

Note. This booklet does not contain any tax forms.

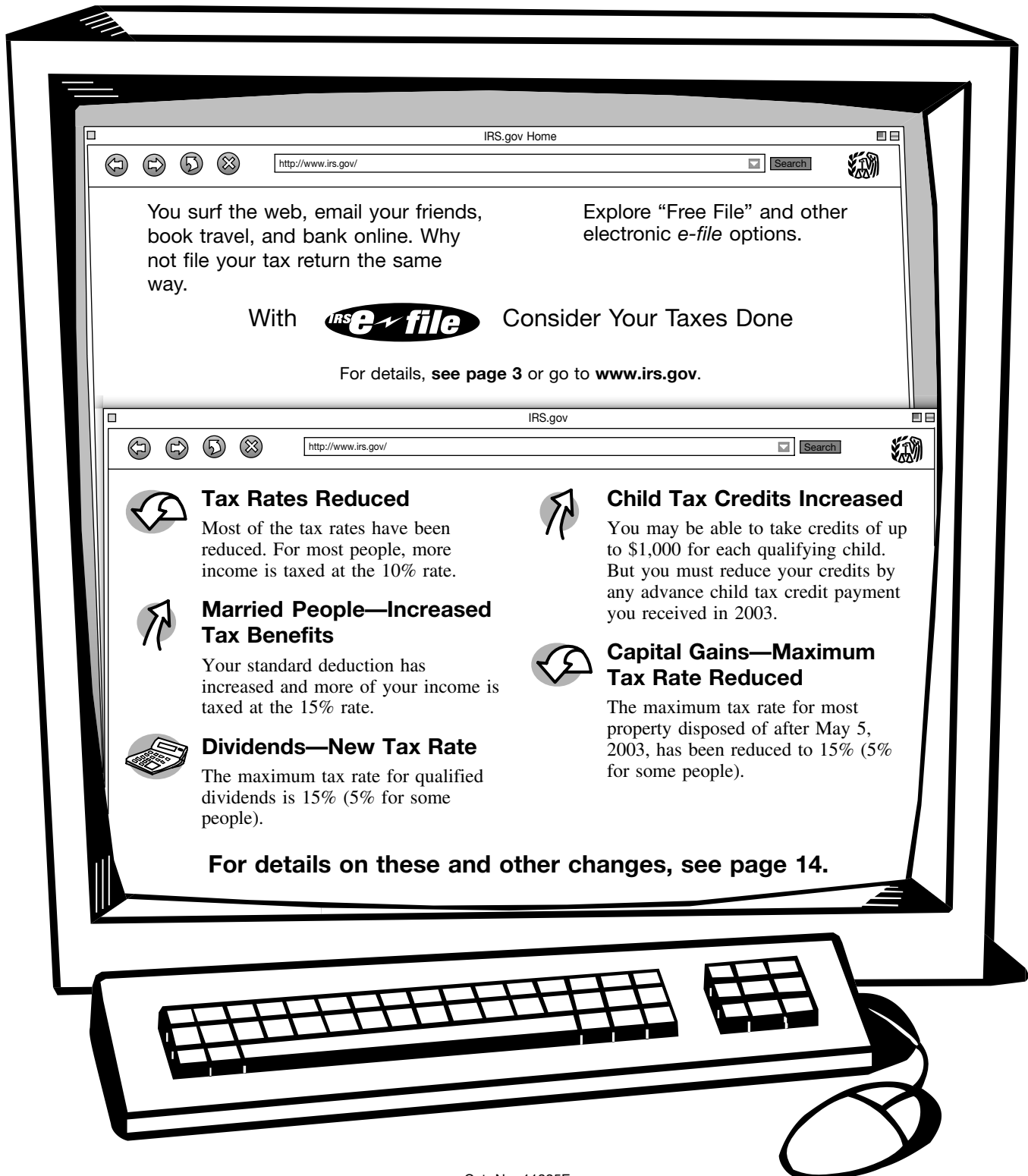


Department of the Treasury
Internal Revenue Service

www.irs.gov

20031040

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



**A Message From
the Commissioner**

Dear Taxpayer,

One of the unique features of our democracy is the generation of tax revenues through a system of individual self-assessment. As President Kennedy wrote in a special message to Congress more than 40 years ago, “The integrity of such a system depends upon the continued willingness of the people honestly and accurately to discharge this annual price of citizenship.” Those words remain as true today as when they were written in 1961.

We at the IRS are committed to helping you understand and meet this important obligation. I want to assure you that, as we review your return, we will hold ourselves to the highest standards of fairness and consistency in determining your compliance with the law.

I also would encourage you to *e-file* your return. IRS *e-file* is fast, safe, and accurate. You can find answers about *e-file*—and indeed many of your other tax questions—at our website at www.irs.gov.

Thank you for taking the time to complete your return and for paying your taxes.

Sincerely,



Mark W. Everson

The IRS Mission

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



consider it done

What is IRS *e-file*?

It's the fastest, easiest and most convenient way to file your income tax return electronically. So easy, 53 million taxpayers preferred *e-file* over filing a paper income tax return last year. For all the details and latest information, visit the IRS website at www.irs.gov/efile.

What are the benefits?

Free File Options!

- At least 60 percent of taxpayers—or 78 million—are eligible to use free commercial online tax preparation software to *e-file*.
- Visit www.irs.gov to see if you qualify and to access these free services offered by the tax software industry (not the IRS).

Fast! Easy! Convenient!

- Get your refund in half the time as paper filers do, even faster and safer with Direct Deposit—in as few as 10 days. See page 56.
- Sign electronically and file a completely paperless return. See page 58.
- Receive an electronic proof of receipt within 48 hours that the IRS received your return.
- If you owe, you can *e-file* and authorize an electronic funds withdrawal or pay by credit card. If you *e-file* before April 15, 2004, you can schedule an electronic funds withdrawal from your checking or savings account as late as April 15, 2004. See page 57.
- Prepare and file your Federal and state returns together and save time.

Accurate! Secure!

- IRS computers quickly and automatically check for errors or other missing information.
- The error rate for *e-filed* returns is less than 1 percent.
- The chance of being audited does not differ whether you *e-file* or file a paper tax return.
- Your bank account information is safeguarded along with other tax return information. The IRS does not have access to credit card numbers.

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

How to *e-file*?

Use an Authorized IRS e-file Provider



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

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

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

Use a Personal Computer



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

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

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

Tax Return Page Reference

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

Label (See instructions on page 19.) **Use the IRS label.** Otherwise, please print or type.

Label 19 (See instructions on page 19.)

For the year Jan. 1–Dec. 31, 2003, or other tax year beginning _____, 2003, ending _____, 20 _____ OMB No. 1545-0074

Your first name and initial _____ Last name _____ Your social security number _____

If a joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

FOR REFERENCE ONLY—DO NOT FILE

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. _____

▲ 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 **19**

2 Married filing jointly (even if only one had income) **20**

3 Married filing separately. Enter spouse's SSN above and full name here. **20**

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. **20**

5 Qualifying widow(er) with dependent child. (See page 20.)

Exemptions

6a **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a

b **Spouse**

c **Dependents:**

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 21)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

d Total number of exemptions claimed No. of 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) **21**

Dependents on 6c not entered above _____
Add numbers on lines above

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 **22**

8a **Taxable** interest. Attach Schedule B if required **22**

8b **Tax-exempt** interest. **Do not** include on line 8a **23**

9a Ordinary dividends. Attach Schedule B if required **23**

9b Qualified dividends (see page 23) **NEW 23**

10 Taxable refunds, credits, or offsets of state and local income taxes (see page 23) **23**

11 Alimony received **24**

12 Business income or (loss). Attach Schedule C or C-EZ **24**

13a Capital gain or (loss). Attach Schedule D if required. If not required, check here **24**

13b If box on 13a is checked, enter post-May 5 capital gain distributions **NEW 25**

14 Other gains or (losses). Attach Form 4797 **25**

15a IRA distributions **15a 25** **25** b Taxable amount (see page 25) **15b 25**

16a Pensions and annuities **16a 25** b Taxable amount (see page 25) **16b 25**

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

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

19 Unemployment compensation **19 27**

20a Social security benefits. **20a 27** b Taxable amount (see page 27) **20b 27**

21 Other income. List type and amount (see page 27) **21 27**

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

Adjusted Gross Income

23 Educator expenses (see page 29) **23 29**

24 IRA deduction (see page 29) **24 29**

25 Student loan interest deduction (see page 31) **25 31**

26 Tuition and fees deduction (see page 32) **26 32**

27 Moving expenses. Attach Form 3903 **27 32**

28 One-half of self-employment tax. Attach Schedule SE **28 32**

29 Self-employed health insurance deduction (see page 33) **29 33**

30 Self-employed SEP, SIMPLE, and qualified plans **30 33**

31 Penalty on early withdrawal of savings **31 33**

32a Alimony paid b Recipient's SSN **32a 33**

33 Add lines 23 through 32a **33 33**

34 Subtract line 33 from line 22. This is your **adjusted gross income** **34 34**

Tax Return Page Reference

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

Tax and Credits

Standard Deduction for—

• People who checked any box on line 36a or 36b or who can be claimed as a dependent, see page 34.

• All others:

Single or Married filing separately, \$4,750

Married filing jointly or Qualifying widow(er), \$9,500

Head of household, \$7,000

34

35	Amount from line 34 (adjusted gross income)		35
36a	Check <input type="checkbox"/> You were born before January 2, 1939, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1939, <input type="checkbox"/> Blind. } checked ▶ 36a		36a
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 (A-1) ▶ 36b <input type="checkbox"/>		36b
37	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		37
38	Subtract line 37 from line 35		38
39	If line 35 is \$104,625 or less, multiply \$3,050 by the total number of exemptions claimed on line 6d. If line 35 is over \$104,625, see the worksheet on page 35		39
40	Taxable income. Subtract line 39 from line 38. If line 39 is more than line 38, enter -0-		40
41	Tax (see page 36). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972		41
42	Alternative minimum tax (see page 38). Attach Form 6251		42
43	Add lines 41 and 42 ▶		43
44	Foreign tax credit. Attach Form 1116 if required	44 (39)	44
45	Credit for child and dependent care expenses. Attach Form 2441	45 (39)	45
46	Credit for the elderly or the disabled. Attach Schedule R	46 (39)	46
47	Education credits. Attach Form 8863	47 (39)	47
48	Retirement savings contributions credit. Attach Form 8880	48 (39)	48
49	Child tax credit (see page 40)	49 (40)	49
50	Adoption credit. Attach Form 8839	50 (42)	50
51	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859	51 (42)	51
52	Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify _____	52 (42)	52
53	Add lines 44 through 52. These are your total credits		53
54	Subtract line 53 from line 43. If line 53 is more than line 43, enter -0- ▶		54

Other Taxes

55	Self-employment tax. Attach Schedule SE		55
56	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137		56
57	Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach Form 5329 if required		57
58	Advance earned income credit payments from Form(s) W-2		58
59	Household employment taxes. Attach Schedule H		59
60	Add lines 54 through 59. This is your total tax ▶		60

Payments

If you have a qualifying child, attach Schedule EIC.

61	Federal income tax withheld from Forms W-2 and 1099	61 (43)	61
62	2003 estimated tax payments and amount applied from 2002 return	62 (43)	62
63	Earned income credit (EIC)	63 (44)	63
64	Excess social security and tier 1 RRTA tax withheld (see page 56)	64 (56)	64
65	Additional child tax credit. Attach Form 8812	65 (56)	65
66	Amount paid with request for extension to file (see page 56)	66 (56)	66
67	Other payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	67 (56)	67
68	Add lines 61 through 67. These are your total payments ▶		68

Refund

Direct deposit? See page 56 and fill in 70b, 70c, and 70d.

69	If line 68 is more than line 60, subtract line 60 from line 68. This is the amount you overpaid		69 (56)
70a	Amount of line 69 you want refunded to you ▶	70a (56)	70a
b	Routing number <input type="text"/>	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d	Account number <input type="text"/>		
71	Amount of line 69 you want applied to your 2004 estimated tax ▶	71 (57)	71

Amount You Owe

72	Amount you owe. Subtract line 68 from line 60. For details on how to pay, see page 57 ▶		72 (57)
73	Estimated tax penalty (see page 58)	73 (58)	73

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 ▶ (58)	Phone no. ▶ ()	Personal identification number (PIN) ▶ <input type="text"/>
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Sign Here

Joint return? See page 20. Keep a copy for your records.

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 ▶ (58)	Date	Your occupation	Daytime phone number () (58)
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

Preparer's signature ▶ (58)	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. ()	

IRS Customer Service Standards

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

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

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

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

Help With Unresolved Tax Issues

Office of the Taxpayer Advocate

Contacting Your Taxpayer Advocate

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

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

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

Handling Your Tax Problems

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

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

Information You Should Be Prepared To Provide

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

How To Contact Your Taxpayer Advocate

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


Quick and Easy Access to Tax Help and Forms

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



Internet

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

-  Access commercial tax preparation and *e-file* services available for FREE to eligible taxpayers
- Find out the amount of advance child tax credit payments you received in 2003
- Check the status of your 2003 refund
- Download forms, instructions, and publications
- Order IRS products online
- See answers to frequently asked tax questions
- Search publications online by topic or keyword
- Figure your withholding allowances using our W-4 calculator
- Send us comments or request help by email
- Sign up to receive local and national tax news by email



Fax

You can get over 100 of the most requested forms and instructions 24 hours a day, 7 days a week, by fax. Just call **703-368-9694** from the telephone connected to the fax machine. See pages 8 and 9 for a list of the items available. For help with transmission problems, call **703-487-4608**.

Long-distance charges may apply.



Mail

You can order forms, instructions, and publications by completing the order blank on page 75. You should receive your order within 10 days after we receive your request.



Walk-In

You can pick up some of the most requested forms, instructions, and publications at many IRS offices, post offices, and libraries. Some grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of reproducible tax forms available to photocopy or print from a CD-ROM.



Phone

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

Forms and Publications

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

TeleTax Topics

Call **1-800-829-4477** to listen to pre-recorded messages covering about 150 tax topics. See pages 11 and 12 for a list of the topics.

Refund Information

You can check the status of your 2003 refund. See page 11 for details.



CD-ROM

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

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

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

You can also get help in other ways— See page 61 for information.

Forms by Fax

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

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	2	Schedules A&B (Form 1040)	Itemized Deductions & Interest and Ordinary Dividends	11330	2
Instr. SS-4		62736	6	Instr. Sch. A&B		24328	8
Form SS-8	Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	5	Schedule C (Form 1040)	Profit or Loss From Business (Sole Proprietorship)	11334	2
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Instr. Sch. C		24329	9
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	4	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	2
Form W-5	Earned Income Credit Advance Payment Certificate	10227	3	Schedule D (Form 1040)	Capital Gains and Losses	11338	2
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	4	Instr. Sch. D		24331	11
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	10424	2
Form W-7P	Application for Preparer Tax Identification Number	26781	1	Schedule E (Form 1040)	Supplemental Income and Loss	11344	2
Form W-9	Request for Taxpayer Identification Number and Certification	10231	4	Instr. Sch. E		24332	6
Instr. W-9	Instructions for the Requester of Form W-9	20479	4	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	2
Form W-9S	Request for Student's or Borrower's Taxpayer Identification Number and Certification	25240	2	Schedule F (Form 1040)	Profit or Loss From Farming	11346	2
Form W-10	Dependent Care Provider's Identification and Certification	10437	1	Instr. Sch. F		17152	6
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Schedule H (Form 1040)	Household Employment Taxes	12187	2
Instr. 709		16784	13	Instr. Sch. H		21451	8
Form 843	Claim for Refund and Request for Abatement	10180	1	Schedule J (Form 1040)	Farm Income Averaging	25513	1
Instr. 843		11200	2	Instr. Sch. J		25514	8
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	2	Schedule R (Form 1040)	Credit for the Elderly or the Disabled	11359	2
Instr. 940		13660	6	Instr. Sch. R		11357	4
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	2	Schedule SE (Form 1040)	Self-Employment Tax	11358	2
Instr. 940-EZ		25947	5	Instr. Sch. SE		24334	4
Form 941	Employer's Quarterly Federal Tax Return	17001	4	Form 1040A	U.S. Individual Income Tax Return	11327	2
Instr. 941		14625	4	Schedule 1 (Form 1040A)	Interest and Ordinary Dividends for Form 1040A Filers	12075	2
Form 941c	Supporting Statement To Correct Information	11242	4	Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	10749	2
Form 990	Return of Organization Exempt From Income Tax	11282	6	Instr. Sch. 2		30139	3
Instr. 990 & 990-EZ	General Instructions for Forms 990 and 990-EZ	22386	16	Schedule 3 (Form 1040A)	Credit for the Elderly or the Disabled for Form 1040A Filers	12064	2
Instr. 990	Specific Instructions for Form 990	50002	19	Instr. Sch. 3		12059	4
Schedule A (Form 990 or 990-EZ)	Organization Exempt Under Section 501(c)(3)	11285	6	Form 1040-ES	Estimated Tax for Individuals	11340	7
Instr. Sch. A		11294	14	Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	11329	2
Form 990-EZ	Short Form Return of Organization Exempt From Income Tax	10642	2	Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5
Instr. 990-EZ	Specific Instructions for Form 990-EZ	50003	9	Instr. 1040NR		11368	41
Form 1040	U.S. Individual Income Tax Return	11320	2	Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	2
Instr. 1040	Line Instructions for Form 1040	11325	40	Instr. 1040NR-EZ		21718	15
Instr. 1040	General Information for Form 1040	24811	24	Form 1040-V	Payment Voucher	20975	2
Tax Table and Tax Rate Sch.	Tax Table and Tax Rate Schedules (Form 1040)	24327	13	Form 1040X	Amended U.S. Individual Income Tax Return	11360	2
				Instr. 1040X		11362	6

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Form 1116	Foreign Tax Credit	11440	2	Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Instr. 1116		11441	16	Form 8283	Noncash Charitable Contributions	62299	2
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Instr. 8283		62730	4
Form 2106	Employee Business Expenses	11700	2	Form 8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	62133	4
Instr. 2106		64188	8	Form 8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	13910	1
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2	Form 8379	Injured Spouse Claim and Allocation	62474	2
Form 2120	Multiple Support Declaration	11712	1	Form 8582	Passive Activity Loss Limitations	63704	3
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	4	Instr. 8582		64294	12
Instr. 2210		63610	5	Form 8586	Low-Income Housing Credit	63987	2
Form 2290	Heavy Highway Vehicle Use Tax Return	11250	3	Form 8606	Nondeductible IRAs	63966	2
Instr. 2290		27231	8	Instr. 8606		25399	8
Form 2441	Child and Dependent Care Expenses	11862	2	Form 8615	Tax for Children Under Age 14 With Investment Income of More Than \$1,500	64113	1
Instr. 2441		10842	3	Instr. 8615		28914	2
Form 2553	Election by a Small Business Corporation	18629	2	Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Instr. 2553		49978	4	Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	4
Form 2555	Foreign Earned Income	11900	3	Form 8809	Request for Extension of Time To File Information Returns	10322	2
Instr. 2555		11901	4	Form 8812	Additional Child Tax Credit	10644	2
Form 2555-EZ	Foreign Earned Income Exclusion	13272	2	Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Instr. 2555-EZ		14623	3	Form 8815	Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989	10822	2
Form 2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return	11958	2	Form 8821	Tax Information Authorization	11596	4
Form 2848	Power of Attorney and Declaration of Representative	11980	2	Form 8822	Change of Address	12081	2
Instr. 2848		11981	4	Form 8824	Like-Kind Exchanges	12311	4
Form 3903	Moving Expenses	12490	2	Form 8829	Expenses for Business Use of Your Home	13232	1
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4	Instr. 8829		15683	4
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2	Form 8839	Qualified Adoption Expenses	22843	2
Form 4506	Request for Copy of Tax Return	41721	2	Instr. 8839		23077	5
Form 4562	Depreciation and Amortization	12906	2	Form 8850	Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits	22851	2
Instr. 4562		12907	12	Instr. 8850		24833	2
Form 4684	Casualties and Thefts	12997	2	Form 8853	Archer MSAs and Long-Term Care Insurance Contracts	24091	2
Instr. 4684		12998	4	Instr. 8853		24188	8
Form 4797	Sales of Business Property	13086	2	Form 8857	Request for Innocent Spouse Relief	24647	4
Instr. 4797		13087	8	Form 8859	District of Columbia First-Time Homebuyer Credit	24779	2
Form 4835	Farm Rental Income and Expenses	13117	2	Form 8862	Information To Claim Earned Income Credit After Disallowance	25145	2
Form 4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141	4	Instr. 8862		25343	2
Form 4952	Investment Interest Expense Deduction	13177	2	Form 8863	Education Credits	25379	4
Form 4972	Tax on Lump-Sum Distributions	13187	4	Form 8880	Credit For Qualified Retirement Savings Contributions	33394	2
Form 5329	Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts	13329	2	Form 8885	Health Coverage Tax Credit	34641	4
Instr. 5329		13330	4	Form 9465	Installment Agreement Request	14842	2
Form 6198	At-Risk Limitations	50012	1				
Instr. 6198		50013	8				
Form 6251	Alternative Minimum Tax—Individuals	13600	2				
Instr. 6251		64277	8				
Form 6252	Installment Sale Income	13601	4				
Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	3				

Partial List of Publications

The following publications are available through the IRS website 24 hours a day, 7 days a week, at www.irs.gov. You can also order publications by calling **1-800-TAX-FORM** (1-800-829-3676) or by completing the order blank on page 75. You should receive your order within 10 days after we receive your request. For a complete list of available publications, see **Pub. 910**.

Pub. No.	Title	Pub. No.	Title
1	Your Rights as a Taxpayer	575	Pension and Annuity Income
3	Armed Forces' Tax Guide	584	Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
17	Your Federal Income Tax (For Individuals)	587	Business Use of Your Home (Including Use by Daycare Providers)
225	Farmer's Tax Guide	590	Individual Retirement Arrangements (IRAs)
334	Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)	593	Tax Highlights for U.S. Citizens and Residents Going Abroad
378	Fuel Tax Credits and Refunds	594	The IRS Collection Process
463	Travel, Entertainment, Gift, and Car Expenses	595	Tax Highlights for Commercial Fishermen
501	Exemptions, Standard Deduction, and Filing Information	596	Earned Income Credit (EIC)
502	Medical and Dental Expenses (Including the Health Coverage Tax Credit)	721	Tax Guide to U.S. Civil Service Retirement Benefits
503	Child and Dependent Care Expenses	901	U.S. Tax Treaties
504	Divorced or Separated Individuals	907	Tax Highlights for Persons With Disabilities
505	Tax Withholding and Estimated Tax	908	Bankruptcy Tax Guide
509	Tax Calendars for 2004	910	Guide To Free Tax Services
514	Foreign Tax Credit for Individuals	911	Direct Sellers
516	U.S. Government Civilian Employees Stationed Abroad	915	Social Security and Equivalent Railroad Retirement Benefits
517	Social Security and Other Information for Members of the Clergy and Religious Workers	919	How Do I Adjust My Tax Withholding?
519	U.S. Tax Guide for Aliens	925	Passive Activity and At-Risk Rules
521	Moving Expenses	926	Household Employer's Tax Guide—For Wages Paid in 2004
523	Selling Your Home	929	Tax Rules for Children and Dependents
524	Credit for the Elderly or the Disabled	936	Home Mortgage Interest Deduction
525	Taxable and Nontaxable Income	946	How To Depreciate Property
526	Charitable Contributions	947	Practice Before the IRS and Power of Attorney
527	Residential Rental Property (Including Rental of Vacation Homes)	950	Introduction to Estate and Gift Taxes
529	Miscellaneous Deductions	954	Tax Incentives for Distressed Communities
530	Tax Information for First-Time Homeowners	967	The IRS Will Figure Your Tax
531	Reporting Tip Income	968	Tax Benefits for Adoption
533	Self-Employment Tax	970	Tax Benefits for Education
535	Business Expenses	971	Innocent Spouse Relief (And Separation of Liability and Equitable Relief)
536	Net Operating Losses (NOLs) for Individuals, Estates, and Trusts	972	Child Tax Credit
537	Installment Sales	1542	Per Diem Rates (For Travel Within the Continental United States)
541	Partnerships	1544	Reporting Cash Payments of Over \$10,000 (Received In a Trade or Business)
544	Sales and Other Dispositions of Assets	1546	The Taxpayer Advocate Service of the IRS—How to Get Help With Unresolved Tax Problems
547	Casualties, Disasters, and Thefts		
550	Investment Income and Expenses (Including Capital Gains and Losses)		
551	Basis of Assets		
552	Recordkeeping for Individuals		
553	Highlights of 2003 Tax Changes		
554	Older Americans' Tax Guide		
555	Community Property		
556	Examination of Returns, Appeal Rights, and Claims for Refund		
559	Survivors, Executors, and Administrators		
561	Determining the Value of Donated Property		
564	Mutual Fund Distributions		
570	Tax Guide for Individuals With Income From U.S. Possessions		

Spanish Language Publications

1SP	Your Rights as a Taxpayer
579SP	How To Prepare Your Federal Income Tax Return
594SP	The IRS Collection Process
596SP	Earned Income Credit
850	English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
1544SP	Reporting Cash Payments of Over \$10,000 (Received In a Trade or Business)

Refund Information

You can check on the status of your 2003 refund if it has been at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). But if you filed **Form 8379** with your return, allow 14 weeks (11 weeks if you filed electronically).

Be sure to have a copy of your 2003 tax return available because you will need to know the filing status and the **exact** whole-dollar amount of your refund. Then, do one of the following.

- Go to www.irs.gov, click on **Where's My Refund** then on **Go Get My Refund Status**.

- Call **1-800-829-4477** for automated refund information and follow the recorded instructions.

- Call **1-800-829-1954** during the hours shown on page 13.



Refunds are sent out weekly on Fridays. If you call to check the status of your refund and are not given the

date it will be issued, please wait until the next week before calling back.

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

What Is TeleTax?

Recorded Tax Information

Recorded tax information is available 24 hours a day, 7 days a week. Select the number of the topic you want to hear. Then, call **1-800-829-4477**. Have paper and pencil handy to take notes.

Topics by Internet

TeleTax topics are also available through the IRS website at www.irs.gov.

TeleTax Topics

All topics are available in Spanish.

Topic No.	Subject
IRS Help Available	
101	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Intro. to Federal taxes for small businesses/self-employed
104	Taxpayer Advocate program—Help for problem situations
105	Public libraries—Tax information and reproducible tax forms
IRS Procedures	
151	Your appeal rights
152	Refunds—How long they should take
153	What to do if you haven't filed your tax return
154	2003 Form W-2 and Form 1099-R—What to do if not received
155	Forms and publications—How to order

Topic No.	Subject
156	Copy of your tax return—How to get one
157	Change of address—How to notify IRS
158	Ensuring proper credit of payments
159	Prior year(s) Form W-2—How to get a copy of
Collection	
201	The collection process
202	What to do if you can't pay your tax
203	Failure to pay child support and Federal nontax and state income tax obligations
204	Offers in compromise
205	Innocent spouse relief (and separation of liability and equitable relief)
Alternative Filing Methods	
251	Electronic signatures
252	Electronic filing
253	Substitute tax forms
254	How to choose a paid tax preparer
255	TeleFile
General Information	
301	When, where, and how to file
302	Highlights of tax changes

Topic No.	Subject
303	Checklist of common errors when preparing your tax return
304	Extensions of time to file your tax return
305	Recordkeeping
306	Penalty for underpayment of estimated tax
307	Backup withholding
308	Amended returns
309	Roth IRA contributions
310	Coverdell education savings accounts
311	Power of attorney information
312	Disclosure authorizations
313	Qualified tuition programs (QTPs)
Filing Requirements, Filing Status, and Exemptions	
351	Who must file?
352	Which form—1040, 1040A, or 1040EZ?
353	What is your filing status?
354	Dependents
355	Estimated tax
356	Decedents
357	Tax information for parents of kidnapped children

(Continued on page 12)

TeleTax Topics

(Continued)

Topic No.	Subject
Types of Income	
401	Wages and salaries
402	Tips
403	Interest received
404	Dividends
405	Refunds of state and local taxes
406	Alimony received
407	Business income
408	Sole proprietorship
409	Capital gains and losses
410	Pensions and annuities
411	Pensions—The general rule and the simplified method
412	Lump-sum distributions
413	Rollovers from retirement plans
414	Rental income and expenses
415	Renting vacation property and renting to relatives
416	Farming and fishing income
417	Earnings for clergy
418	Unemployment compensation
419	Gambling income and expenses
420	Bartering income
421	Scholarship and fellowship grants
422	Nontaxable income
423	Social security and equivalent railroad retirement benefits
424	401(k) plans
425	Passive activities—Losses and credits
426	Other income
427	Stock options
428	Roth IRA distributions
429	Traders in securities (information for Form 1040 filers)
430	Exchange of policyholder interest for stock
431	Sale of assets held for more than 5 years
Adjustments to Income	
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
454	Tax shelters
455	Moving expenses
456	Student loan interest deduction
457	Tuition and fees deduction
458	Educator expense deduction
Itemized Deductions	
501	Should I itemize?
502	Medical and dental expenses
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions

Topic No.	Subject
507	Casualty and theft losses
508	Miscellaneous expenses
509	Business use of home
510	Business use of car
511	Business travel expenses
512	Business entertainment expenses
513	Educational expenses
514	Employee business expenses
515	Casualty, disaster, and theft losses
Tax Computation	
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
555	Ten-year tax option for lump-sum distributions
556	Alternative minimum tax
557	Tax on early distributions from traditional and Roth IRAs
558	Tax on early distributions from retirement plans
Tax Credits	
601	Earned income credit (EIC)
602	Child and dependent care credit
603	Credit for the elderly or the disabled
604	Advance earned income credit
605	Education credits
606	Child tax credits
607	Adoption credit
608	Excess social security and RRTA tax withheld
610	Retirement savings contributions credit
IRS Notices	
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills, penalties, and interest charges
Basis of Assets, Depreciation, and Sale of Assets	
701	Sale of your home
703	Basis of assets
704	Depreciation
705	Installment sales
Employer Tax Information	
751	Social security and Medicare withholding rates
752	Form W-2—Where, when, and how to file
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit

Topic No.	Subject
755	Employer identification number (EIN)—How to apply
756	Employment taxes for household employees
757	Form 941—Deposit requirements
758	Form 941—Employer's Quarterly Federal Tax Return
759	Form 940 and 940-EZ—Deposit requirements
760	Form 940 and Form 940-EZ—Employer's Annual Federal Unemployment Tax Returns
761	Tips—Withholding and reporting
762	Independent contractor vs. employee
Magnetic Media Filers—1099 Series and Related Information Returns	
801	Who must file magnetically
802	Applications, forms, and information
803	Waivers and extensions
804	Test files and combined Federal and state filing
805	Electronic filing of information returns
Tax Information for Aliens and U.S. Citizens Living Abroad	
851	Resident and nonresident aliens
852	Dual-status alien
853	Foreign earned income exclusion—General
854	Foreign earned income exclusion—Who qualifies?
855	Foreign earned income exclusion—What qualifies?
856	Foreign tax credit
857	Individual taxpayer identification number—Form W-7
858	Alien tax clearance

Topic No.	Subject
Tax Information for Puerto Rico Residents (in Spanish only)	
901	Who must file a U.S. income tax return in Puerto Rico
902	Deductions and credits for Puerto Rico filers
903	Federal employment taxes in Puerto Rico
904	Tax assistance for Puerto Rico residents

**Topic numbers are effective
January 1, 2004.**

Calling the IRS

If you cannot answer your question by using one of the methods listed on page 7, please call us for assistance at **1-800-829-1040**. You will not be charged for the call unless your phone company charges you for toll-free calls. Our normal hours of operation are Monday through Friday from 7:00 a.m. to 10:00 p.m. local time. Beginning January 24, 2004, through April 10, 2004, assistance will also be available on Saturday from 10:00 a.m. to 3:00 p.m. local time. Assistance provided to callers from Alaska and Hawaii will be based on the hours of operation in the Pacific time zone.



If you want to check the status of your **2003 refund**, see **Refund Information** on page 11.

Before You Call

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

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

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

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

- Your ZIP code.

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

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

Making the Call

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

- Order tax forms and publications.

- Find out the amount of any advance child tax credit payment you received in 2003.

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

Before You Hang Up

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

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

Before You Fill In Form 1040



For details on these and other changes for 2003 and 2004, see **Pub. 553**.

What's New for 2003?

Tax Rates Reduced. The tax rates of 27%, 30%, 35%, and 38.6% have been reduced to 25%, 28%, 33%, and 35%, respectively. The 10% tax rate applies to the first \$7,000 of taxable income (the first \$10,000 of taxable income if head of household; the first \$14,000 of taxable income if married filing jointly or qualifying widow(er)). These changes are reflected in the Tax Table that begins on page 62 and the Tax Rate Schedules on page 74.

