservists, performing artists, and fee-basis government officials; 25 IRA deduction; 26 Student loan interest deduction; 27 Tuition and fees deduction; 28 Health savings account deduction; 29 Moving expenses; 30 One-half of self-employment tax; 31 Self-employed health insurance deduction; 32 Self-employed SEP, SIMPLE, and qualified plans; 33 Penalty on early withdrawal of savings; 34a Alimony paid; 34b Recipient's SSN; 35 Add lines 23 through 34a; 36 Subtract line 35 from line 22. This is your adjusted gross income.

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 [ ] You were born before January 2, 1940, [ ] Blind. Total boxes if: [ ] Spouse was born before January 2, 1940, [ ] 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 [ ]
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 [ ] 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.

Name(s) shown on Form 1040	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		

<b>3</b> Add the amounts in column (c) of line 2. <b>Do not</b> 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 . . . . .	<b>3</b>																																																											
<b>4</b> Enter your <b>earned income</b> . . . . .	<b>4</b>																																																											
<b>5</b> If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions); <b>all others</b> , enter the amount from line 4 . . . . .	<b>5</b>																																																											
<b>6</b> Enter the <b>smallest</b> of line 3, 4, or 5 . . . . .	<b>6</b>																																																											
<b>7</b> Enter the amount from Form 1040, line 37 . . . . .	<b>7</b>																																																											
<b>8</b> Enter on line 8 the decimal amount shown below that applies to the amount on line 7																																																												
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<b>9</b> Multiply line 6 by the decimal amount on line 8. If you paid 2003 expenses in 2004, see the instructions . . . . .	<b>9</b>																																																											
<b>10</b> Enter the amount from Form 1040, line 43 . . . . .	<b>10</b>																																																											
<b>11</b> Enter the amount, if any, from Form 6251, line 31 (see the instructions) . . . . .	<b>11</b>																																																											
<b>12</b> Subtract line 11 from line 10. If zero or less, <b>stop</b> . You cannot take the credit . . . . .	<b>12</b>																																																											
<b>13</b> <b>Credit for child and dependent care expenses.</b> Enter the <b>smaller</b> of line 9 or line 12 here and on Form 1040, line 46 . . . . .	<b>13</b>																																																											

**Part III Dependent Care Benefits**

<b>14</b> Enter the total amount of <b>dependent care benefits</b> you received in 2004. Amounts you received as an employee should be shown in box 10 of your Form(s) W-2. <b>Do not</b> 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 . . . . .			<b>14</b>
<b>15</b> Enter the amount forfeited, if any (see the instructions) . . . . .			<b>15</b>
<b>16</b> Subtract line 15 from line 14 . . . . .			<b>16</b>
<b>17</b> Enter the total amount of <b>qualified expenses</b> incurred in 2004 for the care of the <b>qualifying person(s)</b> . . . . .	<b>17</b>		
<b>18</b> Enter the <b>smaller</b> of line 16 or 17 . . . . .	<b>18</b>		
<b>19</b> Enter your <b>earned income</b> . . . . .	<b>19</b>		
<b>20</b> Enter the amount shown below that applies to you. <ul style="list-style-type: none"> <li>• 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).</li> <li>• If married filing separately, see the instructions for the amount to enter.</li> <li>• All others, enter the amount from line 19.</li> </ul>	<b>20</b>		
<b>21</b> Enter the <b>smallest</b> of line 18, 19, or 20 . . . . .	<b>21</b>		
<b>22</b> 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- . . . . .			<b>22</b>
<b>23</b> Subtract line 22 from line 16 . . . . .	<b>23</b>		
<b>24</b> Enter \$5,000 (\$2,500 if married filing separately <b>and</b> you were required to enter your spouse's earned income on line 20) . . . . .			<b>24</b>
<b>25</b> <b>Deductible benefits.</b> Enter the <b>smallest</b> of line 21, 22, or 24. Also, include this amount on the appropriate line(s) of your return (see the instructions) . . . . .			<b>25</b>
<b>26</b> Enter the <b>smaller</b> of line 21 or 24 . . . . .	<b>26</b>		
<b>27</b> Enter the amount from line 25 . . . . .	<b>27</b>		
<b>28</b> <b>Excluded benefits.</b> Subtract line 27 from line 26. If zero or less, enter -0- . . . . .			<b>28</b>
<b>29</b> <b>Taxable benefits.</b> 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" . . . . .			<b>29</b>

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

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

## 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. 1  
Enter the result.

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

3. Add the amounts from Form 1040:  
 Line 46 \_\_\_\_\_  
 Line 47 + \_\_\_\_\_  
 Line 48 + \_\_\_\_\_  
 Line 49 + \_\_\_\_\_  
 Line 50 + \_\_\_\_\_ Enter the total. 3

4. Are the amounts on lines 2 and 3 the same?  
 **Yes.** You cannot take this credit because there is no tax to reduce. However, you may be able to take the **additional child tax credit**. See the **TIP** below. 4  
 **No.** Subtract line 3 from line 2.

5. Is the amount on line 1 more than the amount on line 4?  
 **Yes.** Enter the amount from line 4. Also, you may be able to take the **additional child tax credit**. See the **TIP** below. **This is your child tax credit.** 5  
 **No.** Enter the amount from line 1.

Enter this amount on Form 1040, line 51.



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

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



# Line 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.*

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.

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.

(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—**

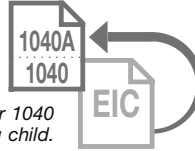
✓ If you have a qualifying child, complete and attach Schedule EIC.



*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**

**1 Child's name**

If you have more than two qualifying children, you only have to list two to get the maximum credit.

First name	Last name	First name	Last name

**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 \_\_\_\_\_  
*If born after 1985, skip lines 4a and 4b; go to line 5.*

Year \_\_\_\_\_  
*If born after 1985, skip lines 4a and 4b; go to line 5.*

**4 If the child was born before 1986—**

**a** Was the child under age 24 at the end of 2004 and a student?

**Yes.**       **No.**  
*Go to line 5.*      *Continue*

**Yes.**       **No.**  
*Go to line 5.*      *Continue*

**b** Was the child permanently and totally disabled during any part of 2004?

**Yes.**       **No.**  
*Continue*      *The child is not a qualifying child.*

**Yes.**       **No.**  
*Continue*      *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  
*Do not enter more than 12 months.*

\_\_\_\_\_ months  
*Do not enter more than 12 months.*

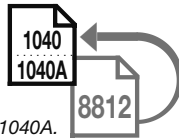


You may also be able to take the additional child tax credit if your child (a) was under age 17 at the end of 2004, (b) is claimed as your dependent on line 6c of Form 1040A or Form 1040, and (c) is a U.S. citizen or resident alien. For more details, see the instructions for line 42 of Form 1040A or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

# Additional Child Tax Credit

Department of the Treasury  
Internal Revenue Service (99)

Complete and attach to Form 1040 or Form 1040A.