Married People—Increased Tax Benefits. The standard deduction for most joint filers has increased to \$9,500 (twice that of single filers). For most people filing a separate return, the standard deduction has increased to \$4,750 (the same amount as single filers). See the instructions for line 37 that begin on page 34.

Also, the 15% tax bracket for joint filers has been expanded to cover twice the income range as that of single filers. For people filing a separate return, the 15% tax bracket is the same as that of single filers. These changes are reflected in the Tax Table that begins on page 62 and the Tax Rate Schedules on page 74.

Qualifying Widow(er)—Increased Tax Benefits. For most people, the standard deduction has been increased to \$9,500 (twice that of single filers). See the instructions for line 37 that begin on page 34. Also, the 15% tax bracket has been expanded to cover twice the income range as that of single filers. This change is reflected in the Tax Table that begins on page 62 and the Tax Rate Schedules on page 74.

Child Tax Credits Increased. You may be able to take credits of up to \$1,000 for each qualifying child. But you must reduce your credits by any advance child tax credit payment you received in 2003 (see below). For more details, see the instructions for line 49 that begin on page 40.

Advance Child Tax Credit Payment. You must reduce your 2003 child tax credits by any advance child tax credit payment you received in 2003. Enter the amount of any advance payment you received (before offset) on line 2 of your **Child Tax Credit Worksheet**. The amount of your advance payment (before offset) is shown on Notice 1319. This notice was mailed to you in 2003. If you do not have this notice, you can check the amount of your advance payment (before offset) on the IRS website at www.irs.gov or call us at 1-800-829-1040. For details on offsets, see **Refund Offset** on page 56.

See **How To Avoid Common Mistakes** on page 60.

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

If you received an advance payment but did not have a qualifying child for 2003 (see the instructions for line 6c, column (4) on page 21), you do not have to pay back the amount you received. **Do not** enter the amount of your advance payment on your return. If you filed a joint return for 2002, but for 2003 you are not filing a joint return (or a joint return with the same spouse), you are considered to have received one-half of the advance payment.

Dividends—New Tax Rate. The maximum tax rate for qualified dividends is 15% (generally, 5% for people whose other income is taxed at the 10% or 15% rate). See the instructions for line 9b on page 23. Use **Schedule D** or the **Qualified Dividends and Capital Gain Tax Worksheet**, whichever applies, to figure your tax. See the instructions for line 41 that begin on page 36.

Capital Gains—Maximum Tax Rate Reduced. The maximum tax rate for most net capital gain taken into account after May 5, 2003, has been reduced to 15% (generally, 5% for people whose other income is taxed at the 10% or 15% rate). Use **Schedule D** or the **Qualified Dividends and Capital Gain Tax Worksheet**, whichever applies, to figure your tax. See the instructions for line 41 that begin on page 36.

Alternative Minimum Tax Exemption Amount Increased. The alternative minimum tax exemption amount has increased to \$40,250 (\$58,000 if married filing jointly or qualifying widow(er); \$29,000 if married filing separately). These new amounts are reflected in the worksheet for line 42 on page 38.

Archer MSA Deduction. Archer MSA deductions are now reported on line 33. See the instructions for line 33 that begin on page 33.

Child and Dependent Care Credit Increased. You may be able to take a credit of up to \$1,050 for the expenses you paid for the care of one qualifying person; \$2,100 if you paid for the care of two or more qualifying persons. See **Form 2441** for details.

Earned Income Credit. You may be able to take this credit if:

- A child lived with you and you earned less than \$33,692 (\$34,692 if married filing jointly) or
- A child did not live with you and you earned less than \$11,230 (\$12,230 if married filing jointly).

See the instructions for line 63 that begin on page 44.

Lifetime Learning Credit Doubled. The maximum lifetime learning credit for 2003 is \$2,000. See the instructions for line 47 on page 39.

Self-Employed Health Insurance Deduction. You may be able to deduct up to 100% of your health insurance expenses. See the instructions for line 29 on page 33.

IRA Deduction Allowed to More People Covered by Retirement Plans. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2003 modified AGI is less than \$50,000 (\$70,000 if married filing jointly or qualifying widow(er)). See the instructions for line 24 that begin on page 29.

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

Third Party Designee. A third party designee can ask the IRS for copies of notices or transcripts related to your return. Also, the authorization can be revoked. See page 58.

Mailing Your Return. You may be mailing your return to a different address this year because the IRS has changed the filing location for several areas. If you received an envelope with your tax package, please use it. Otherwise, see **Where Do You File?** on the back cover.

What To Look for in 2004

Tuition and Fees Deduction Expanded. You may be able to take a deduction of up to \$4,000 if your 2004 AGI is not more than \$65,000 (\$130,000 if married filing jointly) or a deduction of up to \$2,000 if your 2004 AGI is not more than \$80,000 (\$160,000 if married filing jointly).

Certain Credits No Longer Allowed Against Alternative Minimum Tax (AMT). The credit for child and dependent care expenses, credit for the elderly or the disabled, education credits, mortgage interest credit, and District of Columbia first-time homebuyer credit will no longer be allowed against AMT. However, the child tax credit, adoption credit, and credit for qualified retirement savings contributions will still be allowed against your AMT.

IRA Deduction Allowed to More People Covered by Retirement Plans. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2004 modified AGI is less than \$55,000 (\$75,000 if married filing jointly or qualifying widow(er)).

Standard Mileage Rates. The 2004 rate for business use of your vehicle is 37 ½ cents a mile. The 2004 rate for use of your vehicle to get medical care or to move is 14 cents a mile.

Filing Requirements

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

Do You Have To File?

Use **Chart A, B, or C** to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see **Pub. 570**. Residents of Puerto Rico can use TeleTax topic 901 (see page 11) to see if they must file.



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

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



Have you tried IRS *e-file*?

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

Exception for Children Under Age 14. If you are planning to file a tax return for your child who was under age 14 at the end of 2003 and certain other conditions apply, you can elect to include your child's income on your return. But you must use **Form 8814** to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 11) or see Form 8814.

A child born on January 1, 1990, is considered to be age 14 at the end of 2003. **Do not** use Form 8814 for such a child.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 2003 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65	\$7,800
	65 or older	8,950
Married filing jointly***	under 65 (both spouses)	\$15,600
	65 or older (one spouse)	16,550
	65 or older (both spouses)	17,500
Married filing separately (see page 20)	any age	\$3,050
Head of household (see page 20)	under 65	\$10,050
	65 or older	11,200
Qualifying widow(er) with dependent child (see page 20)	under 65	\$12,550
	65 or older	13,500

* If you were born on January 1, 1939, you are considered to be age 65 at the end of 2003.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States (even if you may exclude part or all of it). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 2003.

*** If you did not live with your spouse at the end of 2003 (or on the date your spouse died) and your gross income was at least \$3,050, you must file a return regardless of your age.

Nonresident Aliens and Dual-Status Aliens. These rules also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 2003 and who have elected to be taxed as resident aliens. Other nonresident aliens and dual-status aliens have different filing requirements. They may have to file **Form 1040NR** or **Form 1040NR-EZ**. Specific rules apply to determine if you are a resident or nonresident alien. See **Pub. 519** for details, including the rules for students and scholars who are aliens.

When Should You File?

Not later than **April 15, 2004**. If you file after this date, you may have to pay interest and penalties. See page 61.

What if You Cannot File on Time?

You can get an automatic 4-month extension if, no later than April 15, 2004, you **either** file for an extension by phone or you file **Form 4868**. For details, including how to file by phone, see Form 4868.



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

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

- You live outside the United States and Puerto Rico **and** your main place of business or post of duty is outside the United States and Puerto Rico.

- You are in military or naval service on duty outside the United States and Puerto Rico.

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

Where Do You File?

See the back cover of this booklet for filing instructions and addresses. For details on using a private delivery service to mail your return or payment, see page 18.

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 21 to find out if someone can claim you as a dependent.)

If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return. In this chart, **unearned income** includes taxable interest, ordinary dividends, and capital gain distributions. **Earned income** includes wages, tips, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.



If your gross income was \$3,050 or more, you usually cannot be claimed as a dependent unless you were under age 19 **or** a student and under age 24. For details, see **Pub. 501**.

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

- No.** You must file a return if **any** of the following apply.
- Your **unearned income** was over \$750.
 - Your **earned income** was over \$4,750.
 - Your **gross income** was more than the **larger** of—
 - \$750 or
 - Your earned income (up to \$4,500) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over \$1,900 (\$3,050 if 65 or older **and** blind).
 - Your earned income was over \$5,900 (\$7,050 if 65 or older **and** blind).
 - Your gross income was more than—

The larger of:	Plus	This amount:
<ul style="list-style-type: none"> • \$750 or • Your earned income (up to \$4,500) plus \$250 	}	\$1,150 (\$2,300 if 65 or older and blind)

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

- No.** You must file a return if **any** of the following apply.
- Your unearned income was over \$750.
 - Your earned income was over \$4,750.
 - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your gross income was more than the **larger** of—
 - \$750 or
 - Your earned income (up to \$4,500) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over \$1,700 (\$2,650 if 65 or older **and** blind).
 - Your earned income was over \$5,700 (\$6,650 if 65 or older **and** blind).
 - Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 - Your gross income was more than—

The larger of:	Plus	This amount:
<ul style="list-style-type: none"> • \$750 or • Your earned income (up to \$4,500) plus \$250 	}	\$950 (\$1,900 if 65 or older and blind)

Chart C—Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2003.

1. You owe any special taxes, such as:
 - Social security and Medicare tax on tips you did not report to your employer,
 - Uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance,
 - Alternative minimum tax,
 - Recapture taxes (see the instructions for lines 41 and 60 on pages 36 and 43), or
 - Tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
2. You received any advance earned income credit (EIC) payments from your employer. These payments are shown in box 9 of your Form W-2.
3. You had net earnings from self-employment of at least \$400.
4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

Where To Report Certain Items From 2003 Forms W-2, 1098, and 1099

 IRS e-file takes the guesswork out of preparing your return. Visit www.irs.gov/efile for details.

If any **Federal income tax withheld** is shown on these forms, include the tax withheld on Form 1040, line 61. If you itemize your deductions and any **state or local income tax withheld** is shown on these forms, include the tax withheld on Schedule A, line 5.

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1) Allocated tips (box 8) Advance EIC payment (box 9) Dependent care benefits (box 10) Adoption benefits (box 12, code T) Employer contributions to an Archer MSA (box 12, code R)	Form 1040, line 7 See Tip income on page 22 Form 1040, line 58 Form 2441, line 12 Form 8839, line 22 Form 8853, line 3b
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1) Points (box 2) } Refund of overpaid interest (box 3)	Schedule A, line 10* Form 1040, line 21, but first see the instructions on Form 1098*
1098-E	Student loan interest (box 1)	See the instructions for Form 1040, line 25, that begin on page 31*
1098-T	Qualified tuition and related expenses (box 1)	See the instructions for Form 1040, line 26, on page 32, or line 47, on page 39
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2) Bartering (box 3) Aggregate profit or (loss) (box 9a) Post-5/5/2003 aggregate profit or (loss) (box 9b)	Schedule D See Pub. 525 Form 6781, line 1, column (b) Form 6781, line 1, column (c)
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Total ordinary dividends (box 1a) Qualified dividends (box 1b) Total capital gain distributions (box 2a) Post-May 5 capital gain distributions (box 2b) Qualified 5-year gain (box 2c) Unrecaptured section 1250 gain (box 2d) Section 1202 gain (box 2e) Collectibles (28%) gain (box 2f) Nontaxable distributions (box 3) Investment expenses (box 5) Foreign tax paid (box 6)	Form 1040, line 9a See the instructions for Form 1040, line 9b, on page 23 Form 1040, line 13a, or, if required, Schedule D, line 13, column (f) Form 1040, line 13b, or, if required, Schedule D, line 13, column (g) See the worksheet for Schedule D, line 35, on page D-10 See the worksheet for Schedule D, line 19, on page D-7 See the instructions for Schedule D See the worksheet for Schedule D, line 20, on page D-8 See the instructions for Form 1040, line 9a, on page 23 Schedule A, line 22 Form 1040, line 44, or Schedule A, line 8
1099-G	Unemployment compensation (box 1) State or local income tax refunds, credits, or offsets (box 2) Taxable grants (box 6) Agriculture payments (box 7)	Form 1040, line 19. But if you repaid any unemployment compensation in 2003, see the instructions for line 19 on page 27. See the instructions for Form 1040, line 10, that begin on page 23* Form 1040, line 21* See the Instructions for Schedule F or Pub. 225
1099-H	HCTC advance payments (box 1)	Form 8885, lines 2 and 6

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

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1) Early withdrawal penalty (box 2) Interest on U.S. savings bonds and Treasury obligations (box 3) Investment expenses (box 5) Foreign tax paid (box 6)	Form 1040, line 8a Form 1040, line 31 See the instructions for Form 1040, line 8a, that begin on page 22 Schedule A, line 22 Form 1040, line 44, or Schedule A, line 8
1099-LTC	Long-term care and accelerated death benefits	See Pub. 502 and the Instructions for Form 8853
1099-MISC	Rents (box 1) Royalties (box 2) Other income (box 3) Nonemployee compensation (box 7) Other (boxes 5, 6, 8, 9, 10, 13, and 14)	See the Instructions for Schedule E Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544) Form 1040, line 21* Schedule C, C-EZ, or F. But if you were not self-employed, see the instructions on Form 1099-MISC. See the instructions on Form 1099-MISC
1099-MSA	Distributions from MSAs**	Form 8853
1099-OID	Original issue discount (box 1) } Other periodic interest (box 2) } Early withdrawal penalty (box 3)	See the instructions on Form 1099-OID Form 1040, line 31
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5) Credits (boxes 6, 7, and 8) Patron's AMT adjustment (box 9)	Schedule C, C-EZ, or F or Form 4835, but first see the instructions on Form 1099-PATR Form 3468, 5884, 8844, 8845, 8861, or 8884 Form 6251, line 26
1099-Q	Qualified education program payments	See the instructions for Form 1040, line 21, that begin on page 27
1099-R	Distributions from IRAs*** Distributions from pensions, annuities, etc. Capital gain (box 3)	See the instructions for Form 1040, lines 15a and 15b, on page 25 See the instructions for Form 1040, lines 16a and 16b, that begin on page 25 See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2) Buyer's part of real estate tax (box 5)	Form 4797, Form 6252, or Schedule D. But if the property was your home, see the Instructions for Schedule D to find out if you must report the sale or exchange. See the instructions for Schedule A, line 6, that begin on page A-2*
<p>* If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.</p> <p>** This includes distributions from Archer and Medicare+Choice MSAs.</p> <p>*** This includes distributions from Roth, SEP, and SIMPLE IRAs.</p>		

Private Delivery Services

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

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

- DHL Worldwide Express (DHL): DHL "Same Day" Service and DHL USA Overnight.

- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.

- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

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



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

Line Instructions for Form 1040



You may be eligible to use FREE online commercial tax preparation software to file your Federal income tax return. Free services are accessible through www.irs.gov or you can buy a software package. You will be asked questions and your return will be prepared based on your answers.

Name and Address

Use the Peel-Off Label

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

Address Change

If the address on your peel-off label is not your current address, cross out your old address and print your new address. If you plan to move after filing your return, see page 60.

Name Change

If you changed your name because of marriage, divorce, etc., be sure to report the change to your local Social Security Administration office **before** filing your return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. See page 60 for more details. If you received a peel-off label, cross out your former name and print your new name.

What if You Do Not Have a Label?

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



If you filed a joint return for 2002 and you are filing a joint return for 2003 with the same spouse, be sure to enter your names and SSNs in the same order as on your 2002 return.

P.O. Box

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

Foreign Address

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

Death of a Taxpayer

See page 61.

Social Security Number (SSN)

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

Check that your SSN on your Forms W-2 and 1099 agrees with your social security card. If not, see page 60 for more details.

IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

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

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

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

Nonresident Alien Spouse

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

Presidential Election Campaign Fund

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

Filing Status

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

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



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

Line 1 Single

You may check the box on line 1 if **any** of the following was true on December 31, 2003.

- You were never married.
- You were legally separated, according to your state law, under a decree of divorce or separate maintenance.
- You were widowed before January 1, 2003, and did not remarry in 2003. But if you have a dependent child, you may be able to use the qualifying widow(er) filing status. See the instructions for line 5 on page 20.

Line 2

Married Filing Jointly

You may check the box on line 2 if **any** of the following is true.

- You were married as of December 31, 2003, even if you did not live with your spouse at the end of 2003.
- Your spouse died in 2003 and you did not remarry in 2003.
- Your spouse died in 2004 before filing a 2003 return.

A husband and wife may file a joint return even if only one had income or if they did not live together all year. However, both persons must sign the return. If you file a joint return for 2003, you may not, after the due date for filing that return, amend it to file as married filing separately.

Joint and Several Tax Liability. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, see **Innocent Spouse Relief** on page 60.

Nonresident Aliens and Dual-Status Aliens. You may be able to file a joint return. See **Pub. 519** for details.

Line 3

Married Filing Separately

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

Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people in community property states. See page 22.



You may be able to file as head of household if you had a child living with you and you lived apart from your spouse during the last 6 months of 2003. See **Married Persons Who Live Apart** on this page.

Line 4

Head of Household

This filing status is for **unmarried** individuals who provide a home for certain other persons. (Some **married persons who live apart** may also qualify. See this page.) You may check the box on line 4 **only if** as of December 31, 2003, you were unmarried or

legally separated (according to your state law) under a decree of divorce or separate maintenance and **either 1 or 2** next applies to you.

1. You paid over half the cost of keeping up a home that was the main home for all of 2003 of your **parent** whom you can claim as a dependent. Your parent did not have to live with you in your home.

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

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

- Your **married** child, adopted child, grandchild, great-grandchild, etc., or stepchild. This child must be your dependent. But if your married child's other parent claims him or her as a dependent under the rules for **Children Who Did Not Live With You Due to Divorce or Separation** on page 21, this child does not have to be your dependent. Enter the child's name on line 4. If you do not enter the name, it will take us longer to process your return.

- Your **foster** child, who must be your dependent.

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

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

Married Persons Who Live Apart. Even if you were not divorced or legally separated in 2003, you may be able to file as head of household. You may check the box on line 4 if **all five** of the following apply.

1. You **must** have lived apart from your spouse for the **last 6 months** of 2003. Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.

2. You file a separate return from your spouse.

3. You paid over half the cost of keeping up your home for 2003.

4. Your home was the main home of your child, adopted child, stepchild, or foster child for more than half of 2003 (if half or less, see the **Exception** on this page).

5. You claim this child as your dependent or the child's other parent claims him or her under the rules for **Children Who Did Not Live With You Due to Divorce or Separation** on page 21. If this child is not your dependent, be sure to enter the child's name on line 4. If you do not enter the name, it will take us longer to process your return.

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

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

Dependent. To find out if someone is your dependent, see the instructions for line 6c on page 21.

Exception. You can count temporary absences, such as for school, vacation, or medical care, as time lived in the home. If the person for whom you kept up a home was born or died in 2003, you may still file as head of household as long as the home was that person's main home for the part of the year he or she was alive.

Line 5

Qualifying Widow(er) With Dependent Child

You may check the box on line 5 and use joint return tax rates for 2003 if **all five** of the following apply.

1. Your spouse died in 2001 or 2002 and you did not remarry in 2003.

2. You have a child, adopted child, stepchild, or foster child whom you claim as a dependent.

3. This child lived in your home for all of 2003. Temporary absences, such as for school, vacation, or medical care, count as time lived in the home.

4. You paid over half the cost of keeping up your home.

5. You could have filed a joint return with your spouse the year he or she died, even if you did not actually do so.

If your spouse died in 2003, you may not file as qualifying widow(er) with dependent child. Instead, see the instructions for line 2 on this page.

Exemptions

You usually can deduct \$3,050 on line 39 for each exemption you can take.

Line 6b

Spouse

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

Line 6c

Dependents

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

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

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

Citizen or Resident Test. The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children. To find out who is a **resident alien**, use TeleTax topic 851 (see page 11) or see **Pub. 519**.

Income Test. The person's gross income must be less than \$3,050. But your child's gross income can be \$3,050 or more if he or she was either (a) **under age 19** at the end of 2003 or (b) **under age 24** at the end of 2003 and was a **student**.

Support Test. You must have provided over half of the person's total support in 2003. But there are two exceptions to this test: One for children of divorced or separated parents and one for persons supported by two or more taxpayers.



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

Line 6c, Column (2)

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



For details on how your dependent can get an SSN, see page 19. If your dependent will not have a number by April 15, 2004, see **What if You Cannot File on Time?** on page 15.

If your dependent child was born and died in 2003 and you do not have an SSN for the child, you may attach a copy of the child's birth certificate instead and enter "Died" in column (2).

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

Line 6c, Column (4)

Check the box in this column if your dependent is a qualifying child for the child tax credit (defined below). If you have a qualifying child, you may be able to take the child tax credit on line 49 and the additional child tax credit on line 65.

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

- Is claimed as your dependent on line 6c, **and**
- Was **under age 17** at the end of 2003, **and**
- 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**
- Is a U.S. citizen or resident alien.

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

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

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

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

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

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

Attach the following pages from the decree or agreement:

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

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

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

Other Dependent Children

Include the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "Dependents on 6c not entered above." Include dependent children who lived in Canada or Mexico during 2003.

Income

Foreign-Source Income

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

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

Foreign Retirement Plans. If you were a beneficiary of a foreign retirement plan, you may have to report the undistributed income earned in your plan. However, if you were the beneficiary of an eligible Canadian retirement plan, you may elect to defer tax on the undistributed income. For details on how to make the election, see Rev. Proc. 2002-23, 2002-1 C.B. 744. Report distributions from foreign pension plans on lines 16a and 16b.

Community Property States

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

Rounding Off to Whole Dollars

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

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

Line 7

Wages, Salaries, Tips, etc.

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

the following types of income must also be included in the total on line 7.

- **Wages received as a household employee** for which you did not receive a Form W-2 because your employer paid you less than \$1,400 in 2003. Also, enter "HSH" and the amount not reported on a Form W-2 on the dotted line next to line 7.

- **Tip income** you did not report to your employer. Also include **allocated tips** shown on your Form(s) W-2 unless you can prove that you received less. Allocated tips should be shown in box 8 of your Form(s) W-2. They are not included as income in box 1. See **Pub. 531** for more details.



You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 56 on

page 42.

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

- **Employer-provided adoption benefits**, which should be shown in box 12 of your Form(s) W-2 with code **T**. You may also be able to exclude amounts if you adopted a child with special needs and the adoption became final in 2003. See the Instructions for Form 8839 to find out if you may exclude part or all of the benefits.

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

- **Excess salary deferrals.** The amount deferred should be shown in box 12 of your Form W-2 and the "Retirement plan" box in box 13 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 2003 under **all** plans was more than \$12,000 (excluding catch-up contributions as explained below), include the excess on line 7. This limit is increased to \$15,000 for section 403(b) plans if you qualify for the 15-year rule in **Pub. 571**.

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

Catch-up contributions. If you were age 50 or older at the end of 2003, your employer may have allowed an additional deferral of up to \$2,000 (\$1,000 for

SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals.



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

- **Disability pensions** shown on **Form 1099-R** if you have not reached the minimum retirement age set by your employer. Disability pensions received after you reach that age and other payments shown on Form 1099-R (other than payments from an IRA*) are reported on lines 16a and 16b. Payments from an IRA are reported on lines 15a and 15b.

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

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

Were You a Statutory Employee?

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

Missing or Incorrect Form W-2?

Your employer is required to provide or send Form W-2 to you no later than February 2, 2004. If you do not receive it by early February, use TeleTax topic 154 (see page 11) to find out what to do. Even if you do not get a Form W-2, you must still report your earnings on line 7. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

Line 8a

Taxable Interest

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

Interest credited in 2003 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial

institution may not have to be included in your 2003 income. For details, see **Pub. 550**.



If you get a 2003 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2003, see Pub. 550.

Line 8b

Tax-Exempt Interest

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

Line 9a

Ordinary Dividends

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

Nontaxable Distributions

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



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

Line 9b

Qualified Dividends

Enter your total qualified dividends on line 9b. Qualified dividends are eligible for a lower tax rate than other ordinary income. Generally, these dividends are shown in box 1b of your Form(s) 1099-DIV. See **Pub. 550** for the definition of **qualified**

dividends if you received dividends not reported on Form 1099-DIV.

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

- Dividends you received as a nominee. See the Instructions for Schedule B.
- Dividends you received on any share of stock that you held for less than 61 days during the 121-day period that began 60 days before the ex-dividend date. The ex-dividend date is the first date following the declaration of a dividend on which the purchaser of a stock is not entitled to receive the next dividend payment. When counting the number of days you held the stock, include the day you disposed of the stock but not the day you acquired it. See the examples below.
- Dividends attributable to periods totaling more than 366 days that you received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. Preferred dividends attributable to periods totaling less than 367 days are subject to the 61-day holding period rule above.
- Dividends on any share of stock to the extent that you are under an obligation (including a short sale) to make related payments with respect to positions in substantially similar or related property.
- Payments in lieu of dividends, but only if you know or have reason to know that the payments are not qualified dividends.

Example 1. You bought 5,000 shares of XYZ Corp. common stock on July 1, 2003. XYZ Corp. paid a cash dividend of 10 cents per share. The ex-dividend date was July 9, 2003. Your Form 1099-DIV from XYZ Corp. shows \$500 in box 1a (ordinary dividends) and in box 1b (qualified dividends). However, you sold the 5,000 shares on August 4, 2003. You held your shares of XYZ Corp. for only 34 days of the 121-day period (from July 2, 2003, through August 4, 2003). The 121-day period began on May 10, 2003 (60 days before the ex-dividend date), and ended on September 7, 2003. You have no qualified dividends from XYZ Corp. because you held the XYZ stock for less than 61 days.

Example 2. Assume the same facts as in Example 1 except that you bought the stock on July 8, 2003 (the day before the ex-dividend date), and you sold the stock on September 9, 2003. You held the stock for 63 days (from July 9, 2003, through September 9, 2003). The \$500 of qualified dividends shown in box 1b of your Form 1099-DIV are all qualified dividends because you held the stock for 61 days of the 121-day period (from July 9, 2003, through September 7, 2003).

Example 3. You bought 10,000 shares of ABC Mutual Fund common stock on July 1, 2003. ABC Mutual Fund paid a cash dividend of 10 cents a share. The ex-dividend date was July 9, 2003. The ABC Mutual Fund advises you that the portion of the dividend eligible to be treated as qualified dividends equals 2 cents per share. Your Form 1099-DIV from ABC Mutual Fund shows total ordinary dividends of \$1,000 and qualified dividends of \$200. However, you sold the 10,000 shares on August 4, 2003. You have no qualified dividends from ABC Mutual Fund because you held the ABC Mutual Fund stock for less than 61 days.



Be sure you use **Schedule D** or the **Qualified Dividends and Capital Gain Tax Worksheet**, whichever applies, to figure your tax. Your tax may be less. See the instructions for line 41 that begin on page 36 for details.

Line 10

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



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

If you received a refund, credit, or offset of state or local income taxes in 2003, you may receive a **Form 1099-G**. If you chose to apply part or all of the refund to your 2003 estimated state or local income tax, the amount applied is treated as received in 2003. If the refund was for a tax you paid in 2002 and you itemized deductions for 2002, use the worksheet on page 24 to see if any of your refund is taxable.

Exception. See **Recoveries** in **Pub. 525** instead of using the worksheet on page 24 if **any** of the following apply.

- You received a refund in 2003 that is for a tax year other than 2002.
- You received a refund other than an income tax refund, such as a real property tax refund, in 2003 of an amount deducted or credit claimed in an earlier year.
- Your 2002 taxable income was less than zero.
- You made your last payment of 2002 estimated state or local income tax in 2003.
- You owed alternative minimum tax in 2002.
- You could not deduct the full amount of credits you were entitled to in 2002 be-

cause the total credits exceeded the amount shown on your 2002 Form 1040, line 44.

- You could be claimed as a dependent by someone else in 2002.

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

1. You had to use the Itemized Deductions Worksheet in the 2002 Schedule A instructions because your 2002 adjusted gross income was over: \$137,300 (\$68,650 if married filing separately).

2. You could not deduct all of the amount on line 1 of the 2002 Itemized Deductions Worksheet.

3. The amount on line 8 of that 2002 worksheet would be more than the amount on line 4 of that worksheet if the amount on line 4 were reduced by 80% of the refund you received in 2003.

Line 11

Alimony Received

Enter amounts received as alimony or separate maintenance. You must let the person who made the payments know your social security number. If you do not, you may have to pay a \$50 penalty. For more details, use TeleTax topic 406 (see page 11) or see **Pub. 504**.

Line 12

Business Income or (Loss)

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

Line 13a

Capital Gain or (Loss)

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

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

- The only amounts you have to report on Schedule D are capital gain distributions from box 2a of **Form(s) 1099-DIV** or substitute statements and post-May 5 capital gain distributions from box 2b.
- None of the Forms 1099-DIV or substitute statements have an amount in box 2c (qualified 5-year gain), box 2d (unrecaptured section 1250 gain), box 2e (section

State and Local Income Tax Refund Worksheet—Line 10

Keep for Your Records



<p>1. Enter the income tax refund from Form(s) 1099-G (or similar statement). But do not enter more than the amount on your 2002 Schedule A (Form 1040), line 5</p>	<p>1. <input style="width: 100%;" type="text"/></p>
<p>2. Enter your total allowable itemized deductions from your 2002 Schedule A (Form 1040), line 28</p>	<p>2. <input style="width: 100%;" type="text"/></p>
<p>Note. If the filing status on your 2002 Form 1040 was married filing separately and your spouse itemized deductions in 2002, skip lines 3, 4, and 5, and enter the amount from line 2 on line 6.</p>	
<p>3. Enter the amount shown below for the filing status claimed on your 2002 Form 1040.</p> <ul style="list-style-type: none"> • Single — \$4,700 • Married filing jointly or qualifying widow(er) — \$7,850 • Married filing separately — \$3,925 • Head of household — \$6,900 	<p>3. <input style="width: 100%;" type="text"/></p>
<p>4. Did you fill in line 37a on your 2002 Form 1040?</p> <p><input type="checkbox"/> No. Enter -0-.</p> <p><input type="checkbox"/> Yes. Multiply the number in the box on line 37a of your 2002 Form 1040 by: \$900 if your 2002 filing status was married filing jointly or separately or qualifying widow(er); \$1,150 if your 2002 filing status was single or head of household.</p>	<p>4. <input style="width: 100%;" type="text"/></p>
<p>5. Add lines 3 and 4</p>	<p>5. <input style="width: 100%;" type="text"/></p>
<p>6. Is the amount on line 5 less than the amount on line 2?</p> <p><input type="checkbox"/> No. None of your refund is taxable.</p> <p><input type="checkbox"/> Yes. Subtract line 5 from line 2</p>	<p>6. <input style="width: 100%;" type="text"/></p>
<p>7. Taxable part of your refund. Enter the smaller of line 1 or line 6 here and on Form 1040, line 10</p>	<p>7. <input style="width: 100%;" type="text"/></p>

1202 gain), or box 2f (collectibles (28% gain)).

- You are not filing **Form 4952** (relating to investment interest expense) **or** if the amount on line 4g of that form includes any qualified dividends, it also includes all of your net capital gain from the disposition of property held for investment.

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



If you do not have to file Schedule D, be sure you use the **Qualified Dividends and Capital Gain Tax Worksheet** on page 37 to figure your tax. Your tax may be less if you use this worksheet.

Line 13b

Post-May 5 Capital Gain Distributions

If you checked the box on line 13a because you are not required to file Schedule D, enter your total post-May 5 capital gain distributions on line 13b. This amount should be shown in box 2b of your **Form(s) 1099-DIV** or substitute statements. Reduce your total post-May 5 capital gain distributions by any post-May 5 capital gain distributions you received as a nominee (see the instructions for line 13a that begin on page 24).

Line 14

Other Gains or (Losses)

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

Lines 15a and 15b IRA Distributions

You should receive a **Form 1099-R** showing the amount of any distribution from your individual retirement arrangement (IRA). Unless otherwise noted in the line

15a and 15b instructions, an IRA includes a traditional IRA, Roth IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Except as provided below, leave line 15a blank and enter the total distribution on line 15b.

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

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

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

If you rolled over the distribution (a) in 2004 or (b) from an IRA into a qualified plan (other than an IRA), attach a statement explaining what you did.

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

- You received a distribution from an IRA (other than a Roth IRA) and you made nondeductible contributions to any of your traditional or SEP IRAs for 2003 or an earlier year. If you made nondeductible contributions to these IRAs for 2003, also see **Pub. 590**.

- You received a distribution from a Roth IRA. But if either **1** or **2** below applies, enter -0- on line 15b; you do not have to see Form 8606 or its instructions.

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

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

- You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2003.

- You had a 2002 or 2003 IRA contribution returned to you, with the related earnings or less any loss, by the due date (including extensions) of your tax return for that year.

- You made excess contributions to your IRA for an earlier year and had them returned to you in 2003.

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

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



You may have to pay an additional tax if (a) you received an early distribution from your IRA and the total was not rolled over or (b) you were born before July 1, 1932, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 57 on page 42 for details.

Lines 16a and 16b Pensions and Annuities

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

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



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

Fully Taxable Pensions and Annuities

If your pension or annuity is fully taxable, enter it on line 16b; **do not** make an entry on line 16a. Your payments are fully taxable if (a) you did not contribute to the cost (see page 27) of your pension or annuity or (b) you got your entire cost back tax free before 2003.

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

Partially Taxable Pensions and Annuities

Enter the total pension or annuity payments you received in 2003 on line 16a. If your Form 1099-R does not show the taxable amount, you must use the General Rule explained in **Pub. 939** to figure the taxable part to enter on line 16b. But if your annuity starting date (defined on page 26) was **after** July 1, 1986, see **Simplified Method** on page 26 to find out if you must use that method to figure the taxable part.

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

(Continued on page 26)

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

Annuity Starting Date

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

Simplified Method

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

- The payments are from a qualified employee plan, a qualified employee annuity, or a tax-sheltered annuity.
- On your annuity starting date, either you were under age 75 or the number of years of guaranteed payments was fewer

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 2003 on Form 1040, line 16a.

1. Enter the total pension or annuity payments received in 2003. Also, enter this amount on Form 1040, line 16a	1.	
2. Enter your cost in the plan at the annuity starting date	2.	
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below	3.	
4. Divide line 2 by the number on line 3	4.	
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was before 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6	5.	
6. Enter the amount, if any, recovered tax free in years after 1986	6.	
7. Subtract line 6 from line 2	7.	
8. Enter the smaller of line 5 or line 7	8.	
9. Taxable amount. Subtract line 8 from line 1. Enter the result, but not less than zero. Also, enter this amount on Form 1040, line 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R	9.	

Table 1 for Line 3 Above

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

Table 2 for Line 3 Above

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

than 5. See Pub. 575 for the definition of guaranteed payments.

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



If you received U.S. Civil Service retirement benefits and you chose the alternative annuity option, see Pub. 721 to figure the taxable part of your annuity. **Do not** use the worksheet on page 26.

Age (or Combined Ages) at Annuity Starting Date

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

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

Cost

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

Rollovers

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

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

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

Lump-Sum Distributions

If you received a lump-sum distribution from a profit-sharing or retirement plan, your Form 1099-R should have the "Total distribution" box in box 2b checked. You

may owe an additional tax if you received an early distribution from a qualified retirement plan and the total amount was not rolled over. For details, see the instructions for line 57 on page 42.

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



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

Line 19 Unemployment Compensation

You should receive a **Form 1099-G** showing the total unemployment compensation paid to you in 2003.

If you received an overpayment of unemployment compensation in 2003 and you repaid any of it in 2003, subtract the amount you repaid from the total amount you received. Enter the result on line 19. Also, enter "Repaid" and the amount you repaid on the dotted line next to line 19. If, in 2003, you repaid unemployment compensation that you included in gross income in an earlier year, you may deduct the amount repaid on **Schedule A**, line 22. But if you repaid more than \$3,000, see **Repayments** in **Pub. 525** for details on how to report the repayment.

Lines 20a and 20b Social Security Benefits

You should receive a **Form SSA-1099** showing in box 3 the total social security benefits paid to you. Box 4 will show the amount of any benefits you repaid in 2003. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**.

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

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

- You made contributions to a traditional IRA for 2003 and you or your spouse were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in **Pub. 590** to see if any of

your social security benefits are taxable and to figure your IRA deduction.

- You repaid any benefits in 2003 and your total repayments (box 4) were more than your total benefits for 2003 (box 3). **None** of your benefits are taxable for 2003. In addition, you may be able to take an itemized deduction for part of the excess repayments if they were for benefits you included in gross income in an earlier year. For more details, see **Pub. 915**.

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

Line 21 Other Income



Do not report on this line any income from **self-employment** or fees received as a notary public. Instead, you **must** use **Schedule C, C-EZ, or F**, even if you do not have any business expenses. Also, **do not** report on line 21 any nonemployee compensation shown on **Form 1099-MISC**. Instead, see the chart on page 18 to find out where to report that income.

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



Do not report any nontaxable amounts on line 21, such as any advance child tax credit payment you received; child support; money or property that was inherited, willed to you, or received as a gift; or life insurance proceeds received because of a person's death.

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

- Taxable distributions from a Coverdell education savings account (ESA). Distributions from a Coverdell ESA may be taxable if (a) they are more than the qualified education expenses of the designated beneficiary in 2003 and (b) they were not included in a qualified rollover. See **Pub. 970**.

(Continued on page 29)

Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

Before you begin:

- Complete Form 1040, lines 21, 23, 24, and 27 through 32a, if they apply to you.
Figure any amount to be entered on the dotted line next to line 33 (see page 33).
If you are married filing separately and you lived apart from your spouse for all of 2003, enter "D" to the right of the word "benefits" on line 20a.
Be sure you have read the Exception on page 27 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.



1. Enter the total amount from box 5 of all your Forms SSA-1099 and Forms RRB-1099. 2. Enter one-half of line 1. 3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 12, 13a, 14, 15b, 16b, 17 through 19, and 21. 4. Enter the amount, if any, from Form 1040, line 8b. 5. Add lines 2, 3, and 4. 6. Enter the total of the amounts from Form 1040, lines 23, 24, and 27 through 32a, plus any amount you entered on the dotted line next to line 33. 7. Is the amount on line 6 less than the amount on line 5? 8. If you are: 9. Is the amount on line 8 less than the amount on line 7? 10. Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2003. 11. Subtract line 10 from line 9. 12. Enter the smaller of line 9 or line 10. 13. Enter one-half of line 12. 14. Enter the smaller of line 2 or line 13. 15. Multiply line 11 by 85% (.85). 16. Add lines 14 and 15. 17. Multiply line 1 by 85% (.85). 18. Taxable social security benefits.



If part of your benefits are taxable for 2003 and they include benefits paid in 2003 that were for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.



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

- Prizes and awards.
- Gambling winnings, including lotteries, raffles, a lump-sum payment from the sale of a right to receive future lottery payments, etc. For details on gambling losses, see the instructions for **Schedule A**, line 27, on page A-6.
- Jury duty fees. Also, see the instructions for line 33 that begin on page 33.
- Alaska Permanent Fund dividends.
- Qualified tuition program earnings. However, you may be able to exclude part or all of the earnings from income if (a) the qualified tuition program was established and maintained by a state (or agency or instrumentality of the state) and (b) any part of the distribution was used to pay qualified higher education expenses. Also, you may be able to exclude part or all of the earnings from income if they were included in a qualified rollover. See Pub. 970.



You may have to pay an additional tax if you received qualified tuition program earnings that are included on line 21. See the Instructions for Form 5329.

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

Adjusted Gross Income

Line 23

Educator Expenses

If you were an eligible educator in 2003, you can deduct up to \$250 of qualified expenses you paid in 2003. If you and your spouse are filing jointly and both of you

were eligible educators, the maximum deduction is \$500. However, neither spouse can deduct more than \$250 of his or her qualified expenses. An **eligible educator** is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year.

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

Qualified expenses **do not** include expenses for home schooling or for nonathletic supplies for courses in health or physical education. You must reduce your qualified expenses by the following amounts.

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

For more details, use TeleTax topic 458 (see page 11).

Line 24 IRA Deduction



If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2003, you **must** report them on **Form 8606**.

If you made contributions to a traditional IRA for 2003, you may be able to take an IRA deduction. But you, or your spouse if filing a joint return, must have had earned income to do so. For IRA purposes, earned income includes certain alimony received. See **Pub. 590** for details. A statement should be sent to you by June 1, 2004, that shows all contributions to your traditional IRA for 2003.

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

- If you were age 70½ or older at the end of 2003, you **cannot** deduct any contributions made to your traditional IRA for 2003 or treat them as nondeductible contributions.

- You **cannot** deduct contributions to a Roth IRA. But you may be able to take the retirement savings contributions credit. See the instructions for line 48 on page 39.



If you made contributions to both a traditional IRA and a Roth IRA for 2003, **do not** use the worksheet on page 30. Instead, use the worksheet in Pub. 590 to figure the amount, if any, of your IRA deduction.

- You **cannot** deduct elective deferrals to a 401(k) plan, section 457 plan, SIMPLE plan, or the Federal Thrift Savings Plan. These amounts are not included as income in box 1 of your Form W-2. But you may be able to take the retirement savings contributions credit. See the instructions for line 48 on page 39.

- If you made contributions to your IRA in 2003 that you deducted for 2002, **do not** include them in the worksheet.

- If you received a distribution from a nonqualified deferred compensation plan or nongovernmental section 457 plan that is included in box 1 of your Form W-2, **do not** include that distribution on line 8 of the worksheet. The distribution should be shown in box 11 of your Form W-2. If it is not, contact your employer for the amount of the distribution.

- You must file a joint return to deduct contributions to your spouse's IRA. Enter the total IRA deduction for you and your spouse on line 24.

- Do not include rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 25.

- Do not include trustees' fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on **Schedule A**.

- If the total of your IRA deduction on line 24 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2003, see Pub. 590 for special rules.



By April 1 of the year after the year in which you turn age 70½, you must start taking minimum required distributions from your traditional IRA. If you do not, you may have to pay a 50% additional tax on

the amount that should have been distributed. For details, including how to figure the minimum required distribution, see Pub. 590.

Were You Covered by a Retirement Plan?

If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, SEP, SIMPLE, etc.) at work or through self-employment, your

IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you cannot deduct them. In any case, the income earned on your IRA contributions is not taxed until it is paid to you.

(Continued on page 31)

IRA Deduction Worksheet—Line 24

Keep for Your Records

<p>Before you begin:</p> <ul style="list-style-type: none"> ✓ Complete Form 1040, lines 27 through 32a, if they apply to you. ✓ Figure any amount to be entered on the dotted line next to line 33 (see page 33). ✓ Be sure you have read the list that begins on page 29. 			
		Your IRA	Spouse's IRA
<p>1a. Were you covered by a retirement plan (see above)?</p>		<p>1a. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p>1b. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>b. If married filing jointly, was your spouse covered by a retirement plan?</p> <p>Next. If you checked "No" on line 1a (and "No" on line 1b if married filing jointly), skip lines 2 through 6, enter \$3,000 (\$3,500 if age 50 or older at the end of 2003) on line 7a (and 7b if applicable), and go to line 8. Otherwise, go to line 2.</p>			
<p>2. Enter the amount shown below that applies to you.</p> <ul style="list-style-type: none"> • Single, head of household, or married filing separately and you lived apart from your spouse for all of 2003, enter \$50,000 • Qualifying widow(er), enter \$70,000 • Married filing jointly, enter \$70,000 in both columns. But if you checked "No" on either line 1a or 1b, enter \$160,000 for the person who was not covered by a plan • Married filing separately and you lived with your spouse at any time in 2003, enter \$10,000 		<p>2a. _____</p>	<p>2b. _____</p>
<p>3. Enter the amount from Form 1040, line 22 3. _____</p>			
<p>4. Enter total of the amounts from Form 1040, lines 23, 27 through 32a, plus any amount you entered on the dotted line next to line 33 4. _____</p>			
<p>5. Subtract line 4 from line 3. Enter the result in both columns 5a. _____ 5b. _____</p>			
<p>6. Is the amount on line 5 less than the amount on line 2?</p> <p><input type="checkbox"/> No. None of your IRA contributions are deductible. For details on nondeductible IRA contributions, see Form 8606.</p> <p><input type="checkbox"/> Yes. Subtract line 5 from line 2 in each column. If the result is \$10,000 or more, enter \$3,000 (\$3,500 if age 50 or older at the end of 2003) on line 7 for that column and go to line 8. Otherwise, go to line 7</p>		<p>6a. _____</p>	<p>6b. _____</p>
<p>7. Multiply lines 6a and 6b by 30% (.30) (or by 35% (.35) in the column for the IRA of a person who is age 50 or older at the end of 2003). If the result is not a multiple of \$10, increase it to the next multiple of \$10 (for example, increase \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200</p>		<p>7a. _____</p>	<p>7b. _____</p>
<p>8. Enter your wages, and your spouses if filing jointly, and other earned income from Form 1040, minus any deductions on Form 1040, lines 28 and 30. Do not reduce wages by any loss from self-employment 8. _____</p>			
<p> If married filing jointly and line 8 is less than \$6,000 (\$6,500 if one spouse is age 50 or older at the end of 2003; \$7,000 if both spouses are age 50 or older at the end of 2003), stop here and see Pub. 590 to figure your IRA deduction.</p>			
<p>9. Enter traditional IRA contributions made, or that will be made by April 15, 2004, for 2003 to your IRA on line 9a and to your spouse's IRA on line 9b</p>		<p>9a. _____</p>	<p>9b. _____</p>
<p>10. On line 10a, enter the smallest of line 7a, 8, or 9a. On line 10b, enter the smallest of line 7b, 8, or 9b. This is the most you can deduct. Add the amounts on lines 10a and 10b and enter the total on Form 1040, line 24. Or, if you want, you may deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)</p>		<p>10a. _____</p>	<p>10b. _____</p>
<p> You may be able to take the retirement savings contributions credit. See the instructions for line 48 on page 39.</p>			

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

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

Married Persons Filing Separately. If you were not covered by a retirement plan but your spouse was, **you** are considered covered by a plan unless you **lived apart** from your spouse for all of 2003.

- Your filing status is any status **except** married filing separately.

- Your modified adjusted gross income (AGI) is less than: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly. Use lines 2 through 4 of the worksheet below to figure your modified AGI.

- You are not claimed as a dependent on someone’s (such as your parent’s) 2003 tax return.

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

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

Qualified Student Loan. This is any loan you took out to pay the qualified higher education expenses for yourself, your spouse, or anyone who was your dependent when the loan was taken out. The person for whom the expenses were paid must have been an eligible student (defined on

page 32). However, a loan is not a qualified student loan if (a) any of the proceeds were used for other purposes or (b) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see Pub. 970.

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

- Employer-provided educational assistance benefits that are not included in box 1 of your Form(s) W-2.
- Excludable U.S. series EE and I savings bond interest from **Form 8815**.
- Nontaxable qualified state tuition

Line 25


Student Loan Interest Deduction

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

- You paid interest in 2003 on a qualified student loan (see this page).

Student Loan Interest Deduction Worksheet—Line 25

Keep for Your Records

Before you begin:		<ul style="list-style-type: none"> ✓ Complete Form 1040, lines 27 through 32a, if they apply to you. ✓ Figure any amount to be entered on the dotted line next to line 33 (see page 33). ✓ See the instructions for line 25 that begin on this page. ✓ Be sure you have read the Exception above to see if you can use this worksheet instead of Pub. 970 to figure your deduction. 	
1.	Enter the total interest you paid in 2003 on qualified student loans (defined above). Do not enter more than \$2,500	1.	<input type="text"/>
2.	Enter the amount from Form 1040, line 22	2.	<input type="text"/>
3.	Enter the total of the amounts from Form 1040, lines 23, 24, 27 through 32a, plus any amount you entered on the dotted line next to line 33	3.	<input type="text"/>
4.	Subtract line 3 from line 2	4.	<input type="text"/>
5.	Enter the amount shown below for your filing status. <ul style="list-style-type: none"> • Single, head of household, or qualifying widow(er)—\$50,000 • Married filing jointly—\$100,000 }	5.	<input type="text"/>
6.	Is the amount on line 4 more than the amount on line 5? <input type="checkbox"/> No. Skip lines 6 and 7, enter -0- on line 8, and go to line 9. <input type="checkbox"/> Yes. Subtract line 5 from line 4	6.	<input type="text"/>
7.	Divide line 6 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	7.	<input type="text"/>
8.	Multiply line 1 by line 7	8.	<input type="text"/>
9.	Student loan interest deduction. Subtract line 8 from line 1. Enter the result here and on Form 1040, line 25. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	9.	<input type="text"/>

program earnings.

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

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

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

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

Line 26

Tuition and Fees Deduction

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

- You paid qualified tuition and fees (see this page) in 2003 for yourself, your spouse, or your dependent(s).
- Your filing status is any status **except** married filing separately.
- Your modified adjusted gross income (AGI) is not more than: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly. Use lines 1 through 3 of the worksheet below to figure your modified AGI.

- You cannot be claimed as a dependent on someone's (such as your parent's) 2003 tax return.
- You are not claiming an education credit for the same student. See the instructions for line 47 on page 39.
- You were a U.S. citizen or resident alien for all of 2003 **or** you were a nonresident alien for any part of 2003 and you are filing a joint return.

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

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

Qualified Tuition and Fees. These are amounts paid in 2003 for tuition and fees **required** for the student's enrollment or attendance at an **eligible educational institution** during 2003. Tuition and fees paid in 2003 for an academic period that **begins** in the first 3 months of 2004 can also be used in figuring your deduction. Amounts paid include those paid by credit card or with borrowed funds. An **eligible educational institution** includes most colleges, universities, and certain vocational schools.

Qualified tuition and fees **do not** include amounts paid for:

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

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

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

For more details, use TeleTax topic 457 (see page 11) or see Pub. 970.

Line 27

Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 50 miles from your old home. Use TeleTax topic 455 (see page 11) or see **Form 3903**.



Line 28

One-Half of Self-Employment Tax

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

Tuition and Fees Deduction Worksheet—Line 26

Keep for Your Records

Before you begin:		<ul style="list-style-type: none"> ✓ Complete Form 1040, lines 27 through 32a, if they apply to you. ✓ Figure any amount to be entered on the dotted line next to line 33 (see page 33). ✓ See the instructions for line 26 above. ✓ Be sure you have read the Exception above to see if you can use this worksheet instead of Pub. 970 to figure your deduction. 	
1.	Enter the amount from Form 1040, line 22	1.	
2.	Enter the total of the amounts from Form 1040, lines 23 through 25, 27 through 32a, plus any amount you entered on the dotted line next to line 33	2.	
3.	Subtract line 2 from line 1. If the result is more than \$65,000 (\$130,000 if married filing jointly),		
	 You cannot take the deduction for tuition and fees	3.	
4.	Tuition and fees deduction. Enter the total qualified tuition and fees (defined above) you paid in 2003. Do not enter more than \$3,000. Also, enter this amount on Form 1040, line 26. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	4.	

Line 29

Self-Employed Health Insurance Deduction

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

- You were self-employed and had a net profit for the year or
- You received wages in 2003 from an S corporation in which you were a more-than-2% shareholder. Health insurance benefits paid for you may be shown in box 14 of your Form W-2.

The insurance plan must be established under your business. But if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 2003, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. For example, if you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction.

For more details, see **Pub. 535**.

Note. If, during 2003, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you **must** complete **Form 8885** before completing the worksheet below. When figuring the amount to enter on line 1 of the worksheet below, **do not** include any

health coverage tax credit advance payments shown in box 1 of **Form 1099-H**. Also, subtract the amount shown on line 4 of Form 8885 (reduced by any advance payments shown on line 6 of that form) from the total insurance premiums you paid.

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

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

- You had more than one source of income subject to self-employment tax.
- You file **Form 2555** or **2555-EZ**.
- You are using amounts paid for qualified long-term care insurance to figure the deduction.

Line 30

Self-Employed SEP, SIMPLE, and Qualified Plans

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

Line 31

Penalty on Early Withdrawal of Savings

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

Lines 32a and 32b

Alimony Paid

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take this deduction. Use TeleTax topic 452 (see page 11) or see **Pub. 504**.

Line 33

Include in the total on line 33 any of the following adjustments. To find out if you can take the deduction, see the form or publication indicated. On the dotted line next to line 33, enter the amount of your deduction and identify it as indicated.

- Archer MSA deduction (see **Form 8853**). Identify as "MSA."
- Deduction for clean-fuel vehicles (see **Pub. 535**). Identify as "Clean-Fuel."
- Performing-arts-related expenses (see **Form 2106** or **2106-EZ**). Identify as "QPA."
- Jury duty pay given to your employer (see **Pub. 525**). Identify as "Jury Pay."
- Deductible expenses related to income reported on line 21 from the rental of

Self-Employed Health Insurance Deduction Worksheet—Line 29

Keep for Your Records

- Before you begin:**
- ✓ Complete Form 1040, line 30, if it applies to you.
 - ✓ If, during 2003, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, see the **Note** above.
 - ✓ Be sure you have read the **Exception** above to see if you can use this worksheet instead of Pub. 535 to figure your deduction.



1. Enter the total amount paid in 2003 for health insurance coverage established under your business for 2003 for you, your spouse, and your dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan	1.	
2. Enter your net profit and any other earned income* from the business under which the insurance plan is established, minus any deductions on Form 1040, lines 28 and 30	2.	
3. Self-employed health insurance deduction. Enter the smaller of line 1 or line 2 here and on Form 1040, line 29. Do not include this amount in figuring any medical expense deduction on Schedule A (Form 1040)	3.	

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

personal property engaged in for profit. Identify as “PPR.”

- Reforestation amortization (see **Pub. 535**). Identify as “RFST.”

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

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

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

- Employee business expenses of fee-basis state or local government officials (see **Form 2106** or **2106-EZ**). Identify as “FBO.”

Line 34

If line 34 is less than zero, you may have a net operating loss that you can carry to another tax year. See the Instructions for Form 1045 for details.

Tax and Credits

Line 36a

If you were born before January 2, 1939, or were blind at the end of 2003, check the appropriate box(es) on line 36a. If you were married and checked the box on line 6b of Form 1040 and your spouse was born

before January 2, 1939, or was blind at the end of 2003, also check the appropriate box(es) for your spouse. Be sure to enter the total number of boxes checked.

Blindness

If you were partially blind as of December 31, 2003, you must get a statement certified by your eye doctor or registered optometrist that:

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

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

You must keep the statement for your records.

Line 36b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 36b. But if you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident at the end of 2003 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

Line 37

Itemized Deductions or Standard Deduction

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

- Itemized deductions or
- Standard deduction.



If you checked the box on **line 36b**, your standard deduction is zero.

Itemized Deductions

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

Standard Deduction

Most people can find their standard deduction by looking at the amounts listed under “All others” to the left of line 37 of Form 1040. But if you, or your spouse if filing jointly, can be claimed as a dependent on someone’s 2003 return or you checked **any** box on **line 36a**, use the worksheet below or the chart on page 35, whichever applies, to figure your standard deduction. Also, if you checked the box on line 36b, your standard deduction is zero, even if you were born before January 2, 1939, or were blind.

Electing To Itemize for State Tax or Other Purposes

If you itemize even though your itemized deductions are less than your standard deduction, enter “IE” on the dotted line next to line 37.


Standard Deduction Worksheet for Dependents—Line 37

Keep for Your Records

Use this worksheet only if someone can claim you, or your spouse if filing jointly, as a dependent.		
1.	Add \$250 to your earned income* . Enter the total	1.
2.	Minimum standard deduction	2. 750.00
3.	Enter the larger of line 1 or line 2	3.
4.	Enter the amount shown below for your filing status. • Single or married filing separately—\$4,750 • Married filing jointly or qualifying widow(er)—\$9,500 • Head of household—\$7,000	4.
5.	Standard deduction.	
a.	Enter the smaller of line 3 or line 4. If born after January 1, 1939, and not blind, stop here and enter this amount on Form 1040, line 37. Otherwise, go to line 5b	5a.
b.	If born before January 2, 1939, or blind, multiply the number on Form 1040, line 36a, by \$950 (\$1,150 if single or head of household)	5b.
c.	Add lines 5a and 5b. Enter the total here and on Form 1040, line 37	5c.
* Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 28.		

Standard Deduction Chart for People Who Were Born Before January 2, 1939, or Were Blind—Line 37




Do not use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead, use the worksheet on page 34.

Enter the number from the box on line 36a of Form 1040  Do not use the number of exemptions from line 6d.

IF your filing status is . . .	AND the number in the box above is . . .	THEN your standard deduction is . . .
Single	1	\$5,900
	2	7,050
Married filing jointly or Qualifying widow(er)	1	\$10,450
	2	11,400
	3	12,350
	4	13,300
Married filing separately	1	\$5,700
	2	6,650
	3	7,600
	4	8,550
Head of household	1	\$8,150
	2	9,300

Deduction for Exemptions Worksheet—Line 39

Keep for Your Records 

- Is the amount on Form 1040, line 35, more than the amount shown on line 4 below for your filing status?
 - No.**  Multiply \$3,050 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on line 39.
 - Yes.** *Continue* 
- Multiply \$3,050 by the total number of exemptions claimed on Form 1040, line 6d **2.**
- Enter the amount from Form 1040, line 35 **3.**
- Enter the amount shown below for your filing status.
 - Single—\$139,500
 - Married filing jointly or qualifying widow(er)—\$209,250
 - Married filing separately—\$104,625
 - Head of household—\$174,400
 } **4.**
- Subtract line 4 from line 3. If the result is more than \$122,500 (\$61,250 if married filing separately),  You **cannot** take a deduction for exemptions **5.**
- Divide line 5 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1) . . . **6.**
- Multiply line 6 by 2% (.02) and enter the result as a decimal **7.**
- Multiply line 2 by line 7 **8.**
- Deduction for exemptions.** Subtract line 8 from line 2. Enter the result here and on Form 1040, line 39 **9.**

Line 41**Tax**

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

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

No. Use one of the following methods to figure your tax. Also include in the total on line 41 any of the following taxes.

- Tax from **Forms 8814** and **4972**. Be sure to check the appropriate box(es).
- Tax from recapture of an education credit. You may owe this tax if **(a)** you claimed an education credit in an earlier year **and (b)** you, your spouse if filing jointly, or your dependent received in 2003 either tax-free educational assistance or a refund of qualified expenses. See **Form 8863** for more details. If you owe this tax, enter the amount and "ECR" on the dotted line next to line 41.

Tax Table or Tax Rate Schedules. If your taxable income is less than \$100,000, you **must** use the Tax Table, that begins on page 62, to figure your tax. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Rate Schedules on page 74.

Exception. Do not use the Tax Table or Tax Rate Schedules to figure your tax if **either** of the following applies.

- You are required to figure your tax using **Form 8615, Schedule D**, or the **Qualified Dividends and Capital Gain Tax Worksheet** on page 37.
- You use **Schedule J** (for farm income) to figure your tax.

Form 8615. Form 8615 must generally be used to figure the tax for any child who was under age 14 at the end of 2003, and who had more than \$1,500 of investment income, such as taxable interest, ordinary dividends, or capital gains (including capital gain distributions). But if neither of the

child's parents was alive at the end of 2003, do not use Form 8615 to figure the child's tax. Also, a child born on January 1, 1990, is considered to be age 14 at the end of 2003. **Do not** use Form 8615 for such a child.

Schedule D. Use Part IV of Schedule D to figure your tax if you are required to file Schedule D **and (a)** you had a net capital gain (both lines 16 and 17a of Schedule D are gains) or **(b)** you have qualified dividends on Form 1040, line 9b.

Qualified Dividends and Capital Gain Tax Worksheet. If you received qualified dividends or capital gain distributions but you are not required to file Schedule D, use the worksheet on page 37 to figure your tax.

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

Qualified Dividends and Capital Gain Tax Worksheet—Line 41

Keep for Your Records

Before you begin:

- ✓ Be sure you do not have to file Schedule D (see the instructions for Form 1040, line 13a, that begin on page 24).
- ✓ If you have capital gain distributions, be sure you checked the box on line 13a of Form 1040.



1. Enter the amount from Form 1040, line 40	1.		
2. Enter the amount from Form 1040, line 9b	2.		
3. Enter the amount from Form 1040, line 13a	3.		
4. Add lines 2 and 3	4.		
5. If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise, enter -0-	5.		
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.		
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.		
8. Enter the smaller of: <ul style="list-style-type: none"> • The amount on line 1 or • \$56,800 if married filing jointly or qualifying widow(er), \$28,400 if single or married filing separately, or \$38,050 if head of household. 	8.		
9. Is the amount on line 7 equal to or more than the amount on line 8? <input type="checkbox"/> Yes. Skip lines 9 through 15; go to line 16 and check the "No" box. <input type="checkbox"/> No. Enter the amount from line 7	9.		
10. Subtract line 9 from line 8	10.		
11. Add the amounts from Form 1040, line 13b, and line 2 above	11.		
12. Enter the smaller of line 10 or line 11	12.		
13. Multiply line 12 by 5% (.05)	13.		
14. Subtract line 12 from line 10. If zero, go to line 16	14.		
15. Multiply line 14 by 10% (.10)	15.		
16. Are the amounts on lines 6 and 10 the same? <input type="checkbox"/> Yes. Skip lines 16 through 25; go to line 26. <input type="checkbox"/> No. Enter the smaller of line 1 or line 6	16.		
17. Enter the amount from line 10 (if line 10 is blank, enter -0-)	17.		
18. Subtract line 17 from line 16	18.		
19. Add the amounts from Form 1040, line 13b, and line 2 above	19.		
20. Enter the amount from line 12 (if line 12 is blank, enter -0-)	20.		
21. Subtract line 20 from line 19	21.		
22. Enter the smaller of line 18 or line 21	22.		
23. Multiply line 22 by 15% (.15)	23.		
24. Subtract line 22 from line 18. If zero, go to line 26	24.		
25. Multiply line 24 by 20% (.20)	25.		
26. Figure the tax on the amount on line 7. Use the Tax Table or Tax Rate Schedules, whichever applies	26.		
27. Add lines 13, 15, 23, 25, and 26	27.		
28. Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies	28.		
29. Tax on all taxable income. Enter the smaller of line 27 or line 28 here and on Form 1040, line 41	29.		

Line 42

Alternative Minimum Tax

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

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

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


- Tax-exempt interest from private activity bonds.
- Intangible drilling, circulation, research, experimental, or mining costs.
- Amortization of pollution-control facilities or depletion.
- Income or (loss) from tax-shelter farm activities or passive activities.
- Income from long-term contracts not figured using the percentage-of-completion method.



- Interest paid on a home mortgage **not** used to buy, build, or substantially improve your home.
- Investment interest expense reported on **Form 4952**.
- Net operating loss deduction.
- Alternative minimum tax adjustments from an estate, trust, electing large partnership, or cooperative.
- Section 1202 exclusion.

(Continued on page 39)

Worksheet To See if You Should Fill in Form 6251—Line 42

Keep for Your Records

Before you begin:	✓	Be sure you have read the Exception above to see if you must fill in Form 6251 instead of using this worksheet.		
	✓	If you are claiming the foreign tax credit (see the instructions for Form 1040, line 44, on page 39), enter that credit on line 44.		

1. Are you filing Schedule A?				
<input type="checkbox"/> Yes. Enter the amount from Form 1040, line 38.	}			1.
<input type="checkbox"/> No. Enter the amount from Form 1040, line 35, and go to line 4				
2. Enter the smaller of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 35.				2.
3. Enter the total of the amounts from Schedule A, lines 9 and 26				3.
4. Add lines 1 through 3 above				4.
5. Enter the amount shown below for your filing status.				
<ul style="list-style-type: none"> • Single or head of household—\$40,250 • Married filing jointly or qualifying widow(er)—\$58,000 • Married filing separately—\$29,000 	}			5.
6. Is the amount on line 4 more than the amount on line 5?				
<input type="checkbox"/> No.  You do not need to fill in Form 6251.				
<input type="checkbox"/> Yes. Subtract line 5 from line 4				6.
7. Enter the amount shown below for your filing status.				
<ul style="list-style-type: none"> • Single or head of household—\$112,500 • Married filing jointly or qualifying widow(er)—\$150,000 • Married filing separately—\$75,000 	}			7.
8. Is the amount on line 4 more than the amount on line 7?				
<input type="checkbox"/> No. Enter the amount from line 6 on line 10 and go to line 11.				
<input type="checkbox"/> Yes. Subtract line 7 from line 4				8.
9. Multiply line 8 by 25% (.25) and enter the result but do not enter more than line 5 above				9.
10. Add lines 6 and 9				10.
11. Is the amount on line 10 more than \$175,000 (\$87,500 if married filing separately)?				
<input type="checkbox"/> Yes.  Fill in Form 6251 to see if you owe the alternative minimum tax.				
<input type="checkbox"/> No. Multiply line 10 by 26% (.26)				11.
12. Enter the amount from Form 1040, line 41, minus the total of any tax from Form 4972 and any amount on Form 1040, line 44				12.
Next. Is the amount on line 11 more than the amount on line 12?				
<input type="checkbox"/> Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.				
<input type="checkbox"/> No. You do not need to fill in Form 6251.				



Form 6251 should be filled in for a child who was under age 14 at the end of 2003 if the child's adjusted gross income from Form 1040, line 35, exceeds the child's earned income by more than \$5,600.

Line 44

Foreign Tax Credit

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

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

1. All of your gross foreign-source income is from interest and dividends and all of that income and the foreign tax paid on it is reported to you on **Form 1099-INT** or **Form 1099-DIV** (or substitute statement).