OMB No. 1545-1620

**2004**

Attachment  
Sequence No. **47**

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 . . . . .	1		
2	Enter the amount from Form 1040, line 51, or Form 1040A, line 32 . . . . .	2		
3	Subtract line 2 from line 1. If zero, <b>stop</b> ; you cannot take this credit . . . . .	3		
4	Enter your total taxable earned income. See the instructions on back . . . . .	4		
5	Is the amount on line 4 more than \$10,750? <input type="checkbox"/> <b>No.</b> Leave line 5 blank and enter -0- on line 6. <input type="checkbox"/> <b>Yes.</b> Subtract \$10,750 from the amount on line 4. Enter the result . . . . .	5		
6	Multiply the amount on line 5 by 10% (.10) and enter the result . . . . . <b>Next.</b> Do you have three or more qualifying children? <input type="checkbox"/> <b>No.</b> If line 6 is zero, <b>stop</b> ; you cannot take this credit. Otherwise, skip Part II and enter the <b>smaller</b> of line 3 or line 6 on line 13. <input type="checkbox"/> <b>Yes.</b> 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.	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 . . . . .	7		
8	<b>1040 filers:</b> 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. <b>1040A filers:</b> Enter -0-.	8		
9	Add lines 7 and 8 . . . . .	9		
10	<b>1040 filers:</b> Enter the total of the amounts from Form 1040, lines 65 and 66. <b>1040A filers:</b> 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).	10		
11	Subtract line 10 from line 9. If zero or less, enter -0- . . . . .	11		
12	Enter the <b>larger</b> of line 6 or line 11 here . . . . . <b>Next</b> , enter the <b>smaller</b> of line 3 or line 12 on line 13.	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**

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

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																																																																		
<b>1</b> Traditional and Roth IRA contributions for 2004. <b>Do not</b> include rollover contributions . . . . .	<b>1</b>																																																																				
<b>2</b> 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) . . . . .	<b>2</b>																																																																				
<b>3</b> Add lines 1 and 2 . . . . .	<b>3</b>																																																																				
<b>4</b> Certain distributions received <b>after</b> 2001 and <b>before</b> the due date (including extensions) of your 2004 tax return (see instructions). If married filing jointly, include <b>both</b> spouses' amounts in <b>both</b> columns. See instructions for an exception . . . . .	<b>4</b>																																																																				
<b>5</b> Subtract line 4 from line 3. If zero or less, enter -0- . . . . .	<b>5</b>																																																																				
<b>6</b> In each column, enter the <b>smaller</b> of line 5 or \$2,000 . . . . .	<b>6</b>																																																																				
<b>7</b> Add the amounts on line 6. If zero, <b>stop</b> ; you cannot take this credit . . . . .			<b>7</b>																																																																		
<b>8</b> Enter the amount from Form 1040, line 37*, or Form 1040A, line 22 . . . . .	<b>8</b>																																																																				
<b>9</b> Enter the applicable decimal amount shown below:																																																																					
<table border="1"> <thead> <tr> <th colspan="2">If line 8 is—</th> <th colspan="3">And your filing status is—</th> </tr> <tr> <th>Over—</th> <th>But not over—</th> <th>Married filing jointly</th> <th>Head of household</th> <th>Single, Married filing separately, or Qualifying widow(er)</th> </tr> <tr> <th colspan="5">Enter on line 9—</th> </tr> </thead> <tbody> <tr> <td>---</td> <td>\$15,000</td> <td>.5</td> <td>.5</td> <td>.5</td> </tr> <tr> <td>\$15,000</td> <td>\$16,250</td> <td>.5</td> <td>.5</td> <td>.2</td> </tr> <tr> <td>\$16,250</td> <td>\$22,500</td> <td>.5</td> <td>.5</td> <td>.1</td> </tr> <tr> <td>\$22,500</td> <td>\$24,375</td> <td>.5</td> <td>.2</td> <td>.1</td> </tr> <tr> <td>\$24,375</td> <td>\$25,000</td> <td>.5</td> <td>.1</td> <td>.1</td> </tr> <tr> <td>\$25,000</td> <td>\$30,000</td> <td>.5</td> <td>.1</td> <td>.0</td> </tr> <tr> <td>\$30,000</td> <td>\$32,500</td> <td>.2</td> <td>.1</td> <td>.0</td> </tr> <tr> <td>\$32,500</td> <td>\$37,500</td> <td>.1</td> <td>.1</td> <td>.0</td> </tr> <tr> <td>\$37,500</td> <td>\$50,000</td> <td>.1</td> <td>.0</td> <td>.0</td> </tr> <tr> <td>\$50,000</td> <td>---</td> <td>.0</td> <td>.0</td> <td>.0</td> </tr> </tbody> </table>					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
If line 8 is—		And your filing status is—																																																																			
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<b>10</b> Multiply line 7 by line 9 . . . . .				<b>10</b>																																																																	
<b>11</b> Enter the amount from Form 1040, line 45, or Form 1040A, line 28 . . . . .	<b>11</b>																																																																				
<b>12</b> Enter the total of your credits from Form 1040, lines 46 through 51, or Form 1040A, lines 29 through 32 . . . . .	<b>12</b>																																																																				
<b>13</b> Subtract line 12 from line 11. If zero, <b>stop</b> ; you cannot take this credit . . . . .				<b>13</b>																																																																	
<b>14</b> <b>Credit for qualified retirement savings contributions.</b> Enter the <b>smaller</b> of line 10 or line 13 here and on Form 1040, line 52, or Form 1040A, line 33 . . . . .				<b>14</b>																																																																	

\*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. \$2,200
  - c. \$3,200
  - d. \$4,000
  - e. \$5,000
- B-15 What is the amount on Form 2441 Line 8?
- a. 0.35
  - b. 0.32
  - c. 0.31
  - d. 0.25
  - e. 0.20
- B-16 Which of Margarita's children qualify her 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. \$410
  - c. \$565
  - d. \$675
  - e. \$810
- B-18 What is the Earned Income Tax Credit amount (Form 1040, Line 65)?
- a. \$3,250
  - b. \$3,240
  - c. \$3,229
  - d. \$3,219
  - e. \$3,208

**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**

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

- a. \$470
- b. \$675
- c. \$834
- 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. Select the most correct response and record your answer on the answer sheet located in the front of the retest booklet.**

B-20 In 2004, Jana Davis completed her junior year of business administration. Her tuition for 2004 was \$3,000. She received a scholarship that covered \$1,000 and she had to borrow the other \$2,000. If all other credit requirements are met, what are her tentative education credits (Form 8863: line 8)?

- a. \$400
- b. \$600
- c. \$1,500
- d. \$200
- 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.