2. If you have dividend income from shares of stock, you held those shares for at least 16 days.

3. You are not filing **Form 4563** or excluding income from sources within Puerto Rico.

4. The total of your foreign taxes is not more than \$300 (not more than \$600 if married filing jointly).

5. All of your foreign taxes were:

- Legally owed and not eligible for a refund and
- Paid to countries that are recognized by the United States and do not support terrorism.

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

Do you meet all five requirements above?

Yes. Enter on line 44 the **smaller** of your total foreign taxes or the amount on Form 1040, line 41.

No. See Form 1116 to find out if you can take the credit and, if you can, if you have to file Form 1116.

Line 45

Credit for Child and Dependent Care Expenses

You may be able to take this credit if you paid someone to care for your child **under age 13** or your dependent or spouse who could not care for himself or herself. For details, use TeleTax topic 602 (see page 11) or see **Form 2441**.

Line 46

Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 2003 **(a)** you were age 65 or older or **(b)** you retired on **permanent and total disability** and you had taxable disability income. But you usually **cannot** take the credit if the amount on Form 1040, line 35, is \$17,500 or more (\$20,000 or more if married filing jointly and only one spouse is eligible for the credit; \$25,000 or more if married filing jointly and both spouses are eligible; \$12,500 or more if married filing separately). See **Schedule R** and its instructions for details.

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

Line 47

Education Credits

If you (or your dependent) paid qualified expenses in 2003 for yourself, your spouse, or your dependent to enroll in or attend an eligible educational institution, you may be able to take an education credit. See **Form 8863** for details. However, you **cannot** take an education credit if **any** of the following apply.

- You are claimed as a dependent on someone's (such as your parent's) 2003 tax return.
- Your filing status is married filing separately.
- The amount on Form 1040, line 35, is \$51,000 or more (\$103,000 or more if married filing jointly).
- You are taking a deduction for tuition and fees on Form 1040, line 26, for the same student.
- You (or your spouse) were a nonresident alien for any part of 2003 unless your filing status is married filing jointly.

Line 48

Retirement Savings Contributions Credit

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

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

- The amount on Form 1040, line 35, 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, 1986, **(b)** is claimed as a dependent on someone else's 2003 tax return, or **(c)** was a **student** (defined below).

You were a **student** if during any 5 months of 2003 you:

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

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

For more details, use TeleTax topic 610 (see page 11) or see **Form 8880**.

Line 49—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 45, and the earned income credit on Form 1040, line 63.

Four 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 in column (4) of line 6c on Form 1040 for each qualifying child.
- Step 3.** Make sure you know the amount of any advance child tax credit payment you received (before offset) in 2003 (see below).
- Step 4.** 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:

- Is claimed as your dependent on line 6c, **and**
- Was **under age 17** at the end of 2003, **and**
- 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**
- Is a U.S. citizen or resident alien.

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

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.

Advance Child Tax Credit Payment

You must reduce your 2003 child tax credits by any advance child tax credit payment you received in 2003. Enter the amount of any advance payment you received (before offset) on line 2 of your Child Tax Credit Worksheet. The amount of your advance payment (before offset) is shown on **Notice 1319**. This notice was mailed to you in 2003. If you do not have this notice, you can check the amount of your advance payment (before offset) on the IRS website at www.irs.gov or call us at **1-800-829-1040**. For details on offsets, see **Refund Offset** on page 56.

If you filed a joint return for 2002, but for 2003 you are not filing a joint return (or a joint return with the same spouse), you are considered to have received one-half of the advance payment.

Example 1. You filed a joint return for 2002 and received an advance child tax credit payment (before offset) of \$800. You were divorced and are filing using head of household status for 2003. You are considered to have received an advance payment (before offset) of \$400. When figuring your child tax credit for 2003, you would enter \$400 on line 2 of your Child Tax Credit Worksheet.

Example 2. You filed a joint return for 2002 with your wife, Jane. You and Jane received an advance child tax credit payment (before offset) of \$400. In 2003, you and Jane got divorced. After the divorce became final, you married Mary, with whom you are filing a joint return for 2003. Mary filed using head of household status for 2002 and received an advance child tax credit payment (before offset) of \$400. When figuring your child tax credit for 2003, you and Mary would enter \$600 (Mary's \$400 advance payment plus your \$200 advance payment) on line 2 of your Child Tax Credit Worksheet. You would include \$600 on line 2 of the worksheet even if you are claiming only Mary's child.

If you received an advance payment but did not have a qualifying child for 2003, you do not have to pay back the amount you received. Do not enter the amount of your advance payment on your return.

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 35, more than the amount shown below for your filing status?
 - Married filing jointly – \$110,000
 - Single, head of household, or qualifying widow(er) – \$75,000
 - Married filing separately – \$55,000

No. Continue

Yes. You must use Pub. 972 to figure your credit.
3. Are you claiming any of the following credits?
 - Adoption credit, Form 8839 (see the instructions for Form 1040, line 50, on page 42)
 - Mortgage interest credit, Form 8396 (see the instructions for Form 1040, line 51, on page 42)
 - District of Columbia first-time homebuyer credit, Form 8859

No. Use the worksheet on page 41 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 49

Keep for Your Records

Before you begin: ✓ If you received (before offset) an advance child tax credit payment, see **Advance Child Tax Credit Payment** on page 40.



- To be a qualifying child for the child tax credit, the child must be **under age 17** at the end of 2003 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, if any, of your advance child tax credit payment (before offset). For details, see page 40. **2**

3. Is line 1 less than or equal to line 2?

Yes.

You cannot take this credit. If line 2 is more than line 1, you do not have to pay back the difference.

No. Subtract line 2 from line 1.

3

4. Enter the amount from Form 1040, line 43. **4**

5. Enter the total of the amounts from Form 1040, lines 44 through 48. **5**

6. Are the amounts on lines 4 and 5 the same?

Yes.

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

No. Subtract line 5 from line 4.

6

7. Is the amount on line 3 more than the amount on line 6?

Yes. Enter the amount from line 6. Also, you may be able to take the **additional child tax credit**. See the **TIP** below.

This is your child tax credit.

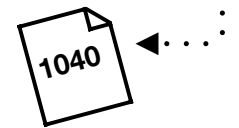
No. Enter the amount from line 3.

7

Enter this amount on Form 1040, line 49.



You may be able to take the **additional child tax credit** on Form 1040, line 65, if you answered “Yes” on line 6 or line 7 above.



- First, complete your Form 1040 through line 64.
- Then, use Form 8812 to figure any additional child tax credit.

Line 50**Adoption Credit**

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

- You paid expenses to adopt a child.
- You adopted a child with special needs and the adoption became final in 2003.

See the Instructions for Form 8839 for details.

Line 51

Include the following credits on line 51 and check the appropriate box(es). To find out if you can take the credit, see the form indicated.

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

Line 52**Other Credits**

Include the following credits on line 52 and check the appropriate box(es). If box **c** is checked, also enter the form number, if applicable. To find out if you can take the credit, see the form or publication indicated.

- Credit for prior year minimum tax. If you paid alternative minimum tax in a prior year, see **Form 8801**.
- Qualified electric vehicle credit. If you placed a new electric vehicle in service in 2003, see **Form 8834**.
- General business credit. This credit consists of a number of credits that usually apply only to individuals who are partners, shareholders in an S corporation, self-employed, or who have rental property. See **Form 3800** or **Pub. 334**.
- Empowerment zone and renewal community employment credit. See **Form 8844**.
- New York Liberty Zone business employee credit. See **Form 8884**.

- Nonconventional source fuel credit. If you sold fuel produced from a nonconventional source, see Internal Revenue Code section 29 to find out if you can take this credit. Attach a schedule showing how you figured the credit. Check box **c** and enter "FNS" on the line to the right of box **c**.

- Qualified zone academy bond credit. This credit applies only to S corporation shareholders. See **Form 8860**.

Other Taxes**Line 56****Social Security and Medicare Tax on Tip Income Not Reported to Employer**

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

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



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

Line 57**Tax on Qualified Plans, Including IRAs, and Other Tax-Favored Accounts**

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

1. You received any early distributions from (a) an IRA or other qualified retirement plan, (b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.
2. Excess contributions were made to your IRAs, Coverdell education savings accounts (ESAs), or Archer MSAs.
3. You received taxable distributions from Coverdell ESAs or qualified tuition programs.
4. You were born before July 1, 1932, and did not take the minimum required distribution from your IRA or other qualified retirement plan.

Exception. If **only** item 1 applies to you **and** distribution code 1 is correctly shown in box 7 of your **Form 1099-R**, you do not have to file Form 5329. Instead, multiply the taxable amount of the distribution by 10% (.10) and enter the result on line 57. The taxable amount of the distribution is the part of the distribution you reported on line 15b or line 16b of Form 1040 or on Form 4972. **Also, put "No" under the heading "Other Taxes" to the left of line 57 to indicate that you do not have to file Form 5329.** But if distribution code 1 is incorrectly shown in box 7 of Form 1099-R, you must file Form 5329.

Line 58**Advance Earned Income Credit Payments**

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

Line 59**Household Employment Taxes**

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

1. You paid **any one** household employee (defined below) cash wages of \$1,400 or more in 2003. Cash wages include wages paid by checks, money orders, etc.
2. You withheld Federal income tax during 2003 at the request of any household employee.
3. You paid **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 2002 or 2003 to household employees.



For item 1, **do not** count amounts paid to an employee who was under age 18 at any time in 2003 and was a student.

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

Line 60

Total Tax

Include in the total on line 60 any of the following taxes. To find out if you owe the tax, see the form or publication indicated. On the dotted line next to line 60, enter the amount of the tax and identify it as indicated.

Recapture of the Following Credits.

- Investment credit (see **Form 4255**). Identify as “ICR.”
- Low-income housing credit (see **Form 8611**). Identify as “LIHCR.”
- Qualified electric vehicle credit (see **Pub. 535**). Identify as “QEVCR.”
- Indian employment credit (see **Form 8845**). Identify as “IECR.”
- New markets credit (see **Form 8874**). Identify as “NMCR.”
- Credit for employer-provided child care facilities (see **Form 8882**). Identify as “ECCFR.”

Recapture of Federal Mortgage Subsidy.

If you sold your home in 2003 and it was financed (in whole or in part) from the proceeds of any tax-exempt qualified mortgage bond or you claimed the mortgage interest credit, see **Form 8828**. Identify as “FMSR.”

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

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

Golden Parachute Payments. If you received an excess parachute payment (EPP), you must pay a 20% tax on it. This tax

should be shown in box 12 of your Form W-2 with code **K**. If you received a **Form 1099-MISC**, the tax is 20% of the EPP shown in box 13. Identify as “EPP.”

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

Payments

Line 61

Federal Income Tax Withheld

Add the amounts shown as Federal income tax withheld on your **Forms W-2, W-2G,** and **1099-R**. Enter the total on line 61. The amount withheld should be shown in box 2 of Form W-2 or W-2G, and in box 4 of Form 1099-R. If line 61 includes amounts withheld as shown on Form 1099-R, attach the Form 1099-R to the front of your return.

If you received a 2003 Form 1099 showing Federal income tax withheld on dividends, interest income, unemployment compensation, social security benefits, or other income you received, include the amount withheld in the total on line 61. This should be shown in box 4 of the Form 1099 or box 6 of **Form SSA-1099**.

Line 62

2003 Estimated Tax Payments

Enter any estimated Federal income tax payments you made using **Form 1040-ES**

for 2003. Include any overpayment from your 2002 return that you applied to your 2003 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, you can divide the amount paid in any way you choose as long as you both agree. If you cannot agree, you must divide the payments in proportion to each spouse’s individual tax as shown on your separate returns for 2003. For an example of how to do this, see **Pub. 505**. Be sure to show both social security numbers (SSNs) in the space provided on the separate returns. If you or your spouse paid separate estimated tax but you are now filing a joint return, add the amounts you each paid. Follow these instructions even if your spouse died in 2003 or in 2004 before filing a 2003 return.

Divorced Taxpayers

If you got divorced in 2003 and you made joint estimated tax payments with your former spouse, put your former spouse’s SSN in the space provided on the front of Form 1040. If you were divorced and remarried in 2003, put your present spouse’s SSN in the space provided on the front of Form 1040. Also, under the heading “**Payments**” to the left of line 62, put your former spouse’s SSN, followed by “DIV.”

Name Change

If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040. On the statement, explain all the payments you and your spouse made in 2003 and the name(s) and SSN(s) under which you made them.

Line 63 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 2003:
 - 2 children lived with you, is the amount on Form 1040, line 35, less than \$33,692 (\$34,692 if married filing jointly)?
 - 1 child lived with you, is the amount on Form 1040, line 35, less than \$29,666 (\$30,666 if married filing jointly)?
 - No children lived with you, is the amount on Form 1040, line 35, less than \$11,230 (\$12,230 if married filing jointly)?

Yes. Continue **No. STOP**
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. STOP**
You cannot take the credit. Put "No" on the dotted line next to line 63.
- Is your filing status married filing separately?

Yes. STOP **No. Continue**

You cannot take the credit.
- Are you filing Form 2555 or 2555-EZ (relating to foreign earned income)?

Yes. STOP **No. Continue**

You cannot take the credit.
- Were you a nonresident alien for any part of 2003?

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 13a*	+	_____

Investment Income =

*Do not include if line 13a is a loss.

- Is your investment income more than \$2,600?

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. STOP**
You cannot take the credit.
- Do any of the following apply for 2003?
 - 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 2003?

Yes. Go to Step 3 on page 45. **No. Go to Step 4 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 2003...

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 2003.

If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 46.

Note. If the child was married, see page 47.

1. Look at the qualifying child conditions above. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2003?

- Yes.** You cannot take the credit. Put "No" on the dotted line next to line 63.
- No.** *Continue*

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

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

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2003?

- 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 2003. *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 2003?

- Yes.** You cannot take the credit. Put "No" on the dotted line next to line 63.
- No.** *Continue*

2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2003 tax return?

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

3. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2003?

- 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 2003? 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 63.

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 line 7 of Form 1040).
- Amount received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (put "DFC" and the amount subtracted on the dotted line next to line 7 of Form 1040). This amount may be shown in box 11 of your 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.

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 \$33,692 (\$34,692 if married filing jointly)?
- 1 qualifying child, is your earned income less than \$29,666 (\$30,666 if married filing jointly)?
- No qualifying children, is your earned income less than \$11,230 (\$12,230 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 line 3 of Step 5.

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

1. Put "Clergy" on the dotted line next to line 63 of Form 1040.
2. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
3. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 5, line 2.
4. Be sure to answer "Yes" on line 3 of Step 5.

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

1. Put "EIC" on the dotted line next to line 63 of Form 1040.
2. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see Form 8862, Who Must File below.

Exception to "Time Lived With You" Condition. A child is considered to have lived with you for all of 2003 if the child was born or died in 2003 and your home was this child's home for the entire time he or she was alive in 2003. 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 13a, 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.

- 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.
 - 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).

(Continued on page 47)

Continued from page 46

Married Child. A child who was married at the end of 2003 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 2003. 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 2003.
- 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 2003.

The child must have a valid social security number as defined on this page unless the child was born and died in 2003. If you do not

have a qualifying child, stop; you cannot take the EIC. Put "No" on the dotted line next to line 63. 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 2003. 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 19. If you will not have an SSN by April 15, 2004, see What if You Cannot File on Time? on page 15.

Student. A child who during any 5 months of 2003:

- 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 63

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	
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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 63.

3. Enter the amount from Form 1040, line 35.

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 \$6,250 (\$7,250 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 3 less than \$13,750 (\$14,750 if married filing jointly)?

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

No. Look up the amount on line 3 in the EIC Table on pages 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.

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

5	
----------	--

Part 3

Your Earned Income Credit

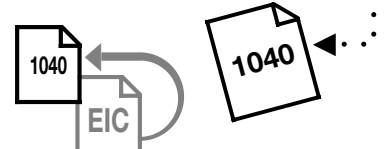
6. This is your earned income credit.

6	
----------	--

Enter this amount on Form 1040, line 63.

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 2003.

Worksheet B—Earned Income Credit (EIC)—Line 63

Keep for Your Records

Use this worksheet if you were self-employed, or you are filing Schedule SE because you were a member of the clergy or you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee.



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

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

Part 2 Self-Employed NOT Required To File Schedule SE <small>For example, your net earnings from self-employment were less than \$400.</small>	2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.		
	a. Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a*.	2a	
	b. Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9*.	+ 2b	
	c. Combine lines 2a and 2b.	= 2c	

*If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule SE, Section A. Put your name and social security number on Schedule SE and attach it to your return.

Part 3 Statutory Employees Filing Schedule C or C-EZ	3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.	3	
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Part 4 All Filers Using Worksheet B <small>Note. If line 4b includes income on which you should have paid self-employment tax but did not, we may reduce your credit by the amount of self-employment tax not paid.</small>	4a. Enter your earned income from Step 5 on page 46.	4a	
	b. Combine lines 1e, 2c, 3, and 4a. This is your total earned income.	4b	
	5. If you have: <ul style="list-style-type: none"> ● 2 or more qualifying children, is line 4b less than \$33,692 (\$34,692 if married filing jointly)? ● 1 qualifying child, is line 4b less than \$29,666 (\$30,666 if married filing jointly)? ● No qualifying children, is line 4b less than \$11,230 (\$12,230 if married filing jointly)? <input type="checkbox"/> Yes. If you want the IRS to figure your credit, see page 46. <i>If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 50).</i>		

No. You cannot take the credit. Put "No" on the dotted line next to line 63.

(Continued on page 50)

Worksheet B—Continued from page 49


Keep for Your Records

Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4b, on page 49. 6

7. Look up the amount on line 6 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. 7

If line 7 is zero,  You cannot take the credit. Put “No” on the dotted line next to line 63.

8. Enter the amount from Form 1040, line 35. 8

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

Part 6

Filers Who Answered “No” on Line 9

10. If you have:

- No qualifying children, is the amount on line 8 less than \$6,250 (\$7,250 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 8 less than \$13,750 (\$14,750 if married filing jointly)?

Yes. Leave line 10 blank; enter the amount from line 7 on line 11.

No. Look up the amount on line 8 in the EIC Table on pages 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. 10

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

Part 7

Your Earned Income Credit

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

Reminder—

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



If your EIC for a year after 1996 was reduced or disallowed, see page 46 to find out if you must file Form 8862 to take the credit for 2003.

2003 Earned Income Credit (EIC) Table

Caution. This is not a tax table.

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

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

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

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

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children			No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
\$1	\$50	\$2	\$9	\$10	\$2	\$9	\$10	3,000	3,050	231	1,029	1,210	231	1,029	1,210
50	100	6	26	30	6	26	30	3,050	3,100	235	1,046	1,230	235	1,046	1,230
100	150	10	43	50	10	43	50	3,100	3,150	239	1,063	1,250	239	1,063	1,250
150	200	13	60	70	13	60	70	3,150	3,200	243	1,080	1,270	243	1,080	1,270
200	250	17	77	90	17	77	90	3,200	3,250	247	1,097	1,290	247	1,097	1,290
250	300	21	94	110	21	94	110	3,250	3,300	251	1,114	1,310	251	1,114	1,310
300	350	25	111	130	25	111	130	3,300	3,350	254	1,131	1,330	254	1,131	1,330
350	400	29	128	150	29	128	150	3,350	3,400	258	1,148	1,350	258	1,148	1,350
400	450	33	145	170	33	145	170	3,400	3,450	262	1,165	1,370	262	1,165	1,370
450	500	36	162	190	36	162	190	3,450	3,500	266	1,182	1,390	266	1,182	1,390
500	550	40	179	210	40	179	210	3,500	3,550	270	1,199	1,410	270	1,199	1,410
550	600	44	196	230	44	196	230	3,550	3,600	273	1,216	1,430	273	1,216	1,430
600	650	48	213	250	48	213	250	3,600	3,650	277	1,233	1,450	277	1,233	1,450
650	700	52	230	270	52	230	270	3,650	3,700	281	1,250	1,470	281	1,250	1,470
700	750	55	247	290	55	247	290	3,700	3,750	285	1,267	1,490	285	1,267	1,490
750	800	59	264	310	59	264	310	3,750	3,800	289	1,284	1,510	289	1,284	1,510
800	850	63	281	330	63	281	330	3,800	3,850	293	1,301	1,530	293	1,301	1,530
850	900	67	298	350	67	298	350	3,850	3,900	296	1,318	1,550	296	1,318	1,550
900	950	71	315	370	71	315	370	3,900	3,950	300	1,335	1,570	300	1,335	1,570
950	1,000	75	332	390	75	332	390	3,950	4,000	304	1,352	1,590	304	1,352	1,590
1,000	1,050	78	349	410	78	349	410	4,000	4,050	308	1,369	1,610	308	1,369	1,610
1,050	1,100	82	366	430	82	366	430	4,050	4,100	312	1,386	1,630	312	1,386	1,630
1,100	1,150	86	383	450	86	383	450	4,100	4,150	316	1,403	1,650	316	1,403	1,650
1,150	1,200	90	400	470	90	400	470	4,150	4,200	319	1,420	1,670	319	1,420	1,670
1,200	1,250	94	417	490	94	417	490	4,200	4,250	323	1,437	1,690	323	1,437	1,690
1,250	1,300	98	434	510	98	434	510	4,250	4,300	327	1,454	1,710	327	1,454	1,710
1,300	1,350	101	451	530	101	451	530	4,300	4,350	331	1,471	1,730	331	1,471	1,730
1,350	1,400	105	468	550	105	468	550	4,350	4,400	335	1,488	1,750	335	1,488	1,750
1,400	1,450	109	485	570	109	485	570	4,400	4,450	339	1,505	1,770	339	1,505	1,770
1,450	1,500	113	502	590	113	502	590	4,450	4,500	342	1,522	1,790	342	1,522	1,790
1,500	1,550	117	519	610	117	519	610	4,500	4,550	346	1,539	1,810	346	1,539	1,810
1,550	1,600	120	536	630	120	536	630	4,550	4,600	350	1,556	1,830	350	1,556	1,830
1,600	1,650	124	553	650	124	553	650	4,600	4,650	354	1,573	1,850	354	1,573	1,850
1,650	1,700	128	570	670	128	570	670	4,650	4,700	358	1,590	1,870	358	1,590	1,870
1,700	1,750	132	587	690	132	587	690	4,700	4,750	361	1,607	1,890	361	1,607	1,890
1,750	1,800	136	604	710	136	604	710	4,750	4,800	365	1,624	1,910	365	1,624	1,910
1,800	1,850	140	621	730	140	621	730	4,800	4,850	369	1,641	1,930	369	1,641	1,930
1,850	1,900	143	638	750	143	638	750	4,850	4,900	373	1,658	1,950	373	1,658	1,950
1,900	1,950	147	655	770	147	655	770	4,900	4,950	377	1,675	1,970	377	1,675	1,970
1,950	2,000	151	672	790	151	672	790	4,950	5,000	382	1,692	1,990	382	1,692	1,990
2,000	2,050	155	689	810	155	689	810	5,000	5,050	382	1,709	2,010	382	1,709	2,010
2,050	2,100	159	706	830	159	706	830	5,050	5,100	382	1,726	2,030	382	1,726	2,030
2,100	2,150	163	723	850	163	723	850	5,100	5,150	382	1,743	2,050	382	1,743	2,050
2,150	2,200	166	740	870	166	740	870	5,150	5,200	382	1,760	2,070	382	1,760	2,070
2,200	2,250	170	757	890	170	757	890	5,200	5,250	382	1,777	2,090	382	1,777	2,090
2,250	2,300	174	774	910	174	774	910	5,250	5,300	382	1,794	2,110	382	1,794	2,110
2,300	2,350	178	791	930	178	791	930	5,300	5,350	382	1,811	2,130	382	1,811	2,130
2,350	2,400	182	808	950	182	808	950	5,350	5,400	382	1,828	2,150	382	1,828	2,150
2,400	2,450	186	825	970	186	825	970	5,400	5,450	382	1,845	2,170	382	1,845	2,170
2,450	2,500	189	842	990	189	842	990	5,450	5,500	382	1,862	2,190	382	1,862	2,190
2,500	2,550	193	859	1,010	193	859	1,010	5,500	5,550	382	1,879	2,210	382	1,879	2,210
2,550	2,600	197	876	1,030	197	876	1,030	5,550	5,600	382	1,896	2,230	382	1,896	2,230
2,600	2,650	201	893	1,050	201	893	1,050	5,600	5,650	382	1,913	2,250	382	1,913	2,250
2,650	2,700	205	910	1,070	205	910	1,070	5,650	5,700	382	1,930	2,270	382	1,930	2,270
2,700	2,750	208	927	1,090	208	927	1,090	5,700	5,750	382	1,947	2,290	382	1,947	2,290
2,750	2,800	212	944	1,110	212	944	1,110	5,750	5,800	382	1,964	2,310	382	1,964	2,310
2,800	2,850	216	961	1,130	216	961	1,130	5,800	5,850	382	1,981	2,330	382	1,981	2,330
2,850	2,900	220	978	1,150	220	978	1,150	5,850	5,900	382	1,998	2,350	382	1,998	2,350
2,900	2,950	224	995	1,170	224	995	1,170	5,900	5,950	382	2,015	2,370	382	2,015	2,370
2,950	3,000	228	1,012	1,190	228	1,012	1,190	5,950	6,000	382	2,032	2,390	382	2,032	2,390

(Continued on page 52)

2003 Earned Income Credit (EIC) Table—Continued (Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children			No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
6,000	6,050	382	2,049	2,410	382	2,049	2,410	9,500	9,550	130	2,547	3,810	207	2,547	3,810
6,050	6,100	382	2,066	2,430	382	2,066	2,430	9,550	9,600	127	2,547	3,830	203	2,547	3,830
6,100	6,150	382	2,083	2,450	382	2,083	2,450	9,600	9,650	123	2,547	3,850	199	2,547	3,850
6,150	6,200	382	2,100	2,470	382	2,100	2,470	9,650	9,700	119	2,547	3,870	195	2,547	3,870
6,200	6,250	382	2,117	2,490	382	2,117	2,490	9,700	9,750	115	2,547	3,890	192	2,547	3,890
6,250	6,300	379	2,134	2,510	382	2,134	2,510	9,750	9,800	111	2,547	3,910	188	2,547	3,910
6,300	6,350	375	2,151	2,530	382	2,151	2,530	9,800	9,850	107	2,547	3,930	184	2,547	3,930
6,350	6,400	371	2,168	2,550	382	2,168	2,550	9,850	9,900	104	2,547	3,950	180	2,547	3,950
6,400	6,450	368	2,185	2,570	382	2,185	2,570	9,900	9,950	100	2,547	3,970	176	2,547	3,970
6,450	6,500	364	2,202	2,590	382	2,202	2,590	9,950	10,000	96	2,547	3,990	173	2,547	3,990
6,500	6,550	360	2,219	2,610	382	2,219	2,610	10,000	10,050	92	2,547	4,010	169	2,547	4,010
6,550	6,600	356	2,236	2,630	382	2,236	2,630	10,050	10,100	88	2,547	4,030	165	2,547	4,030
6,600	6,650	352	2,253	2,650	382	2,253	2,650	10,100	10,150	85	2,547	4,050	161	2,547	4,050
6,650	6,700	348	2,270	2,670	382	2,270	2,670	10,150	10,200	81	2,547	4,070	157	2,547	4,070
6,700	6,750	345	2,287	2,690	382	2,287	2,690	10,200	10,250	77	2,547	4,090	153	2,547	4,090
6,750	6,800	341	2,304	2,710	382	2,304	2,710	10,250	10,300	73	2,547	4,110	150	2,547	4,110
6,800	6,850	337	2,321	2,730	382	2,321	2,730	10,300	10,350	69	2,547	4,130	146	2,547	4,130
6,850	6,900	333	2,338	2,750	382	2,338	2,750	10,350	10,400	65	2,547	4,150	142	2,547	4,150
6,900	6,950	329	2,355	2,770	382	2,355	2,770	10,400	10,450	62	2,547	4,170	138	2,547	4,170
6,950	7,000	326	2,372	2,790	382	2,372	2,790	10,450	10,500	58	2,547	4,190	134	2,547	4,190
7,000	7,050	322	2,389	2,810	382	2,389	2,810	10,500	10,550	54	2,547	4,204	130	2,547	4,204
7,050	7,100	318	2,406	2,830	382	2,406	2,830	10,550	10,600	50	2,547	4,204	127	2,547	4,204
7,100	7,150	314	2,423	2,850	382	2,423	2,850	10,600	10,650	46	2,547	4,204	123	2,547	4,204
7,150	7,200	310	2,440	2,870	382	2,440	2,870	10,650	10,700	42	2,547	4,204	119	2,547	4,204
7,200	7,250	306	2,457	2,890	382	2,457	2,890	10,700	10,750	39	2,547	4,204	115	2,547	4,204
7,250	7,300	303	2,474	2,910	379	2,474	2,910	10,750	10,800	35	2,547	4,204	111	2,547	4,204
7,300	7,350	299	2,491	2,930	375	2,491	2,930	10,800	10,850	31	2,547	4,204	107	2,547	4,204
7,350	7,400	295	2,508	2,950	371	2,508	2,950	10,850	10,900	27	2,547	4,204	104	2,547	4,204
7,400	7,450	291	2,525	2,970	368	2,525	2,970	10,900	10,950	23	2,547	4,204	100	2,547	4,204
7,450	7,500	287	2,542	2,990	364	2,542	2,990	10,950	11,000	20	2,547	4,204	96	2,547	4,204
7,500	7,550	283	2,559	3,010	360	2,559	3,010	11,000	11,050	16	2,547	4,204	92	2,547	4,204
7,550	7,600	280	2,576	3,030	356	2,576	3,030	11,050	11,100	12	2,547	4,204	88	2,547	4,204
7,600	7,650	276	2,593	3,050	352	2,593	3,050	11,100	11,150	8	2,547	4,204	85	2,547	4,204
7,650	7,700	272	2,610	3,070	348	2,610	3,070	11,150	11,200	4	2,547	4,204	81	2,547	4,204
7,700	7,750	268	2,627	3,090	345	2,627	3,090	11,200	11,250	*	2,547	4,204	77	2,547	4,204
7,750	7,800	264	2,644	3,110	341	2,644	3,110	11,250	11,300	0	2,547	4,204	73	2,547	4,204
7,800	7,850	260	2,661	3,130	337	2,661	3,130	11,300	11,350	0	2,547	4,204	69	2,547	4,204
7,850	7,900	257	2,678	3,150	333	2,678	3,150	11,350	11,400	0	2,547	4,204	65	2,547	4,204
7,900	7,950	253	2,695	3,170	329	2,695	3,170	11,400	11,450	0	2,547	4,204	62	2,547	4,204
7,950	8,000	249	2,712	3,190	326	2,712	3,190	11,450	11,500	0	2,547	4,204	58	2,547	4,204
8,000	8,050	245	2,729	3,210	322	2,729	3,210	11,500	11,550	0	2,547	4,204	54	2,547	4,204
8,050	8,100	241	2,746	3,230	318	2,746	3,230	11,550	11,600	0	2,547	4,204	50	2,547	4,204
8,100	8,150	238	2,763	3,250	314	2,763	3,250	11,600	11,650	0	2,547	4,204	46	2,547	4,204
8,150	8,200	234	2,780	3,270	310	2,780	3,270	11,650	11,700	0	2,547	4,204	42	2,547	4,204
8,200	8,250	230	2,797	3,290	306	2,797	3,290	11,700	11,750	0	2,547	4,204	39	2,547	4,204
8,250	8,300	226	2,814	3,310	303	2,814	3,310	11,750	11,800	0	2,547	4,204	35	2,547	4,204
8,300	8,350	222	2,831	3,330	299	2,831	3,330	11,800	11,850	0	2,547	4,204	31	2,547	4,204
8,350	8,400	218	2,848	3,350	295	2,848	3,350	11,850	11,900	0	2,547	4,204	27	2,547	4,204
8,400	8,450	215	2,865	3,370	291	2,865	3,370	11,900	11,950	0	2,547	4,204	23	2,547	4,204
8,450	8,500	211	2,882	3,390	287	2,882	3,390	11,950	12,000	0	2,547	4,204	20	2,547	4,204
8,500	8,550	207	2,899	3,410	283	2,899	3,410	12,000	12,050	0	2,547	4,204	16	2,547	4,204
8,550	8,600	203	2,916	3,430	280	2,916	3,430	12,050	12,100	0	2,547	4,204	12	2,547	4,204
8,600	8,650	199	2,933	3,450	276	2,933	3,450	12,100	12,150	0	2,547	4,204	8	2,547	4,204
8,650	8,700	195	2,950	3,470	272	2,950	3,470	12,150	12,200	0	2,547	4,204	4	2,547	4,204
8,700	8,750	192	2,967	3,490	268	2,967	3,490	12,200	12,250	0	2,547	4,204	*	2,547	4,204
8,750	8,800	188	2,984	3,510	264	2,984	3,510	12,250	13,750	0	2,547	4,204	0	2,547	4,204
8,800	8,850	184	2,547	3,530	260	2,547	3,530	13,750	13,800	0	2,539	4,195	0	2,547	4,204
8,850	8,900	180	2,547	3,550	257	2,547	3,550	13,800	13,850	0	2,531	4,184	0	2,547	4,204
8,900	8,950	176	2,547	3,570	253	2,547	3,570	13,850	13,900	0	2,523	4,173	0	2,547	4,204
8,950	9,000	173	2,547	3,590	249	2,547	3,590	13,900	13,950	0	2,515	4,163	0	2,547	4,204
9,000	9,050	169	2,547	3,610	245	2,547	3,610	13,950	14,000	0	2,507	4,152	0	2,547	4,204
9,050	9,100	165	2,547	3,630	241	2,547	3,630	14,000	14,050	0	2,499	4,142	0	2,547	4,204
9,100	9,150	161	2,547	3,650	238	2,547	3,650	14,050	14,100	0	2,491	4,131	0	2,547	4,204
9,150	9,200	157	2,547	3,670	234	2,547	3,670	14,100	14,150	0	2,483	4,121	0	2,547	4,204
9,200	9,250	153	2,547	3,690	230	2,547	3,690	14,150	14,200	0	2,475	4,110	0	2,547	4,204
9,250	9,300	150	2,547	3,710	226	2,547	3,710	14,200	14,250	0	2,467	4,100	0	2,547	4,204
9,300	9,350	146	2,547	3,730	222	2,547	3,730	14,250	14,300	0	2,460	4,089	0	2,547	4,204
9,350	9,400	142	2,547	3,750	218	2,547	3,750	14,300	14,350	0	2,452	4,079	0	2,547	4,204
9,400	9,450	138													