Name(s) shown on return

Your social security number

**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). <b>Do not</b> enter more than \$2,000 for each student.	(d) Enter the <b>smaller</b> 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) . . . . .					<b>2</b>	
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 ▶					<b>3</b>	

**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 . . . . .		<b>5</b>
6	Enter the <b>smaller</b> of line 5 or \$10,000 . . . . .		<b>6</b>
7	Tentative lifetime learning credit. Multiply line 6 by 20% (.20) and go to Part III ▶		<b>7</b>

**Part III Allowable Education Credits**

8	Tentative education credits. Add lines 3 and 7 . . . . .	<b>8</b>	
9	Enter: \$105,000 if married filing jointly; \$52,000 if single, head of household, or qualifying widow(er) . . . . .	<b>9</b>	
10	Enter the amount from Form 1040, line 37*, or Form 1040A, line 22 . . . . .	<b>10</b>	
11	Subtract line 10 from line 9. If zero or less, <b>stop</b> ; you cannot take any education credits. . . . .	<b>11</b>	
12	Enter: \$20,000 if married filing jointly; \$10,000 if single, head of household, or qualifying widow(er) . . . . .	<b>12</b>	
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) . . . . .	<b>13</b>	× .
14	Multiply line 8 by line 13 . . . . . ▶	<b>14</b>	
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) . . . . .	<b>15</b>	
16	Enter the total, if any, of your credits from Form 1040, lines 46 and 47, or Form 1040A, lines 29 and 30 . . . . .	<b>16</b>	
17	Enter the amount from Form 6251, line 31 . . . . .	<b>17</b>	
18	Add lines 16 and 17 . . . . .	<b>18</b>	
19	Subtract line 18 from line 15. If zero or less, <b>stop</b> ; you cannot take any education credits ▶	<b>19</b>	
20	<b>Education credits.</b> Enter the <b>smaller</b> of line 14 or line 19 here and on Form 1040, line 48, or Form 1040A, line 31 . . . . . ▶	<b>20</b>	

\*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.



## 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 retest booklet.

- C-1 Linda sold 250 shares of Clemson Container Co. stock on August 1, 2004. Her gross proceeds were \$8,300 and she paid a commission on the sale of \$35. She purchased her shares through a company investment program in the 1980's. She has a letter from her company indicating her cost for the shares was \$650. What is her net capital gain/loss on the sale?
- a. \$8,265
  - b. \$7,615
  - c. \$7,650
  - d. \$8,300
  - e. \$0
- C-2 Joe tells you he purchased 150 shares of Asbury, 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 Joe's stock?
- a. 0
  - b. \$150
  - c. \$750
  - d. \$900
  - e. None of the above
- C-3 Dave hands you a Form 1099-B for the sale of 42 shares of Humboldt Life Insurance Company stock with net proceeds of \$742. When you question Dave, he states he never bought any shares of Humboldt Life, but he's had a Humboldt Life Insurance policy since he married 27 years ago. Which answer best describes Dave's circumstance?
- a. Dave does not have to report this transaction because it is not reported on a Form 1099DIV.
  - b. Dave must report this transaction and his taxable gain is \$0.
  - c. Dave must report this transaction and his taxable long-term gain is \$742.
  - d. Dave must report this transaction and his taxable short-term gain is \$742.
  - 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 answer on the answer sheet located in the front of the retest booklet.**

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

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

- a. \$16,622
- b. \$16,349
- c. \$16,624
- d. \$17,332
- e. None of the above

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119		<b>2004</b> Form 1099-R	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
PAYER'S name, street address, city, state, and ZIP code <b>Dickinson Company</b>  <b>259 North 99th Terrace</b>  <b>Your City, State, and Zip Code</b>		<b>1</b> Gross distribution \$ <b>17,332.00</b>	<b>2a</b> Taxable amount \$		
PAYER'S Federal identification number <b>xx-xxxxxxx</b>		<b>2b</b> Taxable amount not determined <input checked="" type="checkbox"/> Total distribution <input type="checkbox"/>		<b>Copy B</b> <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.</b>	
RECIPIENT'S identification number <b>xxx-xx-xxxx</b>		<b>3</b> Capital gain (included in box 2a) \$	<b>4</b> Federal income tax withheld \$		
RECIPIENT'S name <b>Peter Martin</b>		<b>5</b> Employee contributions or insurance premiums \$		<b>6</b> Net unrealized appreciation in employer's securities \$	
Street address (including apt. no.) <b>731 East 49th Street</b>		<b>7</b> Distribution code(s)  IRA/SEP/SIMPLE <input type="checkbox"/>	<b>8</b> Other \$ %		This information is being furnished to the Internal Revenue Service.
City, state, and ZIP code <b>Your City, State, and Zip Code</b>		<b>9a</b> Your percentage of total distribution %		<b>9b</b> Total employee contributions \$ <b>21,300.00</b>	
Account number (optional)		<b>10</b> State tax withheld \$ \$		<b>11</b> State/Payer's state no. \$	
		<b>13</b> Local tax withheld \$ \$		<b>14</b> Name of locality \$	
				<b>15</b> Local distribution \$ \$	
Form <b>1099-R</b>		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 <b>Table 1</b> below. <b>But</b> if your annuity starting date was <b>after</b> 1997 <b>and</b> the payments are for your life and that of your beneficiary, enter the appropriate number from <b>Table 2</b> 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 <b>before</b> 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 <b>smaller</b> of line 5 or line 7	8.	
9. <b>Taxable amount.</b> 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 ó	
	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



**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 retest booklet.**

- C-5 Barbara brings you the following information to prepare her tax return: her Form SSA-1099; two Forms 1099-INT; and a Form 1099-DIV. Barbara's date of birth is May 3, 1931. While you are preparing her tax return, what other information is essential to correctly prepare Barbara's return?
- Whether she has any IRA or 401K accounts
  - Barbara's filing status and number of dependents
  - Whether she is legally blind
  - Answers a and b
  - Answers a, b, and c
- C- 6 Under which of the following circumstances should you recommend that the taxpayer adjust the amount of withholding and/or estimated payments they will have for 2005?
- Taxpayer had no tax liability for 2004 and has \$150 per month withheld from his/her pension during 2004.
  - Taxpayer had dividend and interest income in addition to his/her pension and had no withholding during 2004. His tax liability was \$2,350. Upon completing his return, you discover he/she must pay an Estimated Tax Penalty.
  - a and b
  - Taxpayer had withholding of \$140 and estimated tax payments of \$680 in 2004. He had a total tax liability in 2004 of \$950.
  - 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 \$1,700.
- C-7 Sanford 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 \$3,100 in wages; and
  - Form 1099-MISC with \$150 in Non-Employee Compensation.

Which statement is correct?

- He should report his pension and IRA distribution on the same line on his return because they were both reported on Form 1099-R.
- 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.
- 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.
- He does not have to report his Form 1099-MISC income because it is under \$400.
- None of the above.

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

- C-8 Howard and Providence are married and lived together for the entire year of 2004. Howard elected to file as married filing separately. He received a Form SSA-1099 with a Box 5 amount of \$7,000. Which of the following statements is correct?
- a. 100% of his Social Security is taxable because he's elected to file as Married Filing Separately.
  - 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 his 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.
- C-9 Which transactions involving traditional IRA's are permitted without penalties or additional taxes?
- a. Taking distributions at age 57
  - b. Investing the IRA in artworks and rare wines
  - c. Rolling over assets within 90 days
  - d. Rolling over assets within one year
  - e. Taking two minimal annual distributions during the year in which the taxpayer reaches age 70½
- C-10 Which of the following income sources is fully taxable?
- a. Interest in municipal bonds from the taxpayer's state
  - b. Interest in municipal bonds from other than the taxpayer's state
  - c. Dividends on insurance policies
  - d. Interest from U.S. Government HH Bonds
  - e. None of the above

**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. Fill-in the blanks and record your answers on the answer sheet located in the front of the retest booklet.**

George (born January 22, 1923) and Susan Vincennes (born June 2, 1928) are retired and filing a joint tax return. George retired from a railway career in 1983 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 \$1,800 interest from Tulane Savings Bank. They also brought in a year-end statement from the Odessa Municipal Fund which shows tax-exempt interest received during the year of \$1,100. They have no other income.

They both would like to contribute to the Presidential Election Campaign.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119		<b>2004</b> Form <b>1099-R</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
PAYER'S name, street address, city, state, and ZIP code <b>First National Savings Bank</b> <b>345 North 7th Avenue</b> <b>Your City, State and Zip Code</b>		<b>1</b> Gross distribution \$ <b>7,076.00</b>	<b>2a</b> Taxable amount \$ <b>7,076.00</b>		
PAYER'S Federal identification number <b>xx-xxxxxxx</b>	RECIPIENT'S identification number <b>xxx-xx-xxxx</b>	<b>3</b> Capital gain (included in box 2a) \$ <b>0.00</b>	<b>4</b> Federal income tax withheld \$		
RECIPIENT'S name <b>Susan Vincennes</b>		<b>5</b> Employee contributions or insurance premiums \$	<b>6</b> Net unrealized appreciation in employer's securities \$		<b>Copy B</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.
Street address (including apt. no.) <b>2241 East 54th St.</b>		<b>7</b> Distribution code(s) <b>7</b>	<b>8</b> Other \$	This information is being furnished to the Internal Revenue Service.	
City, state, and ZIP code <b>Your City, State, and Zip Code</b>		<b>9a</b> Your percentage of total distribution %	<b>9b</b> Total employee contributions \$		
Account number (optional)		<b>10</b> State tax withheld \$	<b>11</b> State/Payer's state no.		<b>12</b> State distribution \$
		<b>13</b> Local tax withheld \$	<b>14</b> Name of locality		<b>15</b> Local distribution \$

Form **1099-R**

Department of the Treasury - Internal Revenue Service

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE <b>UNITED STATES RAILROAD RETIREMENT BOARD</b> 844 N RUSH ST CHICAGO IL 60611-2092		<b>2004</b>	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	12,420.00		
1. Claim Number and Payee Code		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2004	0.00	<b>COPY C -</b> FOR RECIPIENT'S RECORDS  THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.		
2. Recipient's Identification Number <b>xxx-xx-xxxx</b>		5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2004	12,420.00			
Recipient's Name, Street Address, City, State, and Zip Code  <b>George Vincennes</b> <b>2241 East 54th St.</b> <b>Your City, State, and Zip Code</b>		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	160.00		11. Medicare Premium Total	799.00

FORM RRB-1099

DO NOT ATTACH TO YOUR INCOME TAX RETURN

PAYERS' NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE <b>UNITED STATES RAILROAD RETIREMENT BOARD</b> 844 N RUSH ST CHICAGO IL 60611-2092		<b>2004</b>	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	9,832.00	<b>COPY B -</b>  <b>REPORT THIS INCOME ON YOUR FEDERAL TAX RETURN. IF THIS FORM SHOWS FEDERAL INCOME TAX WITHHELD IN BOX 9 ATTACH THIS COPY TO YOUR RETURN.</b>  THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.		
2. Recipient's Identification Number <b>xxx-xx-xxxx</b>		5. Vested Dual Benefit				
Recipient's Name, Street Address, City, State, and ZIP Code  <b>George Vincennes</b> <b>2241 East 54th Street</b> <b>Your City, State, and Zip Code</b>		6. Supplemental Annuity	680.00			
		7. Total Gross Paid	10,512.00			
		8. Repayments				
		9. Federal Income Tax Withheld	0.00			
		10. Rate of Tax			11. Country	12. Medicare Premium Total

FORM RRB-1099-R

PAYERS' NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE <b>UNITED STATES RAILROAD RETIREMENT BOARD</b> 844 N RUSH ST CHICAGO IL 60611-2092		<b>2004</b>	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	4,088.00	<b>COPY B -</b>  <b>REPORT THIS INCOME ON YOUR FEDERAL TAX RETURN. IF THIS FORM SHOWS FEDERAL INCOME TAX WITHHELD IN BOX 9 ATTACH THIS COPY TO YOUR RETURN.</b>  THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.		
2. Recipient's Identification Number <b>xxx-xx-xxxx</b>		5. Vested Dual Benefit				
Recipient's Name, Street Address, City, State, and ZIP Code  <b>Susan Vincennes</b> <b>2241 East 54th Street</b> <b>Your City, State, and Zip Code</b>		6. Supplemental Annuity				
		7. Total Gross Paid	4,088.00			
		8. Repayments				
		9. Federal Income Tax Withheld	1,280.00			
		10. Rate of Tax			11. Country	12. Medicare Premium Total

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 <b>Susan Vincennes</b>		Box 2. Beneficiary's Social Security Number <b>XXX-XX-XXXX</b>	
Box 3. Benefits Paid in 2004 <b>9,280.00</b>	Box 4. Benefits Repaid to SSA in 2004 <b>0.00</b>	Box 5. Net Benefits for 2003 (Box 3 minus Box 4) <b>9,280.00</b>	
<p align="center"><b>DESCRIPTION OF AMOUNT IN BOX 3</b></p> <p>Paid by check or direct deposit:      <b>\$8,481.00</b></p> <p>Medicare premiums deducted:                      <b>\$799.00</b></p> <p align="right"><b>Total:    \$9,280.00</b></p>		<p align="center"><b>DESCRIPTION OF AMOUNT IN BOX 4</b></p>	
		Box 6. Voluntary Federal Income Tax Withholding <b>0.00</b>	
		Box 7. Address <b>2241 East 54th Street</b>  <b>Your City, State, and Zip Code</b>	
		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**





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 Yes No Spouse 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
6b Spouse
6c 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)
6d 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.