2003 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children			No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
14,450	14,500	0	2,428	4,047	0	2,547	4,204	17,950	18,000	0	1,868	3,310	0	2,028	3,521
14,500	14,550	0	2,420	4,037	0	2,547	4,204	18,000	18,050	0	1,860	3,299	0	2,020	3,510
14,550	14,600	0	2,412	4,026	0	2,547	4,204	18,050	18,100	0	1,852	3,289	0	2,012	3,500
14,600	14,650	0	2,404	4,016	0	2,547	4,204	18,100	18,150	0	1,844	3,278	0	2,004	3,489
14,650	14,700	0	2,396	4,005	0	2,547	4,204	18,150	18,200	0	1,836	3,268	0	1,996	3,478
14,700	14,750	0	2,388	3,994	0	2,547	4,204	18,200	18,250	0	1,828	3,257	0	1,988	3,468
14,750	14,800	0	2,380	3,984	0	2,539	4,195	18,250	18,300	0	1,820	3,247	0	1,980	3,457
14,800	14,850	0	2,372	3,973	0	2,531	4,184	18,300	18,350	0	1,812	3,236	0	1,972	3,447
14,850	14,900	0	2,364	3,963	0	2,523	4,173	18,350	18,400	0	1,804	3,226	0	1,964	3,436
14,900	14,950	0	2,356	3,952	0	2,515	4,163	18,400	18,450	0	1,796	3,215	0	1,956	3,426
14,950	15,000	0	2,348	3,942	0	2,507	4,152	18,450	18,500	0	1,788	3,205	0	1,948	3,415
15,000	15,050	0	2,340	3,931	0	2,499	4,142	18,500	18,550	0	1,780	3,194	0	1,940	3,405
15,050	15,100	0	2,332	3,921	0	2,491	4,131	18,550	18,600	0	1,772	3,184	0	1,932	3,394
15,100	15,150	0	2,324	3,910	0	2,483	4,121	18,600	18,650	0	1,764	3,173	0	1,924	3,384
15,150	15,200	0	2,316	3,900	0	2,475	4,110	18,650	18,700	0	1,756	3,163	0	1,916	3,373
15,200	15,250	0	2,308	3,889	0	2,467	4,100	18,700	18,750	0	1,748	3,152	0	1,908	3,363
15,250	15,300	0	2,300	3,879	0	2,460	4,089	18,750	18,800	0	1,740	3,142	0	1,900	3,352
15,300	15,350	0	2,292	3,868	0	2,452	4,079	18,800	18,850	0	1,732	3,131	0	1,892	3,342
15,350	15,400	0	2,284	3,858	0	2,444	4,068	18,850	18,900	0	1,724	3,120	0	1,884	3,331
15,400	15,450	0	2,276	3,847	0	2,436	4,058	18,900	18,950	0	1,716	3,110	0	1,876	3,321
15,450	15,500	0	2,268	3,837	0	2,428	4,047	18,950	19,000	0	1,708	3,099	0	1,868	3,310
15,500	15,550	0	2,260	3,826	0	2,420	4,037	19,000	19,050	0	1,700	3,089	0	1,860	3,299
15,550	15,600	0	2,252	3,815	0	2,412	4,026	19,050	19,100	0	1,692	3,078	0	1,852	3,289
15,600	15,650	0	2,244	3,805	0	2,404	4,016	19,100	19,150	0	1,684	3,068	0	1,844	3,278
15,650	15,700	0	2,236	3,794	0	2,396	4,005	19,150	19,200	0	1,676	3,057	0	1,836	3,268
15,700	15,750	0	2,228	3,784	0	2,388	3,994	19,200	19,250	0	1,668	3,047	0	1,828	3,257
15,750	15,800	0	2,220	3,773	0	2,380	3,984	19,250	19,300	0	1,661	3,036	0	1,820	3,247
15,800	15,850	0	2,212	3,763	0	2,372	3,973	19,300	19,350	0	1,653	3,026	0	1,812	3,236
15,850	15,900	0	2,204	3,752	0	2,364	3,963	19,350	19,400	0	1,645	3,015	0	1,804	3,226
15,900	15,950	0	2,196	3,742	0	2,356	3,952	19,400	19,450	0	1,637	3,005	0	1,796	3,215
15,950	16,000	0	2,188	3,731	0	2,348	3,942	19,450	19,500	0	1,629	2,994	0	1,788	3,205
16,000	16,050	0	2,180	3,721	0	2,340	3,931	19,500	19,550	0	1,621	2,984	0	1,780	3,194
16,050	16,100	0	2,172	3,710	0	2,332	3,921	19,550	19,600	0	1,613	2,973	0	1,772	3,184
16,100	16,150	0	2,164	3,700	0	2,324	3,910	19,600	19,650	0	1,605	2,963	0	1,764	3,173
16,150	16,200	0	2,156	3,689	0	2,316	3,900	19,650	19,700	0	1,597	2,952	0	1,756	3,163
16,200	16,250	0	2,148	3,679	0	2,308	3,889	19,700	19,750	0	1,589	2,941	0	1,748	3,152
16,250	16,300	0	2,140	3,668	0	2,300	3,879	19,750	19,800	0	1,581	2,931	0	1,740	3,142
16,300	16,350	0	2,132	3,657	0	2,292	3,868	19,800	19,850	0	1,573	2,920	0	1,732	3,131
16,350	16,400	0	2,124	3,647	0	2,284	3,858	19,850	19,900	0	1,565	2,910	0	1,724	3,120
16,400	16,450	0	2,116	3,636	0	2,276	3,847	19,900	19,950	0	1,557	2,899	0	1,716	3,110
16,450	16,500	0	2,108	3,626	0	2,268	3,837	19,950	20,000	0	1,549	2,889	0	1,708	3,099
16,500	16,550	0	2,100	3,615	0	2,260	3,826	20,000	20,050	0	1,541	2,878	0	1,700	3,089
16,550	16,600	0	2,092	3,605	0	2,252	3,815	20,050	20,100	0	1,533	2,868	0	1,692	3,078
16,600	16,650	0	2,084	3,594	0	2,244	3,805	20,100	20,150	0	1,525	2,857	0	1,684	3,068
16,650	16,700	0	2,076	3,584	0	2,236	3,794	20,150	20,200	0	1,517	2,847	0	1,676	3,057
16,700	16,750	0	2,068	3,573	0	2,228	3,784	20,200	20,250	0	1,509	2,836	0	1,668	3,047
16,750	16,800	0	2,060	3,563	0	2,220	3,773	20,250	20,300	0	1,501	2,826	0	1,661	3,036
16,800	16,850	0	2,052	3,552	0	2,212	3,763	20,300	20,350	0	1,493	2,815	0	1,653	3,026
16,850	16,900	0	2,044	3,542	0	2,204	3,752	20,350	20,400	0	1,485	2,805	0	1,645	3,015
16,900	16,950	0	2,036	3,531	0	2,196	3,742	20,400	20,450	0	1,477	2,794	0	1,637	3,005
16,950	17,000	0	2,028	3,521	0	2,188	3,731	20,450	20,500	0	1,469	2,784	0	1,629	2,994
17,000	17,050	0	2,020	3,510	0	2,180	3,721	20,500	20,550	0	1,461	2,773	0	1,621	2,984
17,050	17,100	0	2,012	3,500	0	2,172	3,710	20,550	20,600	0	1,453	2,762	0	1,613	2,973
17,100	17,150	0	2,004	3,489	0	2,164	3,700	20,600	20,650	0	1,445	2,752	0	1,605	2,963
17,150	17,200	0	1,996	3,478	0	2,156	3,689	20,650	20,700	0	1,437	2,741	0	1,597	2,952
17,200	17,250	0	1,988	3,468	0	2,148	3,679	20,700	20,750	0	1,429	2,731	0	1,589	2,941
17,250	17,300	0	1,980	3,457	0	2,140	3,668	20,750	20,800	0	1,421	2,720	0	1,581	2,931
17,300	17,350	0	1,972	3,447	0	2,132	3,657	20,800	20,850	0	1,413	2,710	0	1,573	2,920
17,350	17,400	0	1,964	3,436	0	2,124	3,647	20,850	20,900	0	1,405	2,699	0	1,565	2,910
17,400	17,450	0	1,956	3,426	0	2,116	3,636	20,900	20,950	0	1,397	2,689	0	1,557	2,899
17,450	17,500	0	1,948	3,415	0	2,108	3,626	20,950	21,000	0	1,389	2,678	0	1,549	2,889
17,500	17,550	0	1,940	3,405	0	2,100	3,615	21,000	21,050	0	1,381	2,668	0	1,541	2,878
17,550	17,600	0	1,932	3,394	0	2,092	3,605	21,050	21,100	0	1,373	2,657	0	1,533	2,868
17,600	17,650	0	1,924	3,384	0	2,084	3,594								

2003 Earned Income Credit (EIC) Table—Continued (Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children			No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
21,450	21,500	0	1,309	2,573	0	1,469	2,784	24,950	25,000	0	750	1,836	0	909	2,046
21,500	21,550	0	1,301	2,562	0	1,461	2,773	25,000	25,050	0	742	1,825	0	901	2,036
21,550	21,600	0	1,293	2,552	0	1,453	2,762	25,050	25,100	0	734	1,815	0	893	2,025
21,600	21,650	0	1,285	2,541	0	1,445	2,752	25,100	25,150	0	726	1,804	0	885	2,015
21,650	21,700	0	1,277	2,531	0	1,437	2,741	25,150	25,200	0	718	1,794	0	877	2,004
21,700	21,750	0	1,269	2,520	0	1,429	2,731	25,200	25,250	0	710	1,783	0	869	1,994
21,750	21,800	0	1,261	2,510	0	1,421	2,720	25,250	25,300	0	702	1,773	0	862	1,983
21,800	21,850	0	1,253	2,499	0	1,413	2,710	25,300	25,350	0	694	1,762	0	854	1,973
21,850	21,900	0	1,245	2,489	0	1,405	2,699	25,350	25,400	0	686	1,752	0	846	1,962
21,900	21,950	0	1,237	2,478	0	1,397	2,689	25,400	25,450	0	678	1,741	0	838	1,952
21,950	22,000	0	1,229	2,468	0	1,389	2,678	25,450	25,500	0	670	1,731	0	830	1,941
22,000	22,050	0	1,221	2,457	0	1,381	2,668	25,500	25,550	0	662	1,720	0	822	1,931
22,050	22,100	0	1,213	2,447	0	1,373	2,657	25,550	25,600	0	654	1,709	0	814	1,920
22,100	22,150	0	1,205	2,436	0	1,365	2,647	25,600	25,650	0	646	1,699	0	806	1,910
22,150	22,200	0	1,197	2,425	0	1,357	2,636	25,650	25,700	0	638	1,688	0	798	1,899
22,200	22,250	0	1,189	2,415	0	1,349	2,626	25,700	25,750	0	630	1,678	0	790	1,888
22,250	22,300	0	1,181	2,404	0	1,341	2,615	25,750	25,800	0	622	1,667	0	782	1,878
22,300	22,350	0	1,173	2,394	0	1,333	2,604	25,800	25,850	0	614	1,657	0	774	1,867
22,350	22,400	0	1,165	2,383	0	1,325	2,594	25,850	25,900	0	606	1,646	0	766	1,857
22,400	22,450	0	1,157	2,373	0	1,317	2,583	25,900	25,950	0	598	1,636	0	758	1,846
22,450	22,500	0	1,149	2,362	0	1,309	2,573	25,950	26,000	0	590	1,625	0	750	1,836
22,500	22,550	0	1,141	2,352	0	1,301	2,562	26,000	26,050	0	582	1,615	0	742	1,825
22,550	22,600	0	1,133	2,341	0	1,293	2,552	26,050	26,100	0	574	1,604	0	734	1,815
22,600	22,650	0	1,125	2,331	0	1,285	2,541	26,100	26,150	0	566	1,594	0	726	1,804
22,650	22,700	0	1,117	2,320	0	1,277	2,531	26,150	26,200	0	558	1,583	0	718	1,794
22,700	22,750	0	1,109	2,310	0	1,269	2,520	26,200	26,250	0	550	1,573	0	710	1,783
22,750	22,800	0	1,101	2,299	0	1,261	2,510	26,250	26,300	0	542	1,562	0	702	1,773
22,800	22,850	0	1,093	2,289	0	1,253	2,499	26,300	26,350	0	534	1,551	0	694	1,762
22,850	22,900	0	1,085	2,278	0	1,245	2,489	26,350	26,400	0	526	1,541	0	686	1,752
22,900	22,950	0	1,077	2,268	0	1,237	2,478	26,400	26,450	0	518	1,530	0	678	1,741
22,950	23,000	0	1,069	2,257	0	1,229	2,468	26,450	26,500	0	510	1,520	0	670	1,731
23,000	23,050	0	1,061	2,246	0	1,221	2,457	26,500	26,550	0	502	1,509	0	662	1,720
23,050	23,100	0	1,053	2,236	0	1,213	2,447	26,550	26,600	0	494	1,499	0	654	1,709
23,100	23,150	0	1,045	2,225	0	1,205	2,436	26,600	26,650	0	486	1,488	0	646	1,699
23,150	23,200	0	1,037	2,215	0	1,197	2,425	26,650	26,700	0	478	1,478	0	638	1,688
23,200	23,250	0	1,029	2,204	0	1,189	2,415	26,700	26,750	0	470	1,467	0	630	1,678
23,250	23,300	0	1,021	2,194	0	1,181	2,404	26,750	26,800	0	462	1,457	0	622	1,667
23,300	23,350	0	1,013	2,183	0	1,173	2,394	26,800	26,850	0	454	1,446	0	614	1,657
23,350	23,400	0	1,005	2,173	0	1,165	2,383	26,850	26,900	0	446	1,436	0	606	1,646
23,400	23,450	0	997	2,162	0	1,157	2,373	26,900	26,950	0	438	1,425	0	598	1,636
23,450	23,500	0	989	2,152	0	1,149	2,362	26,950	27,000	0	430	1,415	0	590	1,625
23,500	23,550	0	981	2,141	0	1,141	2,352	27,000	27,050	0	422	1,404	0	582	1,615
23,550	23,600	0	973	2,131	0	1,133	2,341	27,050	27,100	0	414	1,394	0	574	1,604
23,600	23,650	0	965	2,120	0	1,125	2,331	27,100	27,150	0	406	1,383	0	566	1,594
23,650	23,700	0	957	2,110	0	1,117	2,320	27,150	27,200	0	398	1,372	0	558	1,583
23,700	23,750	0	949	2,099	0	1,109	2,310	27,200	27,250	0	390	1,362	0	550	1,573
23,750	23,800	0	941	2,089	0	1,101	2,299	27,250	27,300	0	382	1,351	0	542	1,562
23,800	23,850	0	933	2,078	0	1,093	2,289	27,300	27,350	0	374	1,341	0	534	1,551
23,850	23,900	0	925	2,067	0	1,085	2,278	27,350	27,400	0	366	1,330	0	526	1,541
23,900	23,950	0	917	2,057	0	1,077	2,268	27,400	27,450	0	358	1,320	0	518	1,530
23,950	24,000	0	909	2,046	0	1,069	2,257	27,450	27,500	0	350	1,309	0	510	1,520
24,000	24,050	0	901	2,036	0	1,061	2,246	27,500	27,550	0	342	1,299	0	502	1,509
24,050	24,100	0	893	2,025	0	1,053	2,236	27,550	27,600	0	334	1,288	0	494	1,499
24,100	24,150	0	885	2,015	0	1,045	2,225	27,600	27,650	0	326	1,278	0	486	1,488
24,150	24,200	0	877	2,004	0	1,037	2,215	27,650	27,700	0	318	1,267	0	478	1,478
24,200	24,250	0	869	1,994	0	1,029	2,204	27,700	27,750	0	310	1,257	0	470	1,467
24,250	24,300	0	862	1,983	0	1,021	2,194	27,750	27,800	0	302	1,246	0	462	1,457
24,300	24,350	0	854	1,973	0	1,013	2,183	27,800	27,850	0	294	1,236	0	454	1,446
24,350	24,400	0	846	1,962	0	1,005	2,173	27,850	27,900	0	286	1,225	0	446	1,436
24,400	24,450	0	838	1,952	0	997	2,162	27,900	27,950	0	278	1,215	0	438	1,425
24,450	24,500	0	830	1,941	0	989	2,152	27,950	28,000	0	270	1,204	0	430	1,415
24,500	24,550	0	822	1,931	0	981	2,141	28,000	28,050	0	262	1,193	0	422	1,404
24,550	24,600	0	814	1,920	0	973	2,131	28,050	28,100	0	254	1,183	0	414	1,394
24,600	24,650	0	806	1,910	0	965	2,120	28,100	28,150	0	246	1,172	0	406	1,383
24,650	24,700	0	798	1,899	0	957	2,110	28,150	28,200	0	238	1,162	0	398	1,372
24,700	24,750	0	790	1,888	0	949	2,099	28,200	28,250	0	230	1,151	0	390	1,362
24,750	24,800	0	782	1,878	0	941	2,089	28,250	28,300	0	222	1,141	0	382	1,351
24,800	24,850	0	774	1,867	0	933	2,078	28,300	28,350	0	214	1,130	0	374	1,341
24,850	24,900	0	766	1,857	0	925	2,067								

2003 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children			No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
28,450	28,500	0	190	1,099	0	350	1,309	31,700	31,750	0	0	414	0	0	625
28,500	28,550	0	182	1,088	0	342	1,299	31,750	31,800	0	0	404	0	0	614
28,550	28,600	0	174	1,078	0	334	1,288	31,800	31,850	0	0	393	0	0	604
28,600	28,650	0	166	1,067	0	326	1,278	31,850	31,900	0	0	383	0	0	593
28,650	28,700	0	158	1,057	0	318	1,267	31,900	31,950	0	0	372	0	0	583
28,700	28,750	0	150	1,046	0	310	1,257	31,950	32,000	0	0	362	0	0	572
28,750	28,800	0	142	1,036	0	302	1,246	32,000	32,050	0	0	351	0	0	562
28,800	28,850	0	134	1,025	0	294	1,236	32,050	32,100	0	0	341	0	0	551
28,850	28,900	0	126	1,014	0	286	1,225	32,100	32,150	0	0	330	0	0	541
28,900	28,950	0	118	1,004	0	278	1,215	32,150	32,200	0	0	319	0	0	530
28,950	29,000	0	110	993	0	270	1,204	32,200	32,250	0	0	309	0	0	520
29,000	29,050	0	102	983	0	262	1,193	32,250	32,300	0	0	298	0	0	509
29,050	29,100	0	94	972	0	254	1,183	32,300	32,350	0	0	288	0	0	498
29,100	29,150	0	86	962	0	246	1,172	32,350	32,400	0	0	277	0	0	488
29,150	29,200	0	78	951	0	238	1,162	32,400	32,450	0	0	267	0	0	477
29,200	29,250	0	70	941	0	230	1,151	32,450	32,500	0	0	256	0	0	467
29,250	29,300	0	63	930	0	222	1,141	32,500	32,550	0	0	246	0	0	456
29,300	29,350	0	55	920	0	214	1,130	32,550	32,600	0	0	235	0	0	446
29,350	29,400	0	47	909	0	206	1,120	32,600	32,650	0	0	225	0	0	435
29,400	29,450	0	39	899	0	198	1,109	32,650	32,700	0	0	214	0	0	425
29,450	29,500	0	31	888	0	190	1,099	32,700	32,750	0	0	204	0	0	414
29,500	29,550	0	23	878	0	182	1,088	32,750	32,800	0	0	193	0	0	404
29,550	29,600	0	15	867	0	174	1,078	32,800	32,850	0	0	183	0	0	393
29,600	29,650	0	7	857	0	166	1,067	32,850	32,900	0	0	172	0	0	383
29,650	29,700	0	**	846	0	158	1,057	32,900	32,950	0	0	162	0	0	372
29,700	29,750	0	0	835	0	150	1,046	32,950	33,000	0	0	151	0	0	362
29,750	29,800	0	0	825	0	142	1,036	33,000	33,050	0	0	140	0	0	351
29,800	29,850	0	0	814	0	134	1,025	33,050	33,100	0	0	130	0	0	341
29,850	29,900	0	0	804	0	126	1,014	33,100	33,150	0	0	119	0	0	330
29,900	29,950	0	0	793	0	118	1,004	33,150	33,200	0	0	109	0	0	319
29,950	30,000	0	0	783	0	110	993	33,200	33,250	0	0	98	0	0	309
30,000	30,050	0	0	772	0	102	983	33,250	33,300	0	0	88	0	0	298
30,050	30,100	0	0	762	0	94	972	33,300	33,350	0	0	77	0	0	288
30,100	30,150	0	0	751	0	86	962	33,350	33,400	0	0	67	0	0	277
30,150	30,200	0	0	741	0	78	951	33,400	33,450	0	0	56	0	0	267
30,200	30,250	0	0	730	0	70	941	33,450	33,500	0	0	46	0	0	256
30,250	30,300	0	0	720	0	63	930	33,500	33,550	0	0	35	0	0	246
30,300	30,350	0	0	709	0	55	920	33,550	33,600	0	0	25	0	0	235
30,350	30,400	0	0	699	0	47	909	33,600	33,650	0	0	14	0	0	225
30,400	30,450	0	0	688	0	39	899	33,650	33,700	0	0	***	0	0	214
30,450	30,500	0	0	678	0	31	888	33,700	33,750	0	0	0	0	0	204
30,500	30,550	0	0	667	0	23	878	33,750	33,800	0	0	0	0	0	193
30,550	30,600	0	0	656	0	15	867	33,800	33,850	0	0	0	0	0	183
30,600	30,650	0	0	646	0	7	857	33,850	33,900	0	0	0	0	0	172
30,650	30,700	0	0	635	0	**	846	33,900	33,950	0	0	0	0	0	162
30,700	30,750	0	0	625	0	0	835	33,950	34,000	0	0	0	0	0	151
30,750	30,800	0	0	614	0	0	825	34,000	34,050	0	0	0	0	0	140
30,800	30,850	0	0	604	0	0	814	34,050	34,100	0	0	0	0	0	130
30,850	30,900	0	0	593	0	0	804	34,100	34,150	0	0	0	0	0	119
30,900	30,950	0	0	583	0	0	793	34,150	34,200	0	0	0	0	0	109
30,950	31,000	0	0	572	0	0	783	34,200	34,250	0	0	0	0	0	98
31,000	31,050	0	0	562	0	0	772	34,250	34,300	0	0	0	0	0	88
31,050	31,100	0	0	551	0	0	762	34,300	34,350	0	0	0	0	0	77
31,100	31,150	0	0	541	0	0	751	34,350	34,400	0	0	0	0	0	67
31,150	31,200	0	0	530	0	0	741	34,400	34,450	0	0	0	0	0	56
31,200	31,250	0	0	520	0	0	730	34,450	34,500	0	0	0	0	0	46
31,250	31,300	0	0	509	0	0	720	34,500	34,550	0	0	0	0	0	35
31,300	31,350	0	0	498	0	0	709	34,550	34,600	0	0	0	0	0	25
31,350	31,400	0	0	488	0	0	699	34,600	34,650	0	0	0	0	0	14
31,400	31,450	0	0	477	0	0	688	34,650	34,692	0	0	0	0	0	4
31,450	31,500	0	0	467	0	0	678	34,692 or more		0	0	0	0	0	0
31,500	31,550	0	0	456	0	0	667								
31,550	31,600	0	0	446	0	0	656								
31,600	31,650	0	0	435	0	0	646								
31,650	31,700	0	0	425	0	0	635								

**If the amount you are looking up from the worksheet is at least \$29,650 (\$30,650 if married filing jointly) but less than \$29,666 (\$30,666 if married filing jointly), your credit is \$1. Otherwise, you cannot take the credit.

***If the amount you are looking up from the worksheet is at least \$33,650 but less than \$33,692, your credit is \$4. Otherwise, you cannot take the credit.

Line 64**Excess Social Security and Tier 1 RRTA Tax Withheld**

If you, or your spouse if filing a joint return, had more than one employer for 2003 and total wages of more than \$87,000, too much social security or tier 1 railroad retirement (RRTA) tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$5,394. But if any one employer withheld more than \$5,394, you must ask that employer to refund the excess to you. You cannot claim it on your return. Figure this amount separately for you and your spouse.

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

For more details, see **Pub. 505**.

Line 65**Additional Child Tax Credit****What Is the Additional Child Tax Credit?**

This credit is for certain people who have at least one qualifying child as defined in the instructions for line 49 on page 40. The additional child tax credit may give you a refund even if you do not owe any tax.

Two Steps To Take the Additional Child Tax Credit!

Step 1. Be sure you figured the amount, if any, of your child tax credit. See the instructions for line 49 that begin on page 40.

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

Line 66**Amount Paid With Request for Extension To File**

If you filed **Form 4868** to get an automatic extension of time to file Form 1040, enter any amount you paid with that form or by electronic funds withdrawal or credit card. If you paid by credit card, do not include on line 66 the convenience fee you were charged. Also, include any amounts paid with **Form 2688** or **2350**.

Need more information or forms? See page 7.

Line 67**Other Payments**

Check the box(es) on line 67 to report any credit from **Form 2439**, **4136**, or **8885**.

Refund**Line 69****Amount Overpaid**

If line 69 is under \$1, we will send a refund only on written request.

If you want to check the status of your refund, please wait at least 6 weeks (3 weeks if you filed electronically) from the date you filed your return to do so. But if you filed **Form 8379** with your return, allow 14 weeks (11 weeks if you filed electronically). See page 11 for details.



If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay by filing a new **Form W-4**. See **Income Tax Withholding and Estimated Tax Payments for 2004** on page 60.

Refund Offset

If you owe past-due Federal tax, state income tax, child support, spousal support, or certain Federal nontax debts, such as student loans, all or part of the overpayment on line 69 may be used (offset) to pay the past-due amount. Offsets for Federal taxes are made by the IRS. All other offsets are made by the Treasury Department's Financial Management Service (FMS). You will receive a notice from FMS showing the amount of the offset and the agency receiving it. To find out if you may have an offset or if you have any questions about it, contact the agency(ies) you owe the debt to.

Injured Spouse Claim

If you file a joint return and your spouse has not paid past-due Federal tax, state income tax, child support, spousal support, or a Federal nontax debt, such as a student loan, part or all of the overpayment on line 69 may be used (offset) to pay the past-due amount. But **your** part of the overpayment may be refunded to you after the offset occurs if certain conditions apply and you complete Form 8379. For details, use TeleTax topic 203 (see page 11) or see Form 8379.

Lines 70b Through 70d**DIRECT DEPOSIT**

Simple. Safe. Secure.

Receive your refund in as few as 10 days with IRS *e-file!*

Complete lines 70b through 70d if you want us to directly deposit the amount shown on line 70a into your checking or savings account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

Note. If you do not want your refund directly deposited into your account, draw a line through the boxes on lines 70b and 70d.

Why Use Direct Deposit?

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



You can check with your financial institution to make sure your direct deposit will be accepted and to get the correct routing and account numbers. The IRS is not responsible for a lost refund if you enter the wrong account information.

If you file a joint return and fill in lines 70b through 70d, you are appointing your spouse as an agent to receive the refund. This appointment cannot be changed later.

Line 70b

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

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on line 70b.

Line 70d

The account number can be up to 17 characters (both numbers and letters). Include

hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check below, the account number is 20202086. Be sure **not** to include the check number.



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

Line 71

Applied to Your 2004 Estimated Tax

Enter on line 71 the amount, if any, of the overpayment on line 69 you want applied to your 2004 estimated tax. We will apply this amount to your account unless you attach a statement requesting us to apply it to your spouse's account. Include your spouse's social security number in the attached statement.



This election to apply part or all of the amount overpaid to your 2004 estimated tax cannot be changed later.

Amount You Owe

IRS e-file IRS e-file offers an additional payment option: **Electronic Funds Withdrawal**. This option allows you to file your return early and schedule your payment for withdrawal from your checking or savings account on a future date up to and including April 15, 2004. IRS e-file also provides proof of re-

ceipt of your return and payment by email or through your software package. Visit www.irs.gov/efile for details.

Line 72

Amount You Owe



You do not have to pay if line 72 is under \$1.

Include any estimated tax penalty from line 73 in the amount you enter on line 72.

You can pay by check, money order, or credit card. **Do not** include any estimated tax payment for 2004 in your check, money order, or amount you charge. Instead, make the estimated tax payment separately.

To Pay by Check or Money Order. Make your check or money order payable to the **"United States Treasury"** for the full amount due. **Do not** send cash. **Do not** attach the payment to your return. Write "2003 Form 1040" and your name, address, daytime phone number, and social security number (SSN) on your payment. If you are filing a joint return, enter the SSN shown first on your tax return.

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

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

To Pay by Credit Card. You may use your American Express® Card, Discover® Card, MasterCard® card, or Visa® card. To pay by credit card, call toll free or visit the website of either service provider listed below and follow the instructions. A convenience fee will be charged by the service provider based on the amount you are paying. Fees may vary between the providers. You will be told what the fee is during the transaction and you will have the option to either continue or cancel the transaction. You can also find out what the fee will be by calling the provider's toll-free automated customer service number or visiting the provider's website shown below. **If you pay by credit card before filing your return**, please enter on page 1 of Form 1040 in the upper left corner the confirmation number you were given at the end of the transaction and the amount you charged (not including the convenience fee).

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

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



You may need to (a) increase the amount of income tax withheld from your pay by filing a new **Form W-4** or (b) make estimated tax payments for 2004. See **Income Tax Withholding and Estimated Tax Payments for 2004** on page 60.

What if You Cannot Pay?

If you cannot pay the full amount shown on line 72 when you file, you may ask to make monthly **installment payments**. You may have up to 60 months to pay. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2004, even if your request to pay in installments is granted. You must also pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan.

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

Sample Check—Lines 70b Through 70d

JEFFREY MAPLE
SUZANNE MAPLE
123 Pear Lane
Anyplace, VA 20000

PAY TO THE ORDER OF \$ 1234
DOLLARS

ANYPLACE BANK
Anyplace, VA 20000

For 1: (250250025) : (20202086) • 1234

Routing number (line 70b)
Account number (line 70d)

Do not include the check number.

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

Line 73**Estimated Tax Penalty**

You may owe this penalty if:

- Line 72 is at least \$1,000 and it is more than 10% of the tax shown on your return or
- You did not pay enough estimated tax by any of the due dates. This is true even if you are due a refund.

For most people, the “tax shown on your return” is the amount on line 60 minus the total of any amounts shown on lines 63 and 65 and Forms 8828, 4137, 4136, 5329 (Parts III, IV, V, VI, and VII only), and 8885. When figuring the amount on line 60, include the amount on line 59 only if line 61 is more than zero **or** you would owe the penalty even if you did not include those taxes. But if you entered an amount on Schedule H, line 7, include the total of that amount plus the amount on Form 1040, line 59.

Exception. You will not owe the penalty if your 2002 tax return was for a tax year of 12 full months **and either** of the following applies.

1. You had no tax liability for 2002 and you were a U.S. citizen or resident for all of 2002 **or**
2. The total of lines 61, 62, and 64 on your 2003 return is at least as much as the tax liability shown on your 2002 return. Your estimated tax payments for 2003 must have been made on time and for the required amount.



If your 2002 adjusted gross income was over \$150,000 (over \$75,000 if your 2003 filing status is married filing separately), item 2 above applies only if the total of lines 61, 62, and 64 on your 2003 return is at least 110% of the tax liability shown on your 2002 return. This rule does not apply to farmers and fishermen.