Table with 22 rows for income reporting. Columns include line number, description, and amount. Rows include: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 8b Tax-exempt interest; 9a Ordinary dividends; 9b Qualified dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Total income.

Adjusted Gross Income

Table with 10 rows for adjusted gross income reporting. Columns include line number, description, and amount. Rows include: 23 Deduction for clean-fuel vehicles; 24 Certain business expenses; 25 IRA deduction; 26 Student loan interest deduction; 27 Tuition and fees deduction; 28 Health savings account deduction; 29 Moving expenses; 30 One-half of self-employment tax; 31 Self-employed health insurance deduction; 32 Self-employed SEP, SIMPLE, and qualified plans; 33 Penalty on early withdrawal of savings; 34a Alimony paid; 34b Recipient's SSN; 35 Add lines 23 through 34a; 36 Subtract line 35 from line 22. This is your adjusted gross income.

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
39 Itemized deductions (from Schedule A) or your standard deduction
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.
42 Taxable income. Subtract line 41 from line 40.
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
72b Routing number
72c Type: Checking Savings
72d 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.

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 10 rows of dotted lines for listing interest payers.

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 2 columns: Amount, and 4 rows corresponding to lines 1-4.

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 15 rows of dotted lines for listing ordinary dividends payers.

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 2 columns: Amount, and 2 rows corresponding to lines 5 and 6.

Part III Foreign Accounts and Trusts

(See page B-2.)

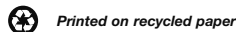
You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; or (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

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, such as a bank account, securities account, or other financial account?
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.

Table with 2 columns: Yes, No, and 2 rows for questions 7a 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 <b>box 5</b> of <b>all</b> your <b>Forms SSA-1099</b> and <b>Forms RRB-1099</b> . . . . .	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"/> <b>No.</b> None of your social security benefits are taxable. <input type="checkbox"/> <b>Yes.</b> Subtract line 6 from line 5 . . . . .	7.	
8. If you are: <ul style="list-style-type: none"> <li>• Married filing jointly, enter \$32,000</li> <li>• Single, head of household, qualifying widow(er), or married filing separately and you <b>lived apart</b> from your spouse for all of 2004, enter \$25,000</li> <li>• 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</li> </ul>	8.	
9. Is the amount on line 8 less than the amount on line 7? <input type="checkbox"/> <b>No.</b> None of your social security benefits are taxable. You do not have to enter any amounts on line 20a or 20b of Form 1040. <b>But</b> if you are married filing separately and you <b>lived apart</b> 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"/> <b>Yes.</b> 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 <b>lived apart</b> 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 <b>smaller</b> of line 9 or line 10 . . . . .	12.	
13. Enter one-half of line 12 . . . . .	13.	
14. Enter the <b>smaller</b> 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. <b>Taxable social security benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . . <ul style="list-style-type: none"> <li>• Enter the amount from line 1 above on Form 1040, line 20a.</li> <li>• Enter the amount from line 18 above on Form 1040, line 20b.</li> </ul>	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.

**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?  
-----

C-12 What is the amount on Form 1040, Line 8b? \_\_\_\_\_

C-13 How much of their combined Social Security and RRB Social Security-equivalent benefits will be taxable on form 1040, Line 20b? \_\_\_\_\_

**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 forms and 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 retest booklet.

Earl and Jane Purdue arrive at your site with documents needed to prepare their tax return. They are retired. Earl was born on May 14, 1934 and Jane was born on January 2, 1943. They provide their Social Security cards and the information returns shown below. Earl and Jane live at 77 North 12th Street. They both would like to contribute to the Presidential Election Campaign.

Estimated tax payments of \$160 per quarter were made on the 15<sup>th</sup> of April, June, and September of 2004.

Earl accumulated 577 stock shares of Wilkes Corporation (WC) prior to his retirement in 1996. He has records indicating that his total investment in the stock is \$731.49.

<input type="checkbox"/> CORRECTED (if checked)				<b>2004</b>		<b>Interest Income</b>
PAYER'S name, street address, city, state, ZIP code, and telephone no. <b>Penn National Savings and Loan</b> <b>64 S. 17th Ave</b> <b>Your City, State, and Zip Code</b>		Payer's RTN (optional)		OMB No. 1545-0112  Form <b>1099-INT</b>		
PAYER'S Federal identification number <b>xx-xxxxxxx</b>	RECIPIENT'S identification number <b>xxx-xx-xxxx</b>	1 Interest income not included in box 3 \$ <b>477.47</b>		<b>Copy B For Recipient</b> 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 <b>Earl Purdue</b>		2 Early withdrawal penalty \$ <b>47.75</b>	3 Interest on U.S. Savings Bonds and Treas. obligations \$			
Street address (including apt. no.) <b>77 N. 12th Street</b>		4 Federal income tax withheld \$ <b>0.00</b>	5 Investment expenses \$			
City, state, and ZIP code <b>Your City, State, and Zip Code</b>		6 Foreign tax paid \$	7 Foreign country or U.S. possession			
Account number (optional)						
Form <b>1099-INT</b>		(keep for your records)		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 <b>Earl Purdue</b>		Box 2. Beneficiary's Social Security Number <b>XXX-XX-XXXX</b>	
Box 3. Benefits Paid in 2004 <b>10,173.00</b>	Box 4. Benefits Repaid to SSA in 2004 <b>0.00</b>	Box 5. Net Benefits for 2003 (Box 3 minus Box 4) <b>10,173.00</b>	
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4	
Paid by check or direct deposit \$ 9,374.00			
Medicare premiums deducted \$ 799.00			
Total \$10,173.00			
		Box 6. Voluntary Federal Income Tax Withholding <b>0.00</b>	
		Box 7. Address <b>77 N. 12th Street Your City, State, and Zip Code</b>	
		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, and ZIP code <b>Wilkes Corporation Pension Trust</b> 123 Thirteenth St. Your City, State, and Zip Code		1 Gross distribution \$ 17,377.00 2a Taxable amount \$ 17,377.00	OMB No. 1545-0119 <b>2004</b> Form 1099-R	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>	
PAYER'S Federal identification number <b>xx-xxxxxxx</b>	RECIPIENT'S identification number <b>xxx-xx-xxxx</b>	2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		<b>Copy B</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 <b>Earl Purdue</b>	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 633.00		This information is being furnished to the Internal Revenue Service.	
Street address (including apt. no.) 77 N. 12th Street	5 Employee contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$	7 Distribution code(s) 7		IRA/SEP/SIMPLE <input type="checkbox"/>
City, state, and ZIP code Your City, State, and Zip Code	9a Your percentage of total distribution %	9b Total employee contributions \$	11 State/Payer's state no.		12 State distribution \$
Account number (optional)	10 State tax withheld \$	13 Local tax withheld \$		14 Name of locality	15 Local distribution \$

Form 1099-R

Department of the Treasury - Internal Revenue Service

CORRECTED (if checked)