Figuring the Penalty

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

Enter the penalty on line 73. Add the penalty to any tax due and enter the total on line 72. If you are due a refund, subtract the penalty from the overpayment you show on line 69. **Do not** file Form 2210 with your return unless Form 2210 indicates that you must do so. Instead, keep it for your records.



Because Form 2210 is complicated, if you want to, you can leave line 73 blank and the IRS will figure the penalty and send you a bill. We will not charge you interest on the penalty if you pay by the date specified on the bill. If your income varied during the year, the annualized income installment method may reduce the amount of your penalty. But you must file Form 2210 because the IRS cannot figure your penalty under this method. See the Instructions for Form 2210 for other situations in which you may be able to lower your penalty by filing Form 2210.

Third Party Designee

If you want to allow a friend, family member, or any other person you choose to discuss your 2003 tax return with the IRS, check the “Yes” box in the “Third Party Designee” area of your return. Also, enter the designee’s name, phone number, and any five numbers the designee chooses as his or her personal identification number (PIN). **But** if you want to allow the paid preparer who signed your return to discuss it with the IRS, just enter “Preparer” in the space for the designee’s name. You do not have to provide the other information requested.

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

- Give the IRS any information that is missing from your return,
- Call the IRS for information about the processing of your return or the status of your refund or payment(s),
- Receive copies of notices or transcripts related to your return, upon request, and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

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

The authorization will automatically end no later than the due date (without regard to extensions) for filing your 2004 tax return. This is April 15, 2005, for most people. If you wish to revoke the authorization before it ends, see **Pub. 947**.

Sign Your Return

Form 1040 is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. If your spouse cannot sign the return, see **Pub. 501**. Be sure to date your return and enter your occupation(s). If you have someone prepare your return, you are still responsible for the correctness of the return. If you are filing a joint return as a surviving spouse, see **Death of a Taxpayer** on page 61.

Child’s Return

If your child cannot sign the return, either parent may sign the child’s name in the space provided. Then, add “By (your signature), parent for minor child.”

Daytime Phone Number

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

Paid Preparer Must Sign Your Return

Generally, anyone you pay to prepare your return must sign it in the space provided. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return.

**Electronic Return Signatures!**

Create your own personal identification number (PIN) and file a paperless return electronically or use a tax professional. If you are married filing jointly, you and your spouse will each need to create a PIN and enter these PINs as your electronic signatures.

A PIN is any combination of five numbers you choose except five zeros. If you use a PIN, there is nothing to sign and nothing to mail—not even your **Forms W-2**. For more details on the Self-Select PIN method, visit www.irs.gov/efile and click on “IRS e-file for Individual Taxpayers.”

To verify your identity, you will be prompted to enter your adjusted gross income (AGI) from your **originally** filed 2002 Federal income tax return, if applicable. Do not use your AGI from an amended return (Form 1040X). AGI is the amount shown on your 2002 Form 1040, line 35;

Form 1040A, line 21; Form 1040EZ, line 4; or on the TeleFile Tax Record, line I. If you do not have your 2002 income tax return, call the IRS at **1-800-829-1040** to get a free transcript of your account. You will also be prompted to enter your date of birth (DOB). Make sure your DOB is accurate and matches the information on record with the Social Security Administration by checking your annual Social Security Statement.



You **cannot** sign your return electronically if you are a first-time filer under age 16 at the end of 2003 **or** if you are

filing **Form 3115, 3468** (if attachments are required), **5713, 8283** (if Section B is completed), **8332**, or **8885**.

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

Assemble Your Return

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

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

General Information

How To Avoid Common Mistakes

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

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

2. Check your math, especially for the child tax credit, earned income credit (EIC), taxable social security benefits, total income, itemized deductions or standard deduction, deduction for exemptions, taxable income, total tax, Federal income tax withheld, and refund or amount you owe.

3. If you are taking the child tax credit or additional child tax credit, make sure you entered any advance child tax credit payment you received (before offset) in 2003 on line 2 of your Child Tax Credit Worksheet. **Do not** enter your advance payment anywhere on your tax return.

4. Be sure you use the correct method to figure your tax. See the instructions for line 41 that begin on page 36.

5. Be sure to enter your SSN in the space provided on page 1 of Form 1040. If you are married filing a joint or separate return, also enter your spouse's SSN. Be sure to enter your SSN in the space next to your name. Check that your SSN agrees with your social security card.

6. Make sure your name and address are correct on the peel-off label. If not, enter the correct information. If you did not get a peel-off label, enter your (and your spouse's) name in the same order as shown on your last return. Check that your name agrees with your social security card.

7. If you are taking the standard deduction and you checked any box on line 36a or 36b or you (or your spouse if filing jointly) can be claimed as a dependent on someone else's 2003 return, see page 34 to be sure you entered the correct amount on line 37.

8. If you received capital gain distributions but were not required to file **Schedule D**, make sure you check the box on line 13a. Also make sure you entered any post-May 5 capital gain distributions on line 13b.

9. If you are taking the EIC, be sure you used the correct column of the EIC Table for your filing status and the number of children you have.

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

11. Attach your **Form(s) W-2** and other required forms and schedules. Put all forms and schedules in the proper order. See **Assemble Your Return** on page 59.

12. If you owe tax and are paying by check or money order, be sure to include all the required information on your payment. See the instructions for line 72 on page 57 for details.

What Are Your Rights as a Taxpayer?

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

Innocent Spouse Relief

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

Income Tax Withholding and Estimated Tax Payments for 2004

If the amount you owe or the amount you overpaid is large, you may want to file a new **Form W-4** with your employer to change the amount of income tax withheld from your 2004 pay. For details on how to complete Form W-4, see **Pub. 919**.

In general, you do not have to make estimated tax payments if you expect that your 2004 Form 1040 will show a tax refund or a tax balance due the IRS of less than \$1,000. If your total estimated tax (including any household employment taxes or alternative minimum tax) for 2004 is \$1,000 or more, see **Form 1040-ES**. It has a worksheet you can use to see if you have to make estimated tax payments. For more details, see **Pub. 505**.

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

If not, certain deductions and credits may be reduced or disallowed, your refund may

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

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

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



You may be able to deduct this gift on your 2004 tax return.

Address Change

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

How Long Should Records Be Kept?

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

Amended Return

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

Need a Copy of Your Tax Return?

If you need a copy of your tax return, use **Form 4506**. If you want a free printed copy of your account, call us. See page 13 for the number.

Death of a Taxpayer

If a taxpayer died before filing a return for 2003, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return must enter "**DECEASED**," the deceased taxpayer's name, and the date of death across the top of the return. If this information is not provided, it may delay the processing of the return.

If your spouse died in 2003 and you did not remarry in 2003, or if your spouse died in 2004 before filing a return for 2003, you can file a joint return. A joint return should show your spouse's 2003 income before death and your income for all of 2003. Enter "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign.

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

Claiming a Refund for a Deceased Taxpayer

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

For more details, use TeleTax topic 356 (see page 11) or see **Pub. 559**.

Parent of a Kidnapped Child

The parent of a child who is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member may be able to take the child into account in determining his or her eligibility for the head of household or qualifying widow(er) filing status, deduction for dependents, child tax credit, and the earned income credit (EIC). For details, use TeleTax topic 357 (see page 11) or see **Pub. 501** (**Pub. 596** for the EIC).

Other Ways To Get Help

Send or Email Your Written Tax Questions to the IRS

You should get an answer in about 30 days. If you do not have the mailing address, call us. See page 13 for the number. Or email your questions to us through the IRS website at www.irs.gov/help and click on **Tax Law Questions**. Do not send questions with your return.

Free Help With Your Return

Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (**VITA**) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (**TCE**) program is designed to assist taxpayers age 60 or older with their tax returns. Some locations offer free electronic filing and all volunteers will let you know about the credits and deductions you may be entitled to claim. For details, call us. See page 13 for the number. If you received a Federal income tax package in the mail, take it with you when you go for help. Also take a copy of your 2002 tax return (if available), all your **Forms W-2** and **1099** for 2003, any other information about your 2003 income and expenses, and the social security number (or individual taxpayer identification number) for your spouse, your dependents, and yourself. **Or** to find the nearest AARP Tax-Aide site, visit AARP's website at www.aarp.org/taxaide or call **1-888-227-7669**.

Everyday Tax Solutions

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

Online Services

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

Large-Print Forms and Instructions

Pub. 1614 has large-print copies of Form 1040, Schedules A, B, D, E, EIC, and R, and Forms 1040-V and 8812, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file them. You can get **Pub. 1614** by phone or mail. See pages 7 and 75.

Help for People With Disabilities

Telephone help is available using TTY/TDD equipment. See page 13 for the num-

ber. Braille materials are available at libraries that have special services for people with disabilities.

Interest and Penalties

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

If you include interest or penalties (other than the estimated tax penalty) with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. **Do not** include interest or penalties (other than the estimated tax penalty) in the **amount you owe** on line 72.

Interest

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

Penalties

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

Late Payment of Tax. If you pay your taxes late, the penalty is usually 1/2 of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty can be as much as 25% of the unpaid amount. It applies to any unpaid tax on the return. This penalty is in addition to interest charges on late payments.

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

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

2003 Tax Table

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

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 40 of Form 1040 is \$25,300. First, they find the \$25,300–25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$3,099. This is the tax amount they should enter on line 41 of their Form 1040.

Sample Table

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
25,200	25,250	3,434	3,084	3,434	3,284
25,250	25,300	3,441	3,091	3,441	3,291
25,300	25,350	3,449	<u>3,099</u>	3,449	3,299
25,350	25,400	3,456	3,106	3,456	3,306

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—		Your tax is—				Your tax is—				Your tax is—				Your tax is—			
0	5	0	0	0	0	1,300	1,325	131	131	131	131	2,700	2,725	271	271	271	271
5	15	1	1	1	1	1,325	1,350	134	134	134	134	2,725	2,750	274	274	274	274
15	25	2	2	2	2	1,350	1,375	136	136	136	136	2,750	2,775	276	276	276	276
25	50	4	4	4	4	1,375	1,400	139	139	139	139	2,775	2,800	279	279	279	279
50	75	6	6	6	6	1,400	1,425	141	141	141	141	2,800	2,825	281	281	281	281
75	100	9	9	9	9	1,425	1,450	144	144	144	144	2,825	2,850	284	284	284	284
100	125	11	11	11	11	1,450	1,475	146	146	146	146	2,850	2,875	286	286	286	286
125	150	14	14	14	14	1,475	1,500	149	149	149	149	2,875	2,900	289	289	289	289
150	175	16	16	16	16	1,500	1,525	151	151	151	151	2,900	2,925	291	291	291	291
175	200	19	19	19	19	1,525	1,550	154	154	154	154	2,925	2,950	294	294	294	294
200	225	21	21	21	21	1,550	1,575	156	156	156	156	2,950	2,975	296	296	296	296
225	250	24	24	24	24	1,575	1,600	159	159	159	159	2,975	3,000	299	299	299	299
250	275	26	26	26	26	1,600	1,625	161	161	161	161	3,000					
275	300	29	29	29	29	1,625	1,650	164	164	164	164	3,000	3,050	303	303	303	303
300	325	31	31	31	31	1,650	1,675	166	166	166	166	3,050	3,100	308	308	308	308
325	350	34	34	34	34	1,675	1,700	169	169	169	169	3,100	3,150	313	313	313	313
350	375	36	36	36	36	1,700	1,725	171	171	171	171	3,150	3,200	318	318	318	318
375	400	39	39	39	39	1,725	1,750	174	174	174	174	3,200	3,250	323	323	323	323
400	425	41	41	41	41	1,750	1,775	176	176	176	176	3,250	3,300	328	328	328	328
425	450	44	44	44	44	1,775	1,800	179	179	179	179	3,300	3,350	333	333	333	333
450	475	46	46	46	46	1,800	1,825	181	181	181	181	3,350	3,400	338	338	338	338
475	500	49	49	49	49	1,825	1,850	184	184	184	184	3,400	3,450	343	343	343	343
500	525	51	51	51	51	1,850	1,875	186	186	186	186	3,450	3,500	348	348	348	348
525	550	54	54	54	54	1,875	1,900	189	189	189	189	3,500	3,550	353	353	353	353
550	575	56	56	56	56	1,900	1,925	191	191	191	191	3,550	3,600	358	358	358	358
575	600	59	59	59	59	1,925	1,950	194	194	194	194	3,600	3,650	363	363	363	363
600	625	61	61	61	61	1,950	1,975	196	196	196	196	3,650	3,700	368	368	368	368
625	650	64	64	64	64	1,975	2,000	199	199	199	199	3,700	3,750	373	373	373	373
650	675	66	66	66	66	2,000						3,750	3,800	378	378	378	378
675	700	69	69	69	69	2,000	2,025	201	201	201	201	3,800	3,850	383	383	383	383
700	725	71	71	71	71	2,025	2,050	204	204	204	204	3,850	3,900	388	388	388	388
725	750	74	74	74	74	2,050	2,075	206	206	206	206	3,900	3,950	393	393	393	393
750	775	76	76	76	76	2,075	2,100	209	209	209	209	3,950	4,000	398	398	398	398
775	800	79	79	79	79	2,100	2,125	211	211	211	211	4,000					
800	825	81	81	81	81	2,125	2,150	214	214	214	214	4,000	4,050	403	403	403	403
825	850	84	84	84	84	2,150	2,175	216	216	216	216	4,050	4,100	408	408	408	408
850	875	86	86	86	86	2,175	2,200	219	219	219	219	4,100	4,150	413	413	413	413
875	900	89	89	89	89	2,200	2,225	221	221	221	221	4,150	4,200	418	418	418	418
900	925	91	91	91	91	2,225	2,250	224	224	224	224	4,200	4,250	423	423	423	423
925	950	94	94	94	94	2,250	2,275	226	226	226	226	4,250	4,300	428	428	428	428
950	975	96	96	96	96	2,275	2,300	229	229	229	229	4,300	4,350	433	433	433	433
975	1,000	99	99	99	99	2,300	2,325	231	231	231	231	4,350	4,400	438	438	438	438
1,000						2,325	2,350	234	234	234	234	4,400	4,450	443	443	443	443
1,000	1,025	101	101	101	101	2,350	2,375	236	236	236	236	4,450	4,500	448	448	448	448
1,025	1,050	104	104	104	104	2,375	2,400	239	239	239	239	4,500	4,550	453	453	453	453
1,050	1,075	106	106	106	106	2,400	2,425	241	241	241	241	4,550	4,600	458	458	458	458
1,075	1,100	109	109	109	109	2,425	2,450	244	244	244	244	4,600	4,650	463	463	463	463
1,100	1,125	111	111	111	111	2,450	2,475	246	246	246	246	4,650	4,700	468	468	468	468
1,125	1,150	114	114	114	114	2,475	2,500	249	249	249	249	4,700	4,750	473	473	473	473
1,150	1,175	116	116	116	116	2,500	2,525	251	251	251	251	4,750	4,800	478	478	478	478
1,175	1,200	119	119	119	119	2,525	2,550	254	254	254	254	4,800	4,850	483	483	483	483
1,200	1,225	121	121	121	121	2,550	2,575	256	256	256	256	4,850	4,900	488	488	488	488
1,225	1,250	124	124	124	124	2,575	2,600	259	259	259	259	4,900	4,950	493	493	493	493
1,250	1,275	126	126	126	126	2,600	2,625	261	261	261	261	4,950	5,000	498	498	498	498
1,275	1,300	129	129	129	129	2,625	2,650	264	264	264	264						
						2,650	2,675	266	266	266	266						
						2,675	2,700	269	269	269	269						

(Continued on page 63)

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

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold	At least	But less than	Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold
		Your tax is—						Your tax is—						Your tax is—			
5,000						8,000						11,000					
5,000	5,050	503	503	503	503	8,000	8,050	854	803	854	803	11,000	11,050	1,304	1,103	1,304	1,154
5,050	5,100	508	508	508	508	8,050	8,100	861	808	861	808	11,050	11,100	1,311	1,108	1,311	1,161
5,100	5,150	513	513	513	513	8,100	8,150	869	813	869	813	11,100	11,150	1,319	1,113	1,319	1,169
5,150	5,200	518	518	518	518	8,150	8,200	876	818	876	818	11,150	11,200	1,326	1,118	1,326	1,176
5,200	5,250	523	523	523	523	8,200	8,250	884	823	884	823	11,200	11,250	1,334	1,123	1,334	1,184
5,250	5,300	528	528	528	528	8,250	8,300	891	828	891	828	11,250	11,300	1,341	1,128	1,341	1,191
5,300	5,350	533	533	533	533	8,300	8,350	899	833	899	833	11,300	11,350	1,349	1,133	1,349	1,199
5,350	5,400	538	538	538	538	8,350	8,400	906	838	906	838	11,350	11,400	1,356	1,138	1,356	1,206
5,400	5,450	543	543	543	543	8,400	8,450	914	843	914	843	11,400	11,450	1,364	1,143	1,364	1,214
5,450	5,500	548	548	548	548	8,450	8,500	921	848	921	848	11,450	11,500	1,371	1,148	1,371	1,221
5,500	5,550	553	553	553	553	8,500	8,550	929	853	929	853	11,500	11,550	1,379	1,153	1,379	1,229
5,550	5,600	558	558	558	558	8,550	8,600	936	858	936	858	11,550	11,600	1,386	1,158	1,386	1,236
5,600	5,650	563	563	563	563	8,600	8,650	944	863	944	863	11,600	11,650	1,394	1,163	1,394	1,244
5,650	5,700	568	568	568	568	8,650	8,700	951	868	951	868	11,650	11,700	1,401	1,168	1,401	1,251
5,700	5,750	573	573	573	573	8,700	8,750	959	873	959	873	11,700	11,750	1,409	1,173	1,409	1,259
5,750	5,800	578	578	578	578	8,750	8,800	966	878	966	878	11,750	11,800	1,416	1,178	1,416	1,266
5,800	5,850	583	583	583	583	8,800	8,850	974	883	974	883	11,800	11,850	1,424	1,183	1,424	1,274
5,850	5,900	588	588	588	588	8,850	8,900	981	888	981	888	11,850	11,900	1,431	1,188	1,431	1,281
5,900	5,950	593	593	593	593	8,900	8,950	989	893	989	893	11,900	11,950	1,439	1,193	1,439	1,289
5,950	6,000	598	598	598	598	8,950	9,000	996	898	996	898	11,950	12,000	1,446	1,198	1,446	1,296
6,000						9,000						12,000					
6,000	6,050	603	603	603	603	9,000	9,050	1,004	903	1,004	903	12,000	12,050	1,454	1,203	1,454	1,304
6,050	6,100	608	608	608	608	9,050	9,100	1,011	908	1,011	908	12,050	12,100	1,461	1,208	1,461	1,311
6,100	6,150	613	613	613	613	9,100	9,150	1,019	913	1,019	913	12,100	12,150	1,469	1,213	1,469	1,319
6,150	6,200	618	618	618	618	9,150	9,200	1,026	918	1,026	918	12,150	12,200	1,476	1,218	1,476	1,326
6,200	6,250	623	623	623	623	9,200	9,250	1,034	923	1,034	923	12,200	12,250	1,484	1,223	1,484	1,334
6,250	6,300	628	628	628	628	9,250	9,300	1,041	928	1,041	928	12,250	12,300	1,491	1,228	1,491	1,341
6,300	6,350	633	633	633	633	9,300	9,350	1,049	933	1,049	933	12,300	12,350	1,499	1,233	1,499	1,349
6,350	6,400	638	638	638	638	9,350	9,400	1,056	938	1,056	938	12,350	12,400	1,506	1,238	1,506	1,356
6,400	6,450	643	643	643	643	9,400	9,450	1,064	943	1,064	943	12,400	12,450	1,514	1,243	1,514	1,364
6,450	6,500	648	648	648	648	9,450	9,500	1,071	948	1,071	948	12,450	12,500	1,521	1,248	1,521	1,371
6,500	6,550	653	653	653	653	9,500	9,550	1,079	953	1,079	953	12,500	12,550	1,529	1,253	1,529	1,379
6,550	6,600	658	658	658	658	9,550	9,600	1,086	958	1,086	958	12,550	12,600	1,536	1,258	1,536	1,386
6,600	6,650	663	663	663	663	9,600	9,650	1,094	963	1,094	963	12,600	12,650	1,544	1,263	1,544	1,394
6,650	6,700	668	668	668	668	9,650	9,700	1,101	968	1,101	968	12,650	12,700	1,551	1,268	1,551	1,401
6,700	6,750	673	673	673	673	9,700	9,750	1,109	973	1,109	973	12,700	12,750	1,559	1,273	1,559	1,409
6,750	6,800	678	678	678	678	9,750	9,800	1,116	978	1,116	978	12,750	12,800	1,566	1,278	1,566	1,416
6,800	6,850	683	683	683	683	9,800	9,850	1,124	983	1,124	983	12,800	12,850	1,574	1,283	1,574	1,424
6,850	6,900	688	688	688	688	9,850	9,900	1,131	988	1,131	988	12,850	12,900	1,581	1,288	1,581	1,431
6,900	6,950	693	693	693	693	9,900	9,950	1,139	993	1,139	993	12,900	12,950	1,589	1,293	1,589	1,439
6,950	7,000	698	698	698	698	9,950	10,000	1,146	998	1,146	998	12,950	13,000	1,596	1,298	1,596	1,446
7,000						10,000						13,000					
7,000	7,050	704	703	704	703	10,000	10,050	1,154	1,003	1,154	1,004	13,000	13,050	1,604	1,303	1,604	1,454
7,050	7,100	711	708	711	708	10,050	10,100	1,161	1,008	1,161	1,011	13,050	13,100	1,611	1,308	1,611	1,461
7,100	7,150	719	713	719	713	10,100	10,150	1,169	1,013	1,169	1,019	13,100	13,150	1,619	1,313	1,619	1,469
7,150	7,200	726	718	726	718	10,150	10,200	1,176	1,018	1,176	1,026	13,150	13,200	1,626	1,318	1,626	1,476
7,200	7,250	734	723	734	723	10,200	10,250	1,184	1,023	1,184	1,034	13,200	13,250	1,634	1,323	1,634	1,484
7,250	7,300	741	728	741	728	10,250	10,300	1,191	1,028	1,191	1,041	13,250	13,300	1,641	1,328	1,641	1,491
7,300	7,350	749	733	749	733	10,300	10,350	1,199	1,033	1,199	1,049	13,300	13,350	1,649	1,333	1,649	1,499
7,350	7,400	756	738	756	738	10,350	10,400	1,206	1,038	1,206	1,056	13,350	13,400	1,656	1,338	1,656	1,506
7,400	7,450	764	743	764	743	10,400	10,450	1,214	1,043	1,214	1,064	13,400	13,450	1,664	1,343	1,664	1,514
7,450	7,500	771	748	771	748	10,450	10,500	1,221	1,048	1,221	1,071	13,450	13,500	1,671	1,348	1,671	1,521
7,500	7,550	779	753	779	753	10,500	10,550	1,229	1,053	1,229	1,079	13,500	13,550	1,679	1,353	1,679	1,529
7,550	7,600	786	758	786	758	10,550	10,600	1,236	1,058	1,236	1,086	13,550	13,600	1,686	1,358	1,686	1,536
7,600	7,650	794	763	794	763	10,600	10,650	1,244	1,063	1,244	1,094	13,600	13,650	1,694	1,363	1,694	1,544
7,650	7,700	801	768	801	768	10,650	10,700	1,251	1,068	1,251	1,101	13,650	13,700	1,701	1,368	1,701	1,551
7,700	7,750	809	773	809	773	10,700	10,750	1,259	1,073	1,259	1,109	13,700	13,750	1,709	1,373	1,709	1,559
7,750	7,800	816	778	816	778	10,750	10,800	1,266	1,078	1,266	1,116	13,750	13,800	1,716	1,378	1,716	1,566
7,800	7,850	824	783	824	783	10,800	10,850	1,274	1,083	1,274	1,124	13,800	13,850	1,724	1,383	1,724	1,574
7,850	7,900	831	788	831	788	10,850	10,900	1,281	1,088	1,281	1,131	13,850	13,900	1,731	1,388	1,731	1,581
7,900	7,950	839	793	839	793	10,900	10,950	1,289	1,093	1,289	1,139	13,900	13,950	1,739	1,393	1,739	1,589
7,950	8,000	846	798	846	798	10,950	11,000	1,296	1,098	1,296	1,146	13,950	14,000	1,746	1,398	1,746	1,596

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

(Continued on page 64)

2003 Tax Table—Continued

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—				Your tax is—				Your tax is—				Your tax is—			
14,000						17,000								20,000			
14,000	14,050	1,754	1,404	1,754	1,604	17,000	17,050	2,204	1,854	2,204	2,054	20,000	20,050	2,654	2,304	2,654	2,504
14,050	14,100	1,761	1,411	1,761	1,611	17,050	17,100	2,211	1,861	2,211	2,061	20,050	20,100	2,661	2,311	2,661	2,511
14,100	14,150	1,769	1,419	1,769	1,619	17,100	17,150	2,219	1,869	2,219	2,069	20,100	20,150	2,669	2,319	2,669	2,519
14,150	14,200	1,776	1,426	1,776	1,626	17,150	17,200	2,226	1,876	2,226	2,076	20,150	20,200	2,676	2,326	2,676	2,526
14,200	14,250	1,784	1,434	1,784	1,634	17,200	17,250	2,234	1,884	2,234	2,084	20,200	20,250	2,684	2,334	2,684	2,534
14,250	14,300	1,791	1,441	1,791	1,641	17,250	17,300	2,241	1,891	2,241	2,091	20,250	20,300	2,691	2,341	2,691	2,541
14,300	14,350	1,799	1,449	1,799	1,649	17,300	17,350	2,249	1,899	2,249	2,099	20,300	20,350	2,699	2,349	2,699	2,549
14,350	14,400	1,806	1,456	1,806	1,656	17,350	17,400	2,256	1,906	2,256	2,106	20,350	20,400	2,706	2,356	2,706	2,556
14,400	14,450	1,814	1,464	1,814	1,664	17,400	17,450	2,264	1,914	2,264	2,114	20,400	20,450	2,714	2,364	2,714	2,564
14,450	14,500	1,821	1,471	1,821	1,671	17,450	17,500	2,271	1,921	2,271	2,121	20,450	20,500	2,721	2,371	2,721	2,571
14,500	14,550	1,829	1,479	1,829	1,679	17,500	17,550	2,279	1,929	2,279	2,129	20,500	20,550	2,729	2,379	2,729	2,579
14,550	14,600	1,836	1,486	1,836	1,686	17,550	17,600	2,286	1,936	2,286	2,136	20,550	20,600	2,736	2,386	2,736	2,586
14,600	14,650	1,844	1,494	1,844	1,694	17,600	17,650	2,294	1,944	2,294	2,144	20,600	20,650	2,744	2,394	2,744	2,594
14,650	14,700	1,851	1,501	1,851	1,701	17,650	17,700	2,301	1,951	2,301	2,151	20,650	20,700	2,751	2,401	2,751	2,601
14,700	14,750	1,859	1,509	1,859	1,709	17,700	17,750	2,309	1,959	2,309	2,159	20,700	20,750	2,759	2,409	2,759	2,609
14,750	14,800	1,866	1,516	1,866	1,716	17,750	17,800	2,316	1,966	2,316	2,166	20,750	20,800	2,766	2,416	2,766	2,616
14,800	14,850	1,874	1,524	1,874	1,724	17,800	17,850	2,324	1,974	2,324	2,174	20,800	20,850	2,774	2,424	2,774	2,624
14,850	14,900	1,881	1,531	1,881	1,731	17,850	17,900	2,331	1,981	2,331	2,181	20,850	20,900	2,781	2,431	2,781	2,631
14,900	14,950	1,889	1,539	1,889	1,739	17,900	17,950	2,339	1,989	2,339	2,189	20,900	20,950	2,789	2,439	2,789	2,639
14,950	15,000	1,896	1,546	1,896	1,746	17,950	18,000	2,346	1,996	2,346	2,196	20,950	21,000	2,796	2,446	2,796	2,646
15,000						18,000								21,000			
15,000	15,050	1,904	1,554	1,904	1,754	18,000	18,050	2,354	2,004	2,354	2,204	21,000	21,050	2,804	2,454	2,804	2,654
15,050	15,100	1,911	1,561	1,911	1,761	18,050	18,100	2,361	2,011	2,361	2,211	21,050	21,100	2,811	2,461	2,811	2,661
15,100	15,150	1,919	1,569	1,919	1,769	18,100	18,150	2,369	2,019	2,369	2,219	21,100	21,150	2,819	2,469	2,819	2,669
15,150	15,200	1,926	1,576	1,926	1,776	18,150	18,200	2,376	2,026	2,376	2,226	21,150	21,200	2,826	2,476	2,826	2,676
15,200	15,250	1,934	1,584	1,934	1,784	18,200	18,250	2,384	2,034	2,384	2,234	21,200	21,250	2,834	2,484	2,834	2,684
15,250	15,300	1,941	1,591	1,941	1,791	18,250	18,300	2,391	2,041	2,391	2,241	21,250	21,300	2,841	2,491	2,841	2,691
15,300	15,350	1,949	1,599	1,949	1,799	18,300	18,350	2,399	2,049	2,399	2,249	21,300	21,350	2,849	2,499	2,849	2,699
15,350	15,400	1,956	1,606	1,956	1,806	18,350	18,400	2,406	2,056	2,406	2,256	21,350	21,400	2,856	2,506	2,856	2,706
15,400	15,450	1,964	1,614	1,964	1,814	18,400	18,450	2,414	2,064	2,414	2,264	21,400	21,450	2,864	2,514	2,864	2,714
15,450	15,500	1,971	1,621	1,971	1,821	18,450	18,500	2,421	2,071	2,421	2,271	21,450	21,500	2,871	2,521	2,871	2,721
15,500	15,550	1,979	1,629	1,979	1,829	18,500	18,550	2,429	2,079	2,429	2,279	21,500	21,550	2,879	2,529	2,879	2,729
15,550	15,600	1,986	1,636	1,986	1,836	18,550	18,600	2,436	2,086	2,436	2,286	21,550	21,600	2,886	2,536	2,886	2,736
15,600	15,650	1,994	1,644	1,994	1,844	18,600	18,650	2,444	2,094	2,444	2,294	21,600	21,650	2,894	2,544	2,894	2,744
15,650	15,700	2,001	1,651	2,001	1,851	18,650	18,700	2,451	2,101	2,451	2,301	21,650	21,700	2,901	2,551	2,901	2,751
15,700	15,750	2,009	1,659	2,009	1,859	18,700	18,750	2,459	2,109	2,459	2,309	21,700	21,750	2,909	2,559	2,909	2,759
15,750	15,800	2,016	1,666	2,016	1,866	18,750	18,800	2,466	2,116	2,466	2,316	21,750	21,800	2,916	2,566	2,916	2,766
15,800	15,850	2,024	1,674	2,024	1,874	18,800	18,850	2,474	2,124	2,474	2,324	21,800	21,850	2,924	2,574	2,924	2,774
15,850	15,900	2,031	1,681	2,031	1,881	18,850	18,900	2,481	2,131	2,481	2,331	21,850	21,900	2,931	2,581	2,931	2,781
15,900	15,950	2,039	1,689	2,039	1,889	18,900	18,950	2,489	2,139	2,489	2,339	21,900	21,950	2,939	2,589	2,939	2,789
15,950	16,000	2,046	1,696	2,046	1,896	18,950	19,000	2,496	2,146	2,496	2,346	21,950	22,000	2,946	2,596	2,946	2,796
16,000						19,000								22,000			
16,000	16,050	2,054	1,704	2,054	1,904	19,000	19,050	2,504	2,154	2,504	2,354	22,000	22,050	2,954	2,604	2,954	2,804
16,050	16,100	2,061	1,711	2,061	1,911	19,050	19,100	2,511	2,161	2,511	2,361	22,050	22,100	2,961	2,611	2,961	2,811
16,100	16,150	2,069	1,719	2,069	1,919	19,100	19,150	2,519	2,169	2,519	2,369	22,100	22,150	2,969	2,619	2,969	2,819
16,150	16,200	2,076	1,726	2,076	1,926	19,150	19,200	2,526	2,176	2,526	2,376	22,150	22,200	2,976	2,626	2,976	2,826
16,200	16,250	2,084	1,734	2,084	1,934	19,200	19,250	2,534	2,184	2,534	2,384	22,200	22,250	2,984	2,634	2,984	2,834
16,250	16,300	2,091	1,741	2,091	1,941	19,250	19,300	2,541	2,191	2,541	2,391	22,250	22,300	2,991	2,641	2,991	2,841
16,300	16,350	2,099	1,749	2,099	1,949	19,300	19,350	2,549	2,199	2,549	2,399	22,300	22,350	2,999	2,649	2,999	2,849
16,350	16,400	2,106	1,756	2,106	1,956	19,350	19,400	2,556	2,206	2,556	2,406	22,350	22,400	3,006	2,656	3,006	2,856
16,400	16,450	2,114	1,764	2,114	1,964	19,400	19,450	2,564	2,214	2,564	2,414	22,400	22,450	3,014	2,664	3,014	2,864
16,450	16,500	2,121	1,771	2,121	1,971	19,450	19,500	2,571	2,221	2,571	2,421	22,450	22,500	3,021	2,671	3,021	2,871
16,500	16,550	2,129	1,779	2,129	1,979	19,500	19,550	2,579	2,229	2,579	2,429	22,500	22,550	3,029	2,679	3,029	2,879
16,550	16,600	2,136	1,786	2,136	1,986	19,550	19,600	2,586	2,236	2,586	2,436	22,550	22,600	3,036	2,686	3,036	2,886
16,600	16,650	2,144	1,794	2,144	1,994	19,600	19,650	2,594	2,244	2,594	2,444	22,600	22,650	3,044	2,694	3,044	2,894
16,650	16,700	2,151	1,801	2,151	2,001	19,650	19,700	2,601	2,251	2,601	2,451	22,650	22,700	3,051	2,701	3,051	2,901
16,700	16,750	2,159	1,809	2,159	2,009	19,700	19,750	2,609	2,259	2,609	2,459	22,700	22,750	3,059	2,709	3,059	2,909
16,750	16,800	2,166	1,816	2,166	2,016	19,750	19,800	2,616	2,266	2,616	2,466	22,750	22,800	3,066	2,716	3,066	2,916
16,800	16,850	2,174	1,824	2,174	2,024	19,800	19,850	2,624	2,274	2,624	2,474	22,800	22,850	3,074	2,724	3,074	2,924
16,850	16,900	2,181	1,831	2,181	2,031	19,850	19,900	2,631	2,281	2,631	2,481	22,850	22,900	3,081	2,731	3,081	2,931
16,900	16,950	2,189	1,839	2,189	2,039	19,900	19,950	2,639	2,289	2,639	2,489	22,900	22,950	3,089	2,739	3,089	2,939
16,950	17,000	2,196	1,846	2,196	2,046	19,950	20,000	2,646	2,296	2,646	2,496	22,950	23,000	3,096	2,746	3,096	2,946

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

(Continued on page 65)

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
		Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold			Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold			Single	Married filing jointly	Married filing sepa- rately	Head of a house- hold
23,000		26,000				29,000											
23,000	23,050	3,104	2,754	3,104	2,954	26,000	26,050	3,554	3,204	3,554	3,404	29,000	29,050	4,066	3,654	4,066	3,854
23,050	23,100	3,111	2,761	3,111	2,961	26,050	26,100	3,561	3,211	3,561	3,411	29,050	29,100	4,079	3,661	4,079	3,861
23,100	23,150	3,119	2,769	3,119	2,969	26,100	26,150	3,569	3,219	3,569	3,419	29,100	29,150	4,091	3,669	4,091	3,869
23,150	23,200	3,126	2,776	3,126	2,976	26,150	26,200	3,576	3,226	3,576	3,426	29,150	29,200	4,104	3,676	4,104	3,876
23,200	23,250	3,134	2,784	3,134	2,984	26,200	26,250	3,584	3,234	3,584	3,434	29,200	29,250	4,116	3,684	4,116	3,884
23,250	23,300	3,141	2,791	3,141	2,991	26,250	26,300	3,591	3,241	3,591	3,441	29,250	29,300	4,129	3,691	4,129	3,891
23,300	23,350	3,149	2,799	3,149	2,999	26,300	26,350	3,599	3,249	3,599	3,449	29,300	29,350	4,141	3,699	4,141	3,899
23,350	23,400	3,156	2,806	3,156	3,006	26,350	26,400	3,606	3,256	3,606	3,456	29,350	29,400	4,154	3,706	4,154	3,906
23,400	23,450	3,164	2,814	3,164	3,014	26,400	26,450	3,614	3,264	3,614	3,464	29,400	29,450	4,166	3,714	4,166	3,914
23,450	23,500	3,171	2,821	3,171	3,021	26,450	26,500	3,621	3,271	3,621	3,471	29,450	29,500	4,179	3,721	4,179	3,921
23,500	23,550	3,179	2,829	3,179	3,029	26,500	26,550	3,629	3,279	3,629	3,479	29,500	29,550	4,191	3,729	4,191	3,929
23,550	23,600	3,186	2,836	3,186	3,036	26,550	26,600	3,636	3,286	3,636	3,486	29,550	29,600	4,204	3,736	4,204	3,936
23,600	23,650	3,194	2,844	3,194	3,044	26,600	26,650	3,644	3,294	3,644	3,494	29,600	29,650	4,216	3,744	4,216	3,944
23,650	23,700	3,201	2,851	3,201	3,051	26,650	26,700	3,651	3,301	3,651	3,501	29,650	29,700	4,229	3,751	4,229	3,951
23,700	23,750	3,209	2,859	3,209	3,059	26,700	26,750	3,659	3,309	3,659	3,509	29,700	29,750	4,241	3,759	4,241	3,959
23,750	23,800	3,216	2,866	3,216	3,066	26,750	26,800	3,666	3,316	3,666	3,516	29,750	29,800	4,254	3,766	4,254	3,966
23,800	23,850	3,224	2,874	3,224	3,074	26,800	26,850	3,674	3,324	3,674	3,524	29,800	29,850	4,266	3,774	4,266	3,974
23,850	23,900	3,231	2,881	3,231	3,081	26,850	26,900	3,681	3,331	3,681	3,531	29,850	29,900	4,279	3,781	4,279	3,981
23,900	23,950	3,239	2,889	3,239	3,089	26,900	26,950	3,689	3,339	3,689	3,539	29,900	29,950	4,291	3,789	4,291	3,989
23,950	24,000	3,246	2,896	3,246	3,096	26,950	27,000	3,696	3,346	3,696	3,546	29,950	30,000	4,304	3,796	4,304	3,996
24,000		27,000				30,000											
24,000	24,050	3,254	2,904	3,254	3,104	27,000	27,050	3,704	3,354	3,704	3,554	30,000	30,050	4,316	3,804	4,316	4,004
24,050	24,100	3,261	2,911	3,261	3,111	27,050	27,100	3,711	3,361	3,711	3,561	30,050	30,100	4,329	3,811	4,329	4,011
24,100	24,150	3,269	2,919	3,269	3,119	27,100	27,150	3,719	3,369	3,719	3,569	30,100	30,150	4,341	3,819	4,341	4,019
24,150	24,200	3,276	2,926	3,276	3,126	27,150	27,200	3,726	3,376	3,726	3,576	30,150	30,200	4,354	3,826	4,354	4,026
24,200	24,250	3,284	2,934	3,284	3,134	27,200	27,250	3,734	3,384	3,734	3,584	30,200	30,250	4,366	3,834	4,366	4,034
24,250	24,300	3,291	2,941	3,291	3,141	27,250	27,300	3,741	3,391	3,741	3,591	30,250	30,300	4,379	3,841	4,379	4,041
24,300	24,350	3,299	2,949	3,299	3,149	27,300	27,350	3,749	3,399	3,749	3,599	30,300	30,350	4,391	3,849	4,391	4,049
24,350	24,400	3,306	2,956	3,306	3,156	27,350	27,400	3,756	3,406	3,756	3,606	30,350	30,400	4,404	3,856	4,404	4,056
24,400	24,450	3,314	2,964	3,314	3,164	27,400	27,450	3,764	3,414	3,764	3,614	30,400	30,450	4,416	3,864	4,416	4,064
24,450	24,500	3,321	2,971	3,321	3,171	27,450	27,500	3,771	3,421	3,771	3,621	30,450	30,500	4,429	3,871	4,429	4,071
24,500	24,550	3,329	2,979	3,329	3,179	27,500	27,550	3,779	3,429	3,779	3,629	30,500	30,550	4,441	3,879	4,441	4,079
24,550	24,600	3,336	2,986	3,336	3,186	27,550	27,600	3,786	3,436	3,786	3,636	30,550	30,600	4,454	3,886	4,454	4,086
24,600	24,650	3,344	2,994	3,344	3,194	27,600	27,650	3,794	3,444	3,794	3,644	30,600	30,650	4,466	3,894	4,466	4,094
24,650	24,700	3,351	3,001	3,351	3,201	27,650	27,700	3,801	3,451	3,801	3,651	30,650	30,700	4,479	3,901	4,479	4,101
24,700	24,750	3,359	3,009	3,359	3,209	27,700	27,750	3,809	3,459	3,809	3,659	30,700	30,750	4,491	3,909	4,491	4,109
24,750	24,800	3,366	3,016	3,366	3,216	27,750	27,800	3,816	3,466	3,816	3,666	30,750	30,800	4,504	3,916	4,504	4,116
24,800	24,850	3,374	3,024	3,374	3,224	27,800	27,850	3,824	3,474	3,824	3,674	30,800	30,850	4,516	3,924	4,516	4,124
24,850	24,900	3,381	3,031	3,381	3,231	27,850	27,900	3,831	3,481	3,831	3,681	30,850	30,900	4,529	3,931	4,529	4,131
24,900	24,950	3,389	3,039	3,389	3,239	27,900	27,950	3,839	3,489	3,839	3,689	30,900	30,950	4,541	3,939	4,541	4,139
24,950	25,000	3,396	3,046	3,396	3,246	27,950	28,000	3,846	3,496	3,846	3,696	30,950	31,000	4,554	3,946	4,554	4,146
25,000		28,000				31,000											
25,000	25,050	3,404	3,054	3,404	3,254	28,000	28,050	3,854	3,504	3,854	3,704	31,000	31,050	4,566	3,954	4,566	4,154
25,050	25,100	3,411	3,061	3,411	3,261	28,050	28,100	3,861	3,511	3,861	3,711	31,050	31,100	4,579	3,961	4,579	4,161
25,100	25,150	3,419	3,069	3,419	3,269	28,100	28,150	3,869	3,519	3,869	3,719	31,100	31,150	4,591	3,969	4,591	4,169
25,150	25,200	3,426	3,076	3,426	3,276	28,150	28,200	3,876	3,526	3,876	3,726	31,150	31,200	4,604	3,976	4,604	4,176
25,200	25,250	3,434	3,084	3,434	3,284	28,200	28,250	3,884	3,534	3,884	3,734	31,200	31,250	4,616	3,984	4,616	4,184
25,250	25,300	3,441	3,091	3,441	3,291	28,250	28,300	3,891	3,541	3,891	3,741	31,250	31,300	4,629	3,991	4,629	4,191
25,300	25,350	3,449	3,099	3,449	3,299	28,300	28,350	3,899	3,549	3,899	3,749	31,300	31,350	4,641	3,999	4,641	4,199
25,350	25,400	3,456	3,106	3,456	3,306	28,350	28,400	3,906	3,556	3,906	3,756	31,350	31,400	4,654	4,006	4,654	4,206
25,400	25,450	3,464	3,114	3,464	3,314	28,400	28,450	3,916	3,564	3,916	3,764	31,400	31,450	4,666	4,014	4,666	4,214
25,450	25,500	3,471	3,121	3,471	3,321	28,450	28,500	3,929	3,571	3,929	3,771	31,450	31,500	4,679	4,021	4,679	4,221
25,500	25,550	3,479	3,129	3,479	3,329	28,500	28,550	3,941	3,579	3,941	3,779	31,500	31,550	4,691	4,029	4,691	4,229
25,550	25,600	3,486	3,136	3,486	3,336	28,550	28,600	3,954	3,586	3,954	3,786	31,550	31,600	4,704	4,036	4,704	4

2003 Tax Table—Continued

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—				At least	But less than	Your tax is—				At least	But less than	Your tax is—			
32,000						35,000						38,000					
32,000	32,050	4,816	4,104	4,816	4,304	35,000	35,050	5,566	4,554	5,566	4,754	38,000	38,050	6,316	5,004	6,316	5,204
32,050	32,100	4,829	4,111	4,829	4,311	35,050	35,100	5,579	4,561	5,579	4,761	38,050	38,100	6,329	5,011	6,329	5,214
32,100	32,150	4,841	4,119	4,841	4,319	35,100	35,150	5,591	4,569	5,591	4,769	38,100	38,150	6,341	5,019	6,341	5,226
32,150	32,200	4,854	4,126	4,854	4,326	35,150	35,200	5,604	4,576	5,604	4,776	38,150	38,200	6,354	5,026	6,354	5,239
32,200	32,250	4,866	4,134	4,866	4,334	35,200	35,250	5,616	4,584	5,616	4,784	38,200	38,250	6,366	5,034	6,366	5,251
32,250	32,300	4,879	4,141	4,879	4,341	35,250	35,300	5,629	4,591	5,629	4,791	38,250	38,300	6,379	5,041	6,379	5,264
32,300	32,350	4,891	4,149	4,891	4,349	35,300	35,350	5,641	4,599	5,641	4,799	38,300	38,350	6,391	5,049	6,391	5,276
32,350	32,400	4,904	4,156	4,904	4,356	35,350	35,400	5,654	4,606	5,654	4,806	38,350	38,400	6,404	5,056	6,404	5,289
32,400	32,450	4,916	4,164	4,916	4,364	35,400	35,450	5,666	4,614	5,666	4,814	38,400	38,450	6,416	5,064	6,416	5,301
32,450	32,500	4,929	4,171	4,929	4,371	35,450	35,500	5,679	4,621	5,679	4,821	38,450	38,500	6,429	5,071	6,429	5,314
32,500	32,550	4,941	4,179	4,941	4,379	35,500	35,550	5,691	4,629	5,691	4,829	38,500	38,550	6,441	5,079	6,441	5,326
32,550	32,600	4,954	4,186	4,954	4,386	35,550	35,600	5,704	4,636	5,704	4,836	38,550	38,600	6,454	5,086	6,454	5,339
32,600	32,650	4,966	4,194	4,966	4,394	35,600	35,650	5,716	4,644	5,716	4,844	38,600	38,650	6,466	5,094	6,466	5,351
32,650	32,700	4,979	4,201	4,979	4,401	35,650	35,700	5,729	4,651	5,729	4,851	38,650	38,700	6,479	5,101	6,479	5,364
32,700	32,750	4,991	4,209	4,991	4,409	35,700	35,750	5,741	4,659	5,741	4,859	38,700	38,750	6,491	5,109	6,491	5,376
32,750	32,800	5,004	4,216	5,004	4,416	35,750	35,800	5,754	4,666	5,754	4,866	38,750	38,800	6,504	5,116	6,504	5,389
32,800	32,850	5,016	4,224	5,016	4,424	35,800	35,850	5,766	4,674	5,766	4,874	38,800	38,850	6,516	5,124	6,516	5,401
32,850	32,900	5,029	4,231	5,029	4,431	35,850	35,900	5,779	4,681	5,779	4,881	38,850	38,900	6,529	5,131	6,529	5,414
32,900	32,950	5,041	4,239	5,041	4,439	35,900	35,950	5,791	4,689	5,791	4,889	38,900	38,950	6,541	5,139	6,541	5,426
32,950	33,000	5,054	4,246	5,054	4,446	35,950	36,000	5,804	4,696	5,804	4,896	38,950	39,000	6,554	5,146	6,554	5,439
33,000						36,000						39,000					
33,000	33,050	5,066	4,254	5,066	4,454	36,000	36,050	5,816	4,704	5,816	4,904	39,000	39,050	6,566	5,154	6,566	5,451
33,050	33,100	5,079	4,261	5,079	4,461	36,050	36,100	5,829	4,711	5,829	4,911	39,050	39,100	6,579	5,161	6,579	5,464
33,100	33,150	5,091	4,269	5,091	4,469	36,100	36,150	5,841	4,719	5,841	4,919	39,100	39,150	6,591	5,169	6,591	5,476
33,150	33,200	5,104	4,276	5,104	4,476	36,150	36,200	5,854	4,726	5,854	4,926	39,150	39,200	6,604	5,176	6,604	5,489
33,200	33,250	5,116	4,284	5,116	4,484	36,200	36,250	5,866	4,734	5,866	4,934	39,200	39,250	6,616	5,184	6,616	5,501
33,250	33,300	5,129	4,291	5,129	4,491	36,250	36,300	5,879	4,741	5,879	4,941	39,250	39,300	6,629	5,191	6,629	5,514
33,300	33,350	5,141	4,299	5,141	4,499	36,300	36,350	5,891	4,749	5,891	4,949	39,300	39,350	6,641	5,199	6,641	5,526
33,350	33,400	5,154	4,306	5,154	4,506	36,350	36,400	5,904	4,756	5,904	4,956	39,350	39,400	6,654	5,206	6,654	5,539
33,400	33,450	5,166	4,314	5,166	4,514	36,400	36,450	5,916	4,764	5,916	4,964	39,400	39,450	6,666	5,214	6,666	5,551
33,450	33,500	5,179	4,321	5,179	4,521	36,450	36,500	5,929	4,771	5,929	4,971	39,450	39,500	6,679	5,221	6,679	5,564
33,500	33,550	5,191	4,329	5,191	4,529	36,500	36,550	5,941	4,779	5,941	4,979	39,500	39,550	6,691	5,229	6,691	5,576
33,550	33,600	5,204	4,336	5,204	4,536	36,550	36,600	5,954	4,786	5,954	4,986	39,550	39,600	6,704	5,236	6,704	5,589
33,600	33,650	5,216	4,344	5,216	4,544	36,600	36,650	5,966	4,794	5,966	4,994	39,600	39,650	6,716	5,244	6,716	5,601
33,650	33,700	5,229	4,351	5,229	4,551	36,650	36,700	5,979	4,801	5,979	5,001	39,650	39,700	6,729	5,251	6,729	5,614
33,700	33,750	5,241	4,359	5,241	4,559	36,700	36,750	5,991	4,809	5,991	5,009	39,700	39,750	6,741	5,259	6,741	5,626
33,750	33,800	5,254	4,366	5,254	4,566	36,750	36,800	6,004	4,816	6,004	5,016	39,750	39,800	6,754	5,266	6,754	5,639
33,800	33,850	5,266	4,374	5,266	4,574	36,800	36,850	6,016	4,824	6,016	5,024	39,800	39,850	6,766	5,274	6,766	5,651
33,850	33,900	5,279	4,381	5,279	4,581	36,850	36,900	6,029	4,831	6,029	5,031	39,850	39,900	6,779	5,281	6,779	5,664
33,900	33,950	5,291	4,389	5,291	4,589	36,900	36,950	6,041	4,839	6,041	5,039	39,900	39,950	6,791	5,289	6,791	5,676
33,950	34,000	5,304	4,396	5,304	4,596	36,950	37,000	6,054	4,846	6,054	5,046	39,950	40,000	6,804	5,296	6,804	5,689
34,000						37,000						40,000					
34,000	34,050	5,316	4,404	5,316	4,604	37,000	37,050	6,066	4,854	6,066	5,054	40,000	40,050	6,816	5,304	6,816	5,701
34,050	34,100	5,329	4,411	5,329	4,611	37,050	37,100	6,079	4,861	6,079	5,061	40,050	40,100	6,829	5,311	6,829	5,714
34,100	34,150	5,341	4,419	5,341	4,619	37,100	37,150	6,091	4,869	6,091	5,069	40,100	40,150	6,841	5,319	6,841	5,726
34,150	34,200	5,354	4,426	5,354	4,626	37,150	37,200	6,104	4,876	6,104	5,076	40,150	40,200	6,854	5,326	6,854	5,739
34,200	34,250	5,366	4,434	5,366	4,634	37,200	37,250	6,116	4,884	6,116	5,084	40,200	40,250	6,866	5,334	6,866	5,751
34,250	34,300	5,379	4,441	5,379	4,641	37,250	37,300	6,129	4,891	6,129	5,091	40,250	40,300	6,879	5,341	6,879	5,764
34,300	34,350	5,391	4,449	5,391	4,649	37,300	37,350	6,141	4,899	6,141	5,099	40,300	40,350	6,891	5,349	6,891	5,776
34,350	34,400	5,404	4,456	5,404	4,656	37,350	37,400	6,154	4,906	6,154	5,106	40,350	40,400	6,904	5,356	6,904	5,789
34,400	34,450	5,416	4,464	5,416	4,664	37,400	37,450	6,166	4,914	6,166	5,114	40,400	40,450	6,916	5,364	6,916	5,801
34,450	34,500	5,429	4,471	5,429	4,671	37,450	37,500	6,179	4,921	6,179	5,121	40,450	40,500	6,929	5,371	6,929	5,814
34,500	34,550	5,441	4,479	5,441	4,679	37,500	37,550	6,191	4,929	6,191	5,129	40,500	40,550	6,941	5,379	6,941	5,826
34,550	34,600	5,454	4,486	5,454	4,686	37,550	37,600	6,204	4								

Table with columns: If line 40 (taxable income) is—, And you are—, and sub-columns for Single, Married filing jointly, Married filing separately, Head of a household. Rows are organized by taxable income ranges from 41,000 to 49,950.

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

(Continued on page 68)

2003 Tax Table—Continued

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—					
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household		
		Your tax is—								Your tax is—						Your tax is—			
50,000						53,000						56,000							
50,000	50,050	9,316	6,804	9,316	8,201	53,000	53,050	10,066	7,254	10,066	8,951	56,000	56,050	10,816	7,704	10,816	9,701		
50,050	50,100	9,329	6,811	9,329	8,214	53,050	53,100	10,079	7,261	10,079	8,964	56,050	56,100	10,829	7,711	10,829	9,714		
50,100	50,150	9,341	6,819	9,341	8,226	53,100	53,150	10,091	7,269	10,091	8,976	56,100	56,150	10,841	7,719	10,841	9,726		
50,150	50,200	9,354	6,826	9,354	8,239	53,150	53,200	10,104	7,276	10,104	8,989	56,150	56,200	10,854	7,726	10,854	9,739		
50,200	50,250	9,366	6,834	9,366	8,251	53,200	53,250	10,116	7,284	10,116	9,001	56,200	56,250	10,866	7,734	10,866	9,751		
50,250	50,300	9,379	6,841	9,379	8,264	53,250	53,300	10,129	7,291	10,129	9,014	56,250	56,300	10,879	7,741	10,879	9,764		
50,300	50,350	9,391	6,849	9,391	8,276	53,300	53,350	10,141	7,299	10,141	9,026	56,300	56,350	10,891	7,749	10,891	9,776		
50,350	50,400	9,404	6,856	9,404	8,289	53,350	53,400	10,154	7,306	10,154	9,039	56,350	56,400	10,904	7,756	10,904	9,789		
50,400	50,450	9,416	6,864	9,416	8,301	53,400	53,450	10,166	7,314	10,166	9,051	56,400	56,450	10,916	7,764	10,916	9,801		
50,450	50,500	9,429	6,871	9,429	8,314	53,450	53,500	10,179	7,321	10,179	9,064	56,450	56,500	10,929	7,771	10,929	9,814		
50,500	50,550	9,441	6,879	9,441	8,326	53,500	53,550	10,191	7,329	10,191	9,076	56,500	56,550	10,941	7,779	10,941	9,826		
50,550	50,600	9,454	6,886	9,454	8,339	53,550	53,600	10,204	7,336	10,204	9,089	56,550	56,600	10,954	7,786	10,954	9,839		
50,600	50,650	9,466	6,894	9,466	8,351	53,600	53,650	10,216	7,344	10,216	9,101	56,600	56,650	10,966	7,794	10,966	9,851		
50,650	50,700	9,479	6,901	9,479	8,364	53,650	53,700	10,229	7,351	10,229	9,114	56,650	56,700	10,979	7,801	10,979	9,864		
50,700	50,750	9,491	6,909	9,491	8,376	53,700	53,750	10,241	7,359	10,241	9,126	56,700	56,750	10,991	7,809	10,991	9,876		
50,750	50,800	9,504	6,916	9,504	8,389	53,750	53,800	10,254	7,366	10,254	9,139	56,750	56,800	11,004	7,816	11,004	9,889		
50,800	50,850	9,516	6,924	9,516	8,401	53,800	53,850	10,266	7,374	10,266	9,151	56,800	56,850	11,016	7,826	11,016	9,901		
50,850	50,900	9,529	6,931	9,529	8,414	53,850	53,900	10,279	7,381	10,279	9,164	56,850	56,900	11,029	7,833	11,029	9,914		
50,900	50,950	9,541	6,939	9,541	8,426	53,900	53,950	10,291	7,389	10,291	9,176	56,900	56,950	11,041	7,851	11,041	9,926		
50,950	51,000	9,554	6,946	9,554	8,439	53,950	54,000	10,304	7,396	10,304	9,189	56,950	57,000	11,054	7,864	11,054	9,939		
51,000						54,000						57,000							
51,000	51,050	9,566	6,954	9,566	8,451	54,000	54,050	10,316	7,404	10,316	9,201	57,000	57,050	11,066	7,876	11,066	9,951		
51,050	51,100	9,579	6,961	9,579	8,464	54,050	54,100	10,329	7,411	10,329	9,214	57,050	57,100	11,079	7,889	11,079	9,964		
51,100	51,150	9,591	6,969	9,591	8,476	54,100	54,150	10,341	7,419	10,341	9,226	57,100	57,150	11,091	7,901	11,091	9,976		
51,150	51,200	9,604	6,976	9,604	8,489	54,150	54,200	10,354	7,426	10,354	9,239	57,150	57,200	11,104	7,914	11,104	9,989		
51,200	51,250	9,616	6,984	9,616	8,501	54,200	54,250	10,366	7,434	10,366	9,251	57,200	57,250	11,116	7,926	11,116	10,001		
51,250	51,300	9,629	6,991	9,629	8,514	54,250	54,300	10,379	7,441	10,379	9,264	57,250	57,300	11,129	7,939	11,129	10,014		
51,300	51,350	9,641	6,999	9,641	8,526	54,300	54,350	10,391	7,449	10,391	9,276	57,300	57,350	11,141	7,951	11,141	10,026		
51,350	51,400	9,654	7,006	9,654	8,539	54,350	54,400	10,404	7,456	10,404	9,289	57,350	57,400	11,154	7,964	11,154	10,039		
51,400	51,450	9,666	7,014	9,666	8,551	54,400	54,450	10,416	7,464	10,416	9,301	57,400	57,450	11,166	7,976	11,169	10,051		
51,450	51,500	9,679	7,021	9,679	8,564	54,450	54,500	10,429	7,471	10,429	9,314	57,450	57,500	11,179	7,989	11,183	10,064		
51,500	51,550	9,691	7,029	9,691	8,576	54,500	54,550	10,441	7,479	10,441	9,326	57,500	57,550	11,191	8,001	11,197	10,076		
51,550	51,600	9,704	7,036	9,704	8,589	54,550	54,600	10,454	7,486	10,454	9,339	57,550	57,600	11,204	8,014	11,211	10,089		
51,600	51,650	9,716	7,044	9,716	8,601	54,600	54,650	10,466	7,494	10,466	9,351	57,600	57,650	11,216	8,026	11,225	10,101		
51,650	51,700	9,729	7,051	9,729	8,614	54,650	54,700	10,479	7,501	10,479	9,364	57,650	57,700	11,229	8,039	11,239	10,114		
51,700	51,750	9,741	7,059	9,741	8,626	54,700	54,750	10,491	7,509	10,491	9,376	57,700	57,750	11,241	8,051	11,253	10,126		
51,750	51,800	9,754	7,066	9,754	8,639	54,750	54,800	10,504	7,516	10,504	9,389	57,750	57,800	11,254	8,064	11,267	10,139		
51,800	51,850	9,766	7,074	9,766	8,651	54,800	54,850	10,516	7,524	10,516	9,401	57,800	57,850	11,266	8,076	11,281	10,151		
51,850	51,900	9,779	7,081	9,779	8,664	54,850	54,900	10,529	7,531	10,529	9,414	57,850	57,900	11,279	8,089	11,295	10,164		
51,900	51,950	9,791	7,089	9,791	8,676	54,900	54,950	10,541	7,539	10,541	9,426	57,900	57,950	11,291	8,101	11,309	10,176		
51,950	52,000	9,804	7,096	9,804	8,689	54,950	55,000	10,554	7,546	10,554	9,439	57,950	58,000	11,304	8,114	11,323	10,189		
52,000						55,000						58,000							
52,000	52,050	9,816	7,104	9,816	8,701	55,000	55,050	10,566	7,554	10,566	9,451	58,000	58,050	11,316	8,126	11,337	10,201		
52,050	52,100	9,829	7,111	9,829	8,714	55,050	55,100	10,579	7,561	10,579	9,464	58,050	58,100	11,329	8,139	11,351	10,214		
52,100	52,150	9,841	7,119	9,841	8,726	55,100	55,150	10,591	7,569	10,591	9,476	58,100	58,150	11,341	8,151	11,365	10,226		
52,150	52,200	9,854	7,126	9,854	8,739	55,150	55,200	10,604	7,576	10,604	9,489	58,150	58,200	11,354	8,164	11,379	10,239		
52,200	52,250	9,866	7,134	9,866	8,751	55,200	55,250	10,616	7,584	10,616	9,501	58,200	58,250	11,366	8,176	11,393	10,251		
52,250	52,300	9,879	7,141	9,879	8,764	55,250	55,300	10,629	7,591	10,629	9,514	58,250	58,300	11,379	8,189	11,407	10,264		
52,300	52,350	9,891	7,149	9,891	8,776	55,300	55,350	10,641	7,599	10,641	9,526	58,300	58,350	11,391	8,201	11,421	10,276		
52,350	52,400	9,904	7,156	9,904	8,789	55,350	55,400	10,654	7,606	10,654	9,539	58,350	58,400	11,404	8,214	11,435	10,289		
52,400	52,450	9,916	7,164	9,916	8,801	55,400	55,450	10,666	7,614	10,666	9,551	58,400	58,450	11,416	8,226	11,449	10,301		
52,450	52,500	9,929	7,171	9,929	8,814	55,450	55,500	10,679	7,621	10,679	9,564	58,450	58,500	11,429	8,239	11,463	10,314		
52,500	52,550	9,941	7,179	9,941	8,826	55,500	55,550	10,691	7,629	10,691	9,576	58,500	58,550	11,441	8,251	11,477	10,326		
52,550	52,600	9,954	7,186	9,954	8,839	55,550	55,600	10,704	7,636	10,704	9,589	58,550	58,600	11,454	8,264	11,491	10,339		
52,600	52,650	9,966	7,194	9,966	8,851	55,600	55,650	10,716	7,644	10,716	9,601	58,600	58,650	11,466	8,276	11,505	10,351		
52,650	52,700	9,979	7,201	9,979	8,864	55,650	55,700	10,729	7,651	10,729	9,614	58,650	58,700	11,479	8,289	11,519	10,364		
52,700	52,750	9,991	7,209	9,991	8,876	55,700	55,750	10,741	7,659	10,741	9,626	58,700	58,750	11,491	8,301	11,533	10,376		
52,750	52,800	10,004	7,216	10,004	8,889	55,750	55,800	10,754	7,666	10,754	9,639	58,750	58,800	11,504	8,314	11,547	10,389		
52,800	52,850	10,016	7,224	10,016	8,901	55,800	55,850	10,766	7,674	10,766	9,651	58,800	58,850	11,516	8,326	11,561	10,401		
52,850	52,900	10,029	7,231	10,029	8,914	55,850	55,900	10,779	7,681	10,779	9,664	58,850	58,900	11,529	8,339	11,575	10,414		
52,900	52,950	10,041	7,239	10,041	8,926	55,900	55,950	10,791	7,689	10,791	9,676	58,900	58,950	11,541	8,351	11,589	10,426		
52,950	53,000	10,054	7,246	10,054	8,939	55,950	56,000	10,804	7,696	10,804	9,689	58,950	59,000	11,554	8,364	11,603	10,439		

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

(Continued on page 69)