PAYER'S name, street address, city, state, and ZIP code <b>Doane Savings Bank</b> 321 2nd St. Your City, State, and Zip Code		1 Gross distribution \$ 4,177.00 2a Taxable amount \$ 4,177.00	OMB No. 1545-0119 <b>2004</b> Form 1099-R	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>	
PAYER'S Federal identification number <b>xx-xxxxxxx</b>	RECIPIENT'S identification number <b>xxx-xx-xxxx</b>	2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		<b>Copy B</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 <b>Jane Purdue</b>	3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$		This information is being furnished to the Internal Revenue Service.	
Street address (including apt. no.) 77 N. 12th Street	5 Employee contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$	7 Distribution code(s) 7		IRA/SEP/SIMPLE <input checked="" type="checkbox"/>
City, state, and ZIP code Your City, State, and Zip Code	9a Your percentage of total distribution %	9b Total employee contributions \$	11 State/Payer's state no.		12 State distribution \$
Account number (optional)	10 State tax withheld \$	13 Local tax withheld \$		14 Name of locality	15 Local distribution \$

Form 1099-R

Department of the Treasury - Internal Revenue Service

## Consolidated Statement

Account Number: C4321A

Payer:  
 Employer ID# xx-xxxxxxx  
 Wharton and Taylor Financial Services  
 800 East 43<sup>rd</sup> Street  
 Your City, State Zip

Account Holder:  
 SSN: xxx-xx-xxxx  
 Earl Purdue  
 Jane Purdue  
 77 Eleventh Street.  
 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 DePaul Bank CD	\$1433.96		\$833.97	\$84.00		
				\$144.00		

**2004 Dividends & Distributions — 1099-DIV**

Box 1a Total Ordinary Dividends	Box 1b Qualified Dividends
\$222.50	\$222.50
No other entries.	

Box 2a Total Capital Gain Distribution	Box 2c Section 1202 Gain
\$114.63	

**2004 Proceeds from Broker and Barter Exchange Transactions — 1099B**

Security	Quantity	Date Acquired	Date Liquidated	Sale Price	Cost Basis	Gain (Loss)
ABC	215	9/23/03	6/15/2004	\$6,349.00	\$6,667.00	(\$318)
WC	577	N/A	9/14/2004	\$7,317.00	N/A	N/A
Total Sales				\$13,666.00		

**2004 Non-Reportable Dividends/Interest**

Your City Bond

Tax Exempt Interest Paid  
\$222.00

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? 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
6b Spouse
6c 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)
6d 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.

Table with 2 columns: Description and Amount. Rows include: 7 Wages, salaries, tips, etc. Attach Form(s) W-2; 8a Taxable interest; 8b Tax-exempt interest; 9a Ordinary dividends; 9b Qualified dividends; 10 Taxable refunds, credits, or offsets of state and local income taxes; 11 Alimony received; 12 Business income or (loss); 13 Capital gain or (loss); 14 Other gains or (losses); 15a IRA distributions; 15b Taxable amount; 16a Pensions and annuities; 16b Taxable amount; 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.; 18 Farm income or (loss); 19 Unemployment compensation; 20a Social security benefits; 20b Taxable amount; 21 Other income; 22 Add the amounts in the far right column for lines 7 through 21. This is your total income.

Adjusted Gross Income

Table with 2 columns: Description and Amount. Rows include: 23 Deduction for clean-fuel vehicles; 24 Certain business expenses of reservists, performing artists, and fee-basis government officials; 25 IRA deduction; 26 Student loan interest deduction; 27 Tuition and fees deduction; 28 Health savings account deduction; 29 Moving expenses; 30 One-half of self-employment tax; 31 Self-employed health insurance deduction; 32 Self-employed SEP, SIMPLE, and qualified plans; 33 Penalty on early withdrawal of savings; 34a Alimony paid; 34b Recipient's SSN; 35 Add lines 23 through 34a; 36 Subtract line 35 from line 22. This is your adjusted gross income.

**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

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

**Other Taxes**

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

**Payments**

If you have a qualifying child, attach Schedule EIC.

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

**Refund**

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

<b>71</b>	If line 70 is more than line 62, subtract line 62 from line 70. This is the amount you <b>overpaid</b>	<b>71</b>	
<b>72a</b>	Amount of line 71 you want <b>refunded to you</b> ▶	<b>72a</b>	
<b>b</b>	Routing number <input type="text"/>	<b>c</b>	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
<b>d</b>	Account number <input type="text"/>		
<b>73</b>	Amount of line 71 you want <b>applied to your 2005 estimated tax</b> ▶	<b>73</b>	
<b>74</b>	<b>Amount you owe.</b> Subtract line 70 from line 62. For details on how to pay, see page 57 ▶	<b>74</b>	

**Amount You Owe**

<b>75</b>	Estimated tax penalty (see page 58)	<b>75</b>	
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**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"/>
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**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, <b>both</b> 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
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

Table with columns for Amount and rows for lines 1, 2, 3, 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
6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a

Table with columns for Amount and rows for lines 5, 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, such as a bank account, securities account, or other financial account?
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

Table with columns for Yes and No, and rows for questions 7a, b, and 8.

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 <b>Total short-term sales price amounts.</b> 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					
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .					
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your <b>Capital Loss Carryover Worksheet</b> on page D-5 of the Instructions . . . . .					( )
7 <b>Net short-term capital gain or (loss).</b> Combine lines 1 through 6 in column (f) . . . . .					

**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 <b>Total long-term sales price amounts.</b> 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 . . . . .					
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .					
13 Capital gain distributions. See page D-2 of the instructions . . . . .					
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your <b>Capital Loss Carryover Worksheet</b> on page D-5 of the Instructions . . . . .					( )
15 <b>Net long-term capital gain or (loss).</b> Combine lines 8 through 14 in column (f). Then go to Part III on the back . . . . .					

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11338H

Schedule D (Form 1040) 2004

**Part III Summary**

<p><b>16</b> 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 . . . . .</p>	<b>16</b>	
<p><b>17</b> Are lines 15 and 16 <b>both</b> gains?  <input type="checkbox"/> <b>Yes.</b> Go to line 18.  <input type="checkbox"/> <b>No.</b> Skip lines 18 through 21, and go to line 22.</p>		
<p><b>18</b> Enter the amount, if any, from line 7 of the <b>28% Rate Gain Worksheet</b> on page D-7 of the instructions . . . . . ▶</p>	<b>18</b>	
<p><b>19</b> Enter the amount, if any, from line 18 of the <b>Unrecaptured Section 1250 Gain Worksheet</b> on page D-8 of the instructions . . . . . ▶</p>	<b>19</b>	
<p><b>20</b> Are lines 18 and 19 <b>both</b> zero or blank?  <input type="checkbox"/> <b>Yes.</b> Complete Form 1040 through line 42, and then complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> on page 37 of the Instructions for Form 1040. <b>Do not</b> complete lines 21 and 22 below.  <input type="checkbox"/> <b>No.</b> Complete the <b>Schedule D Tax Worksheet</b> on page D-10 of the instructions. <b>Do not</b> complete lines 21 and 22 below.</p>		
<p><b>21</b> If line 16 is a loss, enter here and on Form 1040, line 13, the <b>smaller</b> of:</p> <ul style="list-style-type: none"> <li>• The loss on line 16 or</li> <li>• (\$3,000), or if married filing separately, (\$1,500) } . . . . .</li> </ul> <p><b>Note.</b> When figuring which amount is smaller, treat both amounts as positive numbers.</p>	<b>21</b> (                      )	
<p><b>22</b> Do you have qualified dividends on Form 1040, line 9b?  <input type="checkbox"/> <b>Yes.</b> Complete Form 1040 through line 42, and then complete the <b>Qualified Dividends and Capital Gain Tax Worksheet</b> on page 37 of the Instructions for Form 1040.  <input type="checkbox"/> <b>No.</b> Complete the rest of Form 1040.</p>		

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

 Printed on recycled paper



**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.



<p><b>1.</b> Enter the total amount from <b>box 5</b> of all your <b>Forms SSA-1099</b> and <b>Forms RRB-1099</b> . . . . . <b>1.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>2.</b> Enter one-half of line 1 . . . . . <b>2.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>3.</b> Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21 . . . . . <b>3.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>4.</b> Enter the amount, if any, from Form 1040, line 8b . . . . . <b>4.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>5.</b> Add lines 2, 3, and 4 . . . . . <b>5.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>6.</b> 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 . . . . . <b>6.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>7.</b> Is the amount on line 6 less than the amount on line 5?  <input type="checkbox"/> <b>No.</b>  None of your social security benefits are taxable.  <input type="checkbox"/> <b>Yes.</b> Subtract line 6 from line 5 . . . . . <b>7.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>8.</b> If you are:  <ul style="list-style-type: none"> <li>• Married filing jointly, enter \$32,000</li> <li>• Single, head of household, qualifying widow(er), or married filing separately and you <b>lived apart</b> from your spouse for all of 2004, enter \$25,000</li> <li>• 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</li> </ul> </p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>9.</b> Is the amount on line 8 less than the amount on line 7?  <input type="checkbox"/> <b>No.</b>  None of your social security benefits are taxable. You do not have to enter any amounts on line 20a or 20b of Form 1040. <b>But</b> if you are married filing separately and you <b>lived apart</b> 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"/> <b>Yes.</b> Subtract line 8 from line 7 . . . . . <b>9.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>10.</b> Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you <b>lived apart</b> from your spouse for all of 2004 . . . . . <b>10.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>11.</b> Subtract line 10 from line 9. If zero or less, enter -0- . . . . . <b>11.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>12.</b> Enter the <b>smaller</b> of line 9 or line 10 . . . . . <b>12.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>13.</b> Enter one-half of line 12 . . . . . <b>13.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>14.</b> Enter the <b>smaller</b> of line 2 or line 13 . . . . . <b>14.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>15.</b> Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . . <b>15.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>16.</b> Add lines 14 and 15 . . . . . <b>16.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>17.</b> Multiply line 1 by 85% (.85) . . . . . <b>17.</b></p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
<p><b>18. Taxable social security benefits.</b> Enter the <b>smaller</b> of line 16 or line 17 . . . . . <b>18.</b>  <ul style="list-style-type: none"> <li>• Enter the amount from line 1 above on Form 1040, line 20a.</li> <li>• Enter the amount from line 18 above on Form 1040, line 20b.</li> </ul> </p>	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>

**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.	
2. Enter the amount from Form 1040, line 9b . . . . .	2.	
3. Are you filing Schedule D?		
<input type="checkbox"/> <b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of Schedule D, but do not enter less than -0-	} . . . 3.	
<input type="checkbox"/> <b>No.</b> Enter the amount from Form 1040, line 13		
4. Add lines 2 and 3 . . . . .	4.	
5. If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise, enter -0- . . . . .	5.	
6. Subtract line 5 from line 4. If zero or less, enter -0- . . . . .	6.	
7. Subtract line 6 from line 1. If zero or less, enter -0- . . . . .	7.	
8. Enter the <b>smaller</b> of:		
• The amount on line 1 or	} . . . . . 8.	
• \$29,050 if single or married filing separately,		
• \$58,100 if married filing jointly or qualifying widow(er), or \$38,900 if head of household.		
9. Is the amount on line 7 equal to or more than the amount on line 8?		
<input type="checkbox"/> <b>Yes.</b> Skip lines 9 through 11; go to line 12 and check the "No" box.	} . . . . . 9.	
<input type="checkbox"/> <b>No.</b> Enter the amount from line 7 . . . . .		
10. Subtract line 9 from line 8 . . . . .	10.	
11. Multiply line 10 by 5% (.05) . . . . .	11.	
12. Are the amounts on lines 6 and 10 the same?		
<input type="checkbox"/> <b>Yes.</b> Skip lines 12 through 15; go to line 16.	} . . . . . 12.	
<input type="checkbox"/> <b>No.</b> Enter the <b>smaller</b> of line 1 or line 6 . . . . .		
13. Enter the amount from line 10 (if line 10 is blank, enter -0-) . . . . .	13.	
14. Subtract line 13 from line 12 . . . . .	14.	
15. Multiply line 14 by 15% (.15) . . . . .	15.	
16. Figure the tax on the amount on line 7. Use the Tax Table or Tax Computation Worksheet, whichever applies . . . . .	16.	
17. Add lines 11, 15, and 16 . . . . .	17.	
18. Figure the tax on the amount on line 1. Use the Tax Table or Tax Computation Worksheet, whichever applies . . . . .	18.	
19. <b>Tax on all taxable income.</b> Enter the <b>smaller</b> of line 17 or line 18. Also include this amount on Form 1040, line 43 . . . . .	19.	

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

C-14 What is the amount shown on Form 1040, Line 8a?

- a. \$1,911
- b. \$2,745
- c. \$2,967
- d. \$2,968
- e. None of the above

C-15 What is the amount shown on Schedule D, Line 15?

- a. \$6,268
- b. \$6,586
- c. \$6,701
- d. \$6,383
- e. None of the above

C-16 What is the amount shown on Form 1040, Line 33?

- a. \$48
- b. \$633
- c. \$681
- d. \$222
- e. None of the above

C-17 What is the amount shown on form 1040, Line 20a?

- a. \$10,173
- b. \$0
- c. \$9,374
- d. \$17,377
- e. None of the above

C-18 What is the amount shown on Form 1040, Line 70?

- a. \$0
- b. \$1,008
- c. \$1,501
- d. \$1,341
- e. None of the above

C-19 What is the amount shown on Form 1040, Line 8b? \_\_\_\_\_

C-20 What is the amount shown on Form 1040, Line 9b? \_\_\_\_\_

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



## 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 Required insignia such as rank, epaulets, and decorations are deductible.
- D-2 Private Kent can deduct moving costs associated with a permanent change of station.
- D-3 If a member of the Armed Forces serves in a combat zone from March 1 to November 1, all nine months combat zone pay will be excluded.
- D-4 In order to be deductible, travel expenses must exceed any advance, allowance, or reimbursements.
- D-5 Contributions to a Thrift Savings Plan from pay earned while serving in a combat zone reduces taxable income.
- D-6 Corporal James Greene married an Italian citizen. In 2004, their son was born in Italy. His son meets the citizen/resident test.
- D-7 Airman Smith can file Schedule C-EZ to report his business income of \$40,000 and business expenses of \$5,050.
- D-8 SSGT Martin rents out his former home. He should report the income and expenses on Schedule E.
- D-9 Active duty personnel serving outside of the United States and Puerto Rico are granted an automatic two-month extension.
- D-10 If travel and transportation costs are fully covered by the military, you need to report the transactions on the tax return.
- D-11 All extensions to file (except combat zone) are subject to interest charges on taxes due.
- D-12 Military personnel with spouses who are non-resident aliens may be considered unmarried for purposes of using the filing status Head of Household.
- D-13 Private Thomas has net income of \$450 on his Schedule C-EZ. He needs to file Schedule SE to calculate self-employment tax.
- D-14 Eligibility for the Retirement Savings Contributions Credit is determined by filing status and gross income.

**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-15 Sgt. Jerry Black authorized a dependency allotment of \$150 per month for his mother. Mrs. Black's total support from all sources is \$550 per month. Because all the other dependency tests are met and Sgt. Black has set up an allotment to his mother, he can claim her as a dependent on his return.
- D-16 If illness occurs due to service in a combat zone, the income exclusion continues during the time spent in a hospital outside the combat zone.
- D-17 If a Form 1099MISC is not received, income received must still be claimed on the return.
- D-18 A Schedule E only has to be filed if the house is rented out for more than half of the year.
- D-19 If a service person becomes a prisoner of war, the combat zone exclusion continues.
- D-20 Active duty personnel should send their returns to the service center for where they currently reside rather than their permanent home.
- D-21 If excess travel funds are reimbursed to the government, those funds are reported as income.
- D-22 The filing date for active duty personnel in the United States and Puerto Rico is April 15.
- D-23 The 180-day rule starts the last day in a combat zone or in a hospital.
- D-24 Lori is in the Reserves and she attends training and drills every month that require her to incur travel costs. Lori can deduct the unreimbursed expenses on her tax return.
- D-25 Captain Bennett cannot claim his mother, who is a citizen and resident of Spain, on his tax return.
- D-26 The third-party designee authorization cannot be revoked.
- D-27 Military pay attributable to active service in a combat zone that is excluded from gross income will appear on a serviceperson's Form W-2 in the box marked "Wages, tips, other compensation."
- D-28 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**

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

**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 Deduction for meals, if fully reimbursed, is limited to what percent?
- a. 0
  - b. 10%
  - c. 75%
  - d. 100%
  - e. None of the above
- D-30 Which of the following is a permanent change of station?
- a. A move from the last post of duty to the home of record
  - b. A move from Maxwell AFB to Andersen AFB for a six-month detail
  - c. Both
  - d. Neither
- D-31 Which of the following excess expenses are not deductible?
- a. Packing of household goods
  - b. Renting a trailer to transport household goods
  - c. Meals en-route from one permanent change of station to another
  - d. Automobile expenses from one permanent change of station to another
  - e. None of the above
- D-32 What item is not a qualifying item in a combat zone?
- a. Active Duty pay
  - b. Student loan repayments
  - c. Retirement pay
  - d. Awards for suggestions
  - e. None of the above
- D-33 Is a re-enlistment bonus included as taxable income?
- a. Yes, it is supplemental income
  - b. No, it is not earned income
  - c. Yes, unless occurring while in a combat zone
  - d. No, it is specifically exempt
  - 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**

- D-34 What agency makes the determination whether a medical disability is approved?
- Department of Defense
  - Internal Revenue Service
  - Veterans' Administration
  - Social Security Administration
  - Department of Health and Human Services
- D-35 The maximum amount contributed to all Thrift Savings Plans of a uniformed service member includes:
- 8% of basic pay per period
  - Part or all of incentive, special pay or bonus amounts
  - If over age 50, a catch up amount of \$2,000 in 2004
  - All of the above
  - None of the above
- D-36 To claim a personal exemption for a spouse that is a non-resident alien, the following must be true:
- The spouse must be treated as a resident alien
  - A joint return must be filed the first year
  - The spouse's world-wide income must be reported
  - All the above
  - None of the above
- D-37 What tax year is used when claiming business income for a cash basis taxpayer?
- The year in which the income is used
  - The year when the income was received
  - Whatever tax year is most beneficial to the taxpayer
  - The year in which the business declares a profit
  - 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**

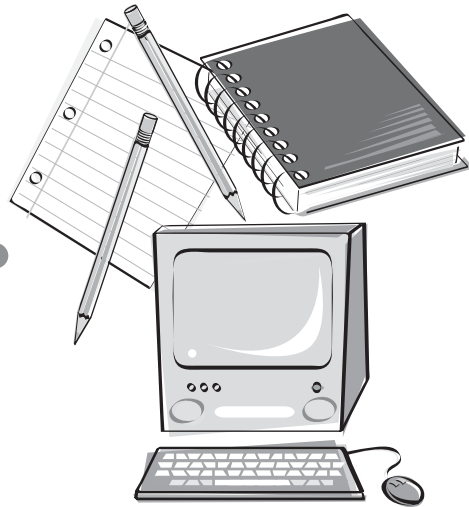
- D-38 Seaman Robert Blue and his wife moved from Naval Station, San Diego to Naval Station, Norfolk. He received a dislocation allowance of \$1,400, mileage allowance of \$500, and per diem allowance of \$300. The allowances were not reported on his W-2. His expenses included: dislocation (\$1,500), travel (\$350), and meals (\$500). Seaman Blue's moving expense deduction is:
- a. \$1,500
  - b. \$1,400
  - c. \$500
  - d. \$350
  - e. 0
- D-39 In which of the following situations must allowances and reimbursements be included in income?
- a. Payment for a do-it-yourself (DITY) permanent change station (PCS) move
  - b. Allowances for dislocation, temporary lodging, and per diem
  - c. Unreturned reimbursements/allowances (other than non-tax allowances) in excess of deductible moving expenses
  - d. All of the above
  - e. None of the above
- D-40 Deadline extensions for combat zone are arrived at:
- a. There is no extension
  - b. 30 days after return
  - c. 180 days after return
  - d. 180 days plus any time remaining from the filing season
  - 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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