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold			Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold			Single	Married filing jointly *	Married filing sepa- rately	Head of a house- hold
At least	But less than	Your tax is—				At least	But less than	Your tax is—				At least	But less than	Your tax is—			
59,000						62,000						65,000					
59,000	59,050	11,566	8,376	11,617	10,451	62,000	62,050	12,316	9,126	12,457	11,201	65,000	65,050	13,066	9,876	13,297	11,951
59,050	59,100	11,579	8,389	11,631	10,464	62,050	62,100	12,329	9,139	12,471	11,214	65,050	65,100	13,079	9,889	13,311	11,964
59,100	59,150	11,591	8,401	11,645	10,476	62,100	62,150	12,341	9,151	12,485	11,226	65,100	65,150	13,091	9,901	13,325	11,976
59,150	59,200	11,604	8,414	11,659	10,489	62,150	62,200	12,354	9,164	12,499	11,239	65,150	65,200	13,104	9,914	13,339	11,989
59,200	59,250	11,616	8,426	11,673	10,501	62,200	62,250	12,366	9,176	12,513	11,251	65,200	65,250	13,116	9,926	13,353	12,001
59,250	59,300	11,629	8,439	11,687	10,514	62,250	62,300	12,379	9,189	12,527	11,264	65,250	65,300	13,129	9,939	13,367	12,014
59,300	59,350	11,641	8,451	11,701	10,526	62,300	62,350	12,391	9,201	12,541	11,276	65,300	65,350	13,141	9,951	13,381	12,026
59,350	59,400	11,654	8,464	11,715	10,539	62,350	62,400	12,404	9,214	12,555	11,289	65,350	65,400	13,154	9,964	13,395	12,039
59,400	59,450	11,666	8,476	11,729	10,551	62,400	62,450	12,416	9,226	12,569	11,301	65,400	65,450	13,166	9,976	13,409	12,051
59,450	59,500	11,679	8,489	11,743	10,564	62,450	62,500	12,429	9,239	12,583	11,314	65,450	65,500	13,179	9,989	13,423	12,064
59,500	59,550	11,691	8,501	11,757	10,576	62,500	62,550	12,441	9,251	12,597	11,326	65,500	65,550	13,191	10,001	13,437	12,076
59,550	59,600	11,704	8,514	11,771	10,589	62,550	62,600	12,454	9,264	12,611	11,339	65,550	65,600	13,204	10,014	13,451	12,089
59,600	59,650	11,716	8,526	11,785	10,601	62,600	62,650	12,466	9,276	12,625	11,351	65,600	65,650	13,216	10,026	13,465	12,101
59,650	59,700	11,729	8,539	11,799	10,614	62,650	62,700	12,479	9,289	12,639	11,364	65,650	65,700	13,229	10,039	13,479	12,114
59,700	59,750	11,741	8,551	11,813	10,626	62,700	62,750	12,491	9,301	12,653	11,376	65,700	65,750	13,241	10,051	13,493	12,126
59,750	59,800	11,754	8,564	11,827	10,639	62,750	62,800	12,504	9,314	12,667	11,389	65,750	65,800	13,254	10,064	13,507	12,139
59,800	59,850	11,766	8,576	11,841	10,651	62,800	62,850	12,516	9,326	12,681	11,401	65,800	65,850	13,266	10,076	13,521	12,151
59,850	59,900	11,779	8,589	11,855	10,664	62,850	62,900	12,529	9,339	12,695	11,414	65,850	65,900	13,279	10,089	13,535	12,164
59,900	59,950	11,791	8,601	11,869	10,676	62,900	62,950	12,541	9,351	12,709	11,426	65,900	65,950	13,291	10,101	13,549	12,176
59,950	60,000	11,804	8,614	11,883	10,689	62,950	63,000	12,554	9,364	12,723	11,439	65,950	66,000	13,304	10,114	13,563	12,189
60,000						63,000						66,000					
60,000	60,050	11,816	8,626	11,897	10,701	63,000	63,050	12,566	9,376	12,737	11,451	66,000	66,050	13,316	10,126	13,577	12,201
60,050	60,100	11,829	8,639	11,911	10,714	63,050	63,100	12,579	9,389	12,751	11,464	66,050	66,100	13,329	10,139	13,591	12,214
60,100	60,150	11,841	8,651	11,925	10,726	63,100	63,150	12,591	9,401	12,765	11,476	66,100	66,150	13,341	10,151	13,605	12,226
60,150	60,200	11,854	8,664	11,939	10,739	63,150	63,200	12,604	9,414	12,779	11,489	66,150	66,200	13,354	10,164	13,619	12,239
60,200	60,250	11,866	8,676	11,953	10,751	63,200	63,250	12,616	9,426	12,793	11,501	66,200	66,250	13,366	10,176	13,633	12,251
60,250	60,300	11,879	8,689	11,967	10,764	63,250	63,300	12,629	9,439	12,807	11,514	66,250	66,300	13,379	10,189	13,647	12,264
60,300	60,350	11,891	8,701	11,981	10,776	63,300	63,350	12,641	9,451	12,821	11,526	66,300	66,350	13,391	10,201	13,661	12,276
60,350	60,400	11,904	8,714	11,995	10,789	63,350	63,400	12,654	9,464	12,835	11,539	66,350	66,400	13,404	10,214	13,675	12,289
60,400	60,450	11,916	8,726	12,009	10,801	63,400	63,450	12,666	9,476	12,849	11,551	66,400	66,450	13,416	10,226	13,689	12,301
60,450	60,500	11,929	8,739	12,023	10,814	63,450	63,500	12,679	9,489	12,863	11,564	66,450	66,500	13,429	10,239	13,703	12,314
60,500	60,550	11,941	8,751	12,037	10,826	63,500	63,550	12,691	9,501	12,877	11,576	66,500	66,550	13,441	10,251	13,717	12,326
60,550	60,600	11,954	8,764	12,051	10,839	63,550	63,600	12,704	9,514	12,891	11,589	66,550	66,600	13,454	10,264	13,731	12,339
60,600	60,650	11,966	8,776	12,065	10,851	63,600	63,650	12,716	9,526	12,905	11,601	66,600	66,650	13,466	10,276	13,745	12,351
60,650	60,700	11,979	8,789	12,079	10,864	63,650	63,700	12,729	9,539	12,919	11,614	66,650	66,700	13,479	10,289	13,759	12,364
60,700	60,750	11,991	8,801	12,093	10,876	63,700	63,750	12,741	9,551	12,933	11,626	66,700	66,750	13,491	10,301	13,773	12,376
60,750	60,800	12,004	8,814	12,107	10,889	63,750	63,800	12,754	9,564	12,947	11,639	66,750	66,800	13,504	10,314	13,787	12,389
60,800	60,850	12,016	8,826	12,121	10,901	63,800	63,850	12,766	9,576	12,961	11,651	66,800	66,850	13,516	10,326	13,801	12,401
60,850	60,900	12,029	8,839	12,135	10,914	63,850	63,900	12,779	9,589	12,975	11,664	66,850	66,900	13,529	10,339	13,815	12,414
60,900	60,950	12,041	8,851	12,149	10,926	63,900	63,950	12,791	9,601	12,989	11,676	66,900	66,950	13,541	10,351	13,829	12,426
60,950	61,000	12,054	8,864	12,163	10,939	63,950	64,000	12,804	9,614	13,003	11,689	66,950	67,000	13,554	10,364	13,843	12,439
61,000						64,000						67,000					
61,000	61,050	12,066	8,876	12,177	10,951	64,000	64,050	12,816	9,626	13,017	11,701	67,000	67,050	13,566	10,376	13,857	12,451
61,050	61,100	12,079	8,889	12,191	10,964	64,050	64,100	12,829	9,639	13,031	11,714	67,050	67,100	13,579	10,389	13,871	12,464
61,100	61,150	12,091	8,901	12,205	10,976	64,100	64,150	12,841	9,651	13,045	11,726	67,100	67,150	13,591	10,401	13,885	12,476
61,150	61,200	12,104	8,914	12,219	10,989	64,150	64,200	12,854	9,664	13,059	11,739	67,150	67,200	13,604	10,414	13,899	12,489
61,200	61,250	12,116	8,926	12,233	11,001	64,200	64,250	12,866	9,676	13,073	11,751	67,200	67,250	13,616	10,426	13,913	12,501
61,250	61,300	12,129	8,939	12,247	11,014	64,250	64,300	12,879	9,689	13,087	11,764	67,250	67,300	13,629	10,439	13,927	12,514
61,300	61,350	12,141	8,951	12,261	11,026	64,300	64,350	12,891	9,701	13,101	11,776	67,300	67,350	13,641	10,451	13,941	12,526
61,350	61,400	12,154	8,964	12,275	11,039	64,350	64,400	12,904	9,714	13,115	11,789	67,350	67,400	13,654	10,464	13,955	12,539
61,400	61,450	12,166	8,976	12,289	11,051	64,400	64,450	12,916	9,726	13,129	11,801	67,400	67,450	13,666	10,476	13,969	12,551
61,450	61,500	12,179	8,989	12,303	11,064	64,450	64,500	12,929	9,739	13,143	11,814	67,450	67,500	13,679	10,489	13,983	12,564
61,500	61,550	12,191	9,001	12,317	11,076	64,500	64,550	12,941	9,751	13,157	11,826	67,500	67,550	13,691	10,501	13,997	12,576
61,550	61,600	12,204	9,014	12,331	11,089	64,550	64,600	12,954	9,764	13,171	11,839	67,550	67,600	13,704	10,514	14,011	12,589
61,600	61,650	12,216	9,026	12,345	11,101	64,600	64,650	12,966	9,776	13,185	11,851	67,600	67,650	13,716	10,526	14,025	12,601
61,650	61,700	12,229	9,039	12,359	11,114	64,650	64,700	12,979	9,789	13,199	11,864	67,650	67,700	13,729	10,539	14,039	12,614
61,700	61,750	12,241	9,051	12,373	11,126	64,700	64,750	12,991	9,801	13,213	11,876	67,700	67,750	13,741	10,551	14,053	12,626
61,750	61,800	12,254	9,064	12,387	11,139	64,750	64,800	13,004	9,814	13,227	11,889	67,750	67,800	13,754	10,564	14,067	12,639
61,800	61,850	12,266	9,076	12,401	11,151	64,800	64,850	13,016	9,826	13,241	11,901	67,800	67,850	13,766	10,576	14,081	12,651
61,850	61,900	12,279	9,089	12,415	11,164	64,850	64,900	13,02									

2003 Tax Table—Continued

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
68,000						71,000						74,000					
68,000	68,050	13,816	10,626	14,137	12,701	71,000	71,050	14,633	11,376	14,977	13,451	74,000	74,050	15,473	12,126	15,817	14,201
68,050	68,100	13,829	10,639	14,151	12,714	71,050	71,100	14,647	11,389	14,991	13,464	74,050	74,100	15,487	12,139	15,831	14,214
68,100	68,150	13,841	10,651	14,165	12,726	71,100	71,150	14,661	11,401	15,005	13,476	74,100	74,150	15,501	12,151	15,845	14,226
68,150	68,200	13,854	10,664	14,179	12,739	71,150	71,200	14,675	11,414	15,019	13,489	74,150	74,200	15,515	12,164	15,859	14,239
68,200	68,250	13,866	10,676	14,193	12,751	71,200	71,250	14,689	11,426	15,033	13,501	74,200	74,250	15,529	12,176	15,873	14,251
68,250	68,300	13,879	10,689	14,207	12,764	71,250	71,300	14,703	11,439	15,047	13,514	74,250	74,300	15,543	12,189	15,887	14,264
68,300	68,350	13,891	10,701	14,221	12,776	71,300	71,350	14,717	11,451	15,061	13,526	74,300	74,350	15,557	12,201	15,901	14,276
68,350	68,400	13,904	10,714	14,235	12,789	71,350	71,400	14,731	11,464	15,075	13,539	74,350	74,400	15,571	12,214	15,915	14,289
68,400	68,450	13,916	10,726	14,249	12,801	71,400	71,450	14,745	11,476	15,089	13,551	74,400	74,450	15,585	12,226	15,929	14,301
68,450	68,500	13,929	10,739	14,263	12,814	71,450	71,500	14,759	11,489	15,103	13,564	74,450	74,500	15,599	12,239	15,943	14,314
68,500	68,550	13,941	10,751	14,277	12,826	71,500	71,550	14,773	11,501	15,117	13,576	74,500	74,550	15,613	12,251	15,957	14,326
68,550	68,600	13,954	10,764	14,291	12,839	71,550	71,600	14,787	11,514	15,131	13,589	74,550	74,600	15,627	12,264	15,971	14,339
68,600	68,650	13,966	10,776	14,305	12,851	71,600	71,650	14,801	11,526	15,145	13,601	74,600	74,650	15,641	12,276	15,985	14,351
68,650	68,700	13,979	10,789	14,319	12,864	71,650	71,700	14,815	11,539	15,159	13,614	74,650	74,700	15,655	12,289	15,999	14,364
68,700	68,750	13,991	10,801	14,333	12,876	71,700	71,750	14,829	11,551	15,173	13,626	74,700	74,750	15,669	12,301	16,013	14,376
68,750	68,800	14,004	10,814	14,347	12,889	71,750	71,800	14,843	11,564	15,187	13,639	74,750	74,800	15,683	12,314	16,027	14,389
68,800	68,850	14,017	10,826	14,361	12,901	71,800	71,850	14,857	11,576	15,201	13,651	74,800	74,850	15,697	12,326	16,041	14,401
68,850	68,900	14,031	10,839	14,375	12,914	71,850	71,900	14,871	11,589	15,215	13,664	74,850	74,900	15,711	12,339	16,055	14,414
68,900	68,950	14,045	10,851	14,389	12,926	71,900	71,950	14,885	11,601	15,229	13,676	74,900	74,950	15,725	12,351	16,069	14,426
68,950	69,000	14,059	10,864	14,403	12,939	71,950	72,000	14,899	11,614	15,243	13,689	74,950	75,000	15,739	12,364	16,083	14,439
69,000						72,000						75,000					
69,000	69,050	14,073	10,876	14,417	12,951	72,000	72,050	14,913	11,626	15,257	13,701	75,000	75,050	15,753	12,376	16,097	14,451
69,050	69,100	14,087	10,889	14,431	12,964	72,050	72,100	14,927	11,639	15,271	13,714	75,050	75,100	15,767	12,389	16,111	14,464
69,100	69,150	14,101	10,901	14,445	12,976	72,100	72,150	14,941	11,651	15,285	13,726	75,100	75,150	15,781	12,401	16,125	14,476
69,150	69,200	14,115	10,914	14,459	12,989	72,150	72,200	14,955	11,664	15,299	13,739	75,150	75,200	15,795	12,414	16,139	14,489
69,200	69,250	14,129	10,926	14,473	13,001	72,200	72,250	14,969	11,676	15,313	13,751	75,200	75,250	15,809	12,426	16,153	14,501
69,250	69,300	14,143	10,939	14,487	13,014	72,250	72,300	14,983	11,689	15,327	13,764	75,250	75,300	15,823	12,439	16,167	14,514
69,300	69,350	14,157	10,951	14,501	13,026	72,300	72,350	14,997	11,701	15,341	13,776	75,300	75,350	15,837	12,451	16,181	14,526
69,350	69,400	14,171	10,964	14,515	13,039	72,350	72,400	15,011	11,714	15,355	13,789	75,350	75,400	15,851	12,464	16,195	14,539
69,400	69,450	14,185	10,976	14,529	13,051	72,400	72,450	15,025	11,726	15,369	13,801	75,400	75,450	15,865	12,476	16,209	14,551
69,450	69,500	14,199	10,989	14,543	13,064	72,450	72,500	15,039	11,739	15,383	13,814	75,450	75,500	15,879	12,489	16,223	14,564
69,500	69,550	14,213	11,001	14,557	13,076	72,500	72,550	15,053	11,751	15,397	13,826	75,500	75,550	15,893	12,501	16,237	14,576
69,550	69,600	14,227	11,014	14,571	13,089	72,550	72,600	15,067	11,764	15,411	13,839	75,550	75,600	15,907	12,514	16,251	14,589
69,600	69,650	14,241	11,026	14,585	13,101	72,600	72,650	15,081	11,776	15,425	13,851	75,600	75,650	15,921	12,526	16,265	14,601
69,650	69,700	14,255	11,039	14,599	13,114	72,650	72,700	15,095	11,789	15,439	13,864	75,650	75,700	15,935	12,539	16,279	14,614
69,700	69,750	14,269	11,051	14,613	13,126	72,700	72,750	15,109	11,801	15,453	13,876	75,700	75,750	15,949	12,551	16,293	14,626
69,750	69,800	14,283	11,064	14,627	13,139	72,750	72,800	15,123	11,814	15,467	13,889	75,750	75,800	15,963	12,564	16,307	14,639
69,800	69,850	14,297	11,076	14,641	13,151	72,800	72,850	15,137	11,826	15,481	13,901	75,800	75,850	15,977	12,576	16,321	14,651
69,850	69,900	14,311	11,089	14,655	13,164	72,850	72,900	15,151	11,839	15,495	13,914	75,850	75,900	15,991	12,589	16,335	14,664
69,900	69,950	14,325	11,101	14,669	13,176	72,900	72,950	15,165	11,851	15,509	13,926	75,900	75,950	16,005	12,601	16,349	14,676
69,950	70,000	14,339	11,114	14,683	13,189	72,950	73,000	15,179	11,864	15,523	13,939	75,950	76,000	16,019	12,614	16,363	14,689
70,000						73,000						76,000					
70,000	70,050	14,353	11,126	14,697	13,201	73,000	73,050	15,193	11,876	15,537	13,951	76,000	76,050	16,033	12,626	16,377	14,701
70,050	70,100	14,367	11,139	14,711	13,214	73,050	73,100	15,207	11,889	15,551	13,964	76,050	76,100	16,047	12,639	16,391	14,714
70,100	70,150	14,381	11,151	14,725	13,226	73,100	73,150	15,221	11,901	15,565	13,976	76,100	76,150	16,061	12,651	16,405	14,726
70,150	70,200	14,395	11,164	14,739	13,239	73,150	73,200	15,235	11,914	15,579	13,989	76,150	76,200	16,075	12,664	16,419	14,739
70,200	70,250	14,409	11,176	14,753	13,251	73,200	73,250	15,249	11,926	15,593	14,001	76,200	76,250	16,089	12,676	16,433	14,751
70,250	70,300	14,423	11,189	14,767	13,264	73,250	73,300	15,263	11,939	15,607	14,014	76,250	76,300	16,103	12,689	16,447	14,764
70,300	70,350	14,437	11,201	14,781	13,276	73,300	73,350	15,277	11,951	15,621	14,026	76,300	76,350	16,117	12,701	16,461	14,776
70,350	70,400	14,451	11,214	14,795	13,289	73,350	73,400	15,291	11,964	15,635	14,039	76,350	76,400	16,131	12,714	16,475	14,789
70,400	70,450	14,465	11,226	14,809	13,301	73,400	73,450	15,305	11,976	15,649	14,051	76,400	76,450	16,145	12,726	16,489	14,801
70,450	70,500	14,479	11,239	14,823	13,314	73,450	73,500	15,319	11,989	15,663	14,064	76,450	76,500	16,159	12,739	16,503	14,814
70,500	70,550	14,493	11,251	14,837	13,326	73,500	73,550	15,333	12,001	15,677	14,076	76,500	76,550	16,173	12,751	16,517	14,826
70,550	70,600	14,507	11,264	14,851	13,339	73,550	73,600	15,347	12,014	15,691	14,089	76,550	76,600	16,187	12,764	16,531	14,839
70,600	70,650	14,521	11,276	14,865	13,351	73,600	73,650	15,361	12,026	15,705	14,101	76,600	76,650	16,201	12,776	16,545	14,851
70,650	70,700	14,535	11,289	14,879	13,364	73,650	73,700	15,375	12,039	15,719	14,114	76,650	76,700	16,215	12,789	16,559	14,864
70,700	70,750	14,549	11,301	14,893	13,376	73,700	73,750	15,389	12,051	15,733	14,126	76,700	76,750	16,229	12,801	16,573	14,876
70,750	70,800	14,563	11,314	14,907	13,389	73,750	73,800	15,403	12,064	15,747	14,139	76,750	76,800	16,243	12,814	16,587	14,889
70,800	70,850	14,577	11,326	14,921	13,401	73,800	73,850	15,417	12,076								

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—				At least	But less than	Your tax is—				At least	But less than	Your tax is—			
77,000		77,000				80,000		80,000				83,000		83,000			
77,000	77,050	16,313	12,876	16,657	14,951	80,000	80,050	17,153	13,626	17,497	15,701	83,000	83,050	17,993	14,376	18,337	16,451
78,000		78,000				81,000		81,000				84,000		84,000			
78,000	78,050	16,593	13,126	16,937	15,201	81,000	81,050	17,433	13,876	17,777	15,951	84,000	84,050	18,273	14,626	18,617	16,701
79,000		79,000				82,000		82,000				85,000		85,000			
79,000	79,050	16,873	13,376	17,217	15,451	82,000	82,050	17,713	14,126	18,057	16,201	85,000	85,050	18,553	14,876	18,897	16,951

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

(Continued on page 72)

2003 Tax Table—Continued

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
86,000					89,000					92,000							
86,000	86,050	18,833	15,126	19,177	17,201	89,000	89,050	19,673	15,876	20,101	17,951	92,000	92,050	20,513	16,626	21,091	18,701
86,050	86,100	18,847	15,139	19,191	17,214	89,050	89,100	19,687	15,889	20,118	17,964	92,050	92,100	20,527	16,639	21,108	18,714
86,100	86,150	18,861	15,151	19,205	17,226	89,100	89,150	19,701	15,901	20,134	17,976	92,100	92,150	20,541	16,651	21,124	18,726
86,150	86,200	18,875	15,164	19,219	17,239	89,150	89,200	19,715	15,914	20,151	17,989	92,150	92,200	20,555	16,664	21,141	18,739
86,200	86,250	18,889	15,176	19,233	17,251	89,200	89,250	19,729	15,926	20,167	18,001	92,200	92,250	20,569	16,676	21,157	18,751
86,250	86,300	18,903	15,189	19,247	17,264	89,250	89,300	19,743	15,939	20,184	18,014	92,250	92,300	20,583	16,689	21,174	18,764
86,300	86,350	18,917	15,201	19,261	17,276	89,300	89,350	19,757	15,951	20,200	18,026	92,300	92,350	20,597	16,701	21,190	18,776
86,350	86,400	18,931	15,214	19,275	17,289	89,350	89,400	19,771	15,964	20,217	18,039	92,350	92,400	20,611	16,714	21,207	18,789
86,400	86,450	18,945	15,226	19,289	17,301	89,400	89,450	19,785	15,976	20,233	18,051	92,400	92,450	20,625	16,726	21,223	18,801
86,450	86,500	18,959	15,239	19,303	17,314	89,450	89,500	19,799	15,989	20,250	18,064	92,450	92,500	20,639	16,739	21,240	18,814
86,500	86,550	18,973	15,251	19,317	17,326	89,500	89,550	19,813	16,001	20,266	18,076	92,500	92,550	20,653	16,751	21,256	18,826
86,550	86,600	18,987	15,264	19,331	17,339	89,550	89,600	19,827	16,014	20,283	18,089	92,550	92,600	20,667	16,764	21,273	18,839
86,600	86,650	19,001	15,276	19,345	17,351	89,600	89,650	19,841	16,026	20,299	18,101	92,600	92,650	20,681	16,776	21,289	18,851
86,650	86,700	19,015	15,289	19,359	17,364	89,650	89,700	19,855	16,039	20,316	18,114	92,650	92,700	20,695	16,789	21,306	18,864
86,700	86,750	19,029	15,301	19,373	17,376	89,700	89,750	19,869	16,051	20,332	18,126	92,700	92,750	20,709	16,801	21,322	18,876
86,750	86,800	19,043	15,314	19,387	17,389	89,750	89,800	19,883	16,064	20,349	18,139	92,750	92,800	20,723	16,814	21,339	18,889
86,800	86,850	19,057	15,326	19,401	17,401	89,800	89,850	19,897	16,076	20,365	18,151	92,800	92,850	20,737	16,826	21,355	18,901
86,850	86,900	19,071	15,339	19,415	17,414	89,850	89,900	19,911	16,089	20,382	18,164	92,850	92,900	20,751	16,839	21,372	18,914
86,900	86,950	19,085	15,351	19,429	17,426	89,900	89,950	19,925	16,101	20,398	18,176	92,900	92,950	20,765	16,851	21,388	18,926
86,950	87,000	19,099	15,364	19,443	17,439	89,950	90,000	19,939	16,114	20,415	18,189	92,950	93,000	20,779	16,864	21,405	18,939
87,000					90,000					93,000							
87,000	87,050	19,113	15,376	19,457	17,451	90,000	90,050	19,953	16,126	20,431	18,201	93,000	93,050	20,793	16,876	21,421	18,951
87,050	87,100	19,127	15,389	19,471	17,464	90,050	90,100	19,967	16,139	20,448	18,214	93,050	93,100	20,807	16,889	21,438	18,964
87,100	87,150	19,141	15,401	19,485	17,476	90,100	90,150	19,981	16,151	20,464	18,226	93,100	93,150	20,821	16,901	21,454	18,976
87,150	87,200	19,155	15,414	19,499	17,489	90,150	90,200	19,995	16,164	20,481	18,239	93,150	93,200	20,835	16,914	21,471	18,989
87,200	87,250	19,169	15,426	19,513	17,501	90,200	90,250	20,009	16,176	20,497	18,251	93,200	93,250	20,849	16,926	21,487	19,001
87,250	87,300	19,183	15,439	19,527	17,514	90,250	90,300	20,023	16,189	20,514	18,264	93,250	93,300	20,863	16,939	21,504	19,014
87,300	87,350	19,197	15,451	19,541	17,526	90,300	90,350	20,037	16,201	20,530	18,276	93,300	93,350	20,877	16,951	21,520	19,026
87,350	87,400	19,211	15,464	19,557	17,539	90,350	90,400	20,051	16,214	20,547	18,289	93,350	93,400	20,891	16,964	21,537	19,039
87,400	87,450	19,225	15,476	19,573	17,551	90,400	90,450	20,065	16,226	20,563	18,301	93,400	93,450	20,905	16,976	21,553	19,051
87,450	87,500	19,239	15,489	19,590	17,564	90,450	90,500	20,079	16,239	20,580	18,314	93,450	93,500	20,919	16,989	21,570	19,064
87,500	87,550	19,253	15,501	19,606	17,576	90,500	90,550	20,093	16,251	20,596	18,326	93,500	93,550	20,933	17,001	21,586	19,076
87,550	87,600	19,267	15,514	19,623	17,589	90,550	90,600	20,107	16,264	20,613	18,339	93,550	93,600	20,947	17,014	21,603	19,089
87,600	87,650	19,281	15,526	19,639	17,601	90,600	90,650	20,121	16,276	20,629	18,351	93,600	93,650	20,961	17,026	21,619	19,101
87,650	87,700	19,295	15,539	19,656	17,614	90,650	90,700	20,135	16,289	20,646	18,364	93,650	93,700	20,975	17,039	21,636	19,114
87,700	87,750	19,309	15,551	19,672	17,626	90,700	90,750	20,149	16,301	20,662	18,376	93,700	93,750	20,989	17,051	21,652	19,126
87,750	87,800	19,323	15,564	19,689	17,639	90,750	90,800	20,163	16,314	20,679	18,389	93,750	93,800	21,003	17,064	21,669	19,139
87,800	87,850	19,337	15,576	19,705	17,651	90,800	90,850	20,177	16,326	20,695	18,401	93,800	93,850	21,017	17,076	21,685	19,151
87,850	87,900	19,351	15,589	19,722	17,664	90,850	90,900	20,191	16,339	20,712	18,414	93,850	93,900	21,031	17,089	21,702	19,164
87,900	87,950	19,365	15,601	19,738	17,676	90,900	90,950	20,205	16,351	20,728	18,426	93,900	93,950	21,045	17,101	21,718	19,176
87,950	88,000	19,379	15,614	19,755	17,689	90,950	91,000	20,219	16,364	20,745	18,439	93,950	94,000	21,059	17,114	21,735	19,189
88,000					91,000					94,000							
88,000	88,050	19,393	15,626	19,771	17,701	91,000	91,050	20,233	16,376	20,761	18,451	94,000	94,050	21,073	17,126	21,751	19,201
88,050	88,100	19,407	15,639	19,788	17,714	91,050	91,100	20,247	16,389	20,778	18,464	94,050	94,100	21,087	17,139	21,768	19,214
88,100	88,150	19,421	15,651	19,804	17,726	91,100	91,150	20,261	16,401	20,794	18,476	94,100	94,150	21,101	17,151	21,784	19,226
88,150	88,200	19,435	15,664	19,821	17,739	91,150	91,200	20,275	16,414	20,811	18,489	94,150	94,200	21,115	17,164	21,801	19,239
88,200	88,250	19,449	15,676	19,837	17,751	91,200	91,250	20,289	16,426	20,827	18,501	94,200	94,250	21,129	17,176	21,817	19,251
88,250	88,300	19,463	15,689	19,854	17,764	91,250	91,300	20,303	16,439	20,844	18,514	94,250	94,300	21,143	17,189	21,834	19,264
88,300	88,350	19,477	15,701	19,870	17,776	91,300	91,350	20,317	16,451	20,860	18,526	94,300	94,350	21,157	17,201	21,850	19,276
88,350	88,400	19,491	15,714	19,887	17,789	91,350	91,400	20,331	16,464	20,877	18,539	94,350	94,400	21,171	17,214	21,867	19,289
88,400	88,450	19,505	15,726	19,903	17,801	91,400	91,450	20,345	16,476	20,893	18,551	94,400	94,450	21,185	17,226	21,883	19,301
88,450	88,500	19,519	15,739	19,920	17,814	91,450	91,500	20,359	16,489	20,910	18,564	94,450	94,500	21,199	17,239	21,900	19,314
88,500	88,550	19,533	15,751	19,936	17,826	91,500	91,550	20,373	16,501	20,926	18,576	94,500	94,550	21,213	17,251	21,916	19,326
88,550	88,600	19,547	15,764	19,953	17,839	91,550	91,600	20,387	16,514	20,943	18,589	94,550	94,600	21,227	17,264	21,933	19,339
88,600	88,650	19,561	15,776	19,969	17,851	91,600	91,650	20,401	16,526	20,959	18,601	94,600					

2003 Tax Table—Continued

If line 40 (taxable income) is—		And you are—				If line 40 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household			Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—				At least	But less than	Your tax is—			
95,000						98,000					
95,000	95,050	21,353	17,376	22,081	19,451	98,000	98,050	22,193	18,126	23,071	20,201
95,050	95,100	21,367	17,389	22,098	19,464	98,050	98,100	22,207	18,139	23,088	20,214
95,100	95,150	21,381	17,401	22,114	19,476	98,100	98,150	22,221	18,151	23,104	20,226
95,150	95,200	21,395	17,414	22,131	19,489	98,150	98,200	22,235	18,164	23,121	20,239
95,200	95,250	21,409	17,426	22,147	19,501	98,200	98,250	22,249	18,176	23,137	20,251
95,250	95,300	21,423	17,439	22,164	19,514	98,250	98,300	22,263	18,189	23,154	20,265
95,300	95,350	21,437	17,451	22,180	19,526	98,300	98,350	22,277	18,201	23,170	20,279
95,350	95,400	21,451	17,464	22,197	19,539	98,350	98,400	22,291	18,214	23,187	20,293
95,400	95,450	21,465	17,476	22,213	19,551	98,400	98,450	22,305	18,226	23,203	20,307
95,450	95,500	21,479	17,489	22,230	19,564	98,450	98,500	22,319	18,239	23,220	20,321
95,500	95,550	21,493	17,501	22,246	19,576	98,500	98,550	22,333	18,251	23,236	20,335
95,550	95,600	21,507	17,514	22,263	19,589	98,550	98,600	22,347	18,264	23,253	20,349
95,600	95,650	21,521	17,526	22,279	19,601	98,600	98,650	22,361	18,276	23,269	20,363
95,650	95,700	21,535	17,539	22,296	19,614	98,650	98,700	22,375	18,289	23,286	20,377
95,700	95,750	21,549	17,551	22,312	19,626	98,700	98,750	22,389	18,301	23,302	20,391
95,750	95,800	21,563	17,564	22,329	19,639	98,750	98,800	22,403	18,314	23,319	20,405
95,800	95,850	21,577	17,576	22,345	19,651	98,800	98,850	22,417	18,326	23,335	20,419
95,850	95,900	21,591	17,589	22,362	19,664	98,850	98,900	22,431	18,339	23,352	20,433
95,900	95,950	21,605	17,601	22,378	19,676	98,900	98,950	22,445	18,351	23,368	20,447
95,950	96,000	21,619	17,614	22,395	19,689	98,950	99,000	22,459	18,364	23,385	20,461
96,000						99,000					
96,000	96,050	21,633	17,626	22,411	19,701	99,000	99,050	22,473	18,376	23,401	20,475
96,050	96,100	21,647	17,639	22,428	19,714	99,050	99,100	22,487	18,389	23,418	20,489
96,100	96,150	21,661	17,651	22,444	19,726	99,100	99,150	22,501	18,401	23,434	20,503
96,150	96,200	21,675	17,664	22,461	19,739	99,150	99,200	22,515	18,414	23,451	20,517
96,200	96,250	21,689	17,676	22,477	19,751	99,200	99,250	22,529	18,426	23,467	20,531
96,250	96,300	21,703	17,689	22,494	19,764	99,250	99,300	22,543	18,439	23,484	20,545
96,300	96,350	21,717	17,701	22,510	19,776	99,300	99,350	22,557	18,451	23,500	20,559
96,350	96,400	21,731	17,714	22,527	19,789	99,350	99,400	22,571	18,464	23,517	20,573
96,400	96,450	21,745	17,726	22,543	19,801	99,400	99,450	22,585	18,476	23,533	20,587
96,450	96,500	21,759	17,739	22,560	19,814	99,450	99,500	22,599	18,489	23,550	20,601
96,500	96,550	21,773	17,751	22,576	19,826	99,500	99,550	22,613	18,501	23,566	20,615
96,550	96,600	21,787	17,764	22,593	19,839	99,550	99,600	22,627	18,514	23,583	20,629
96,600	96,650	21,801	17,776	22,609	19,851	99,600	99,650	22,641	18,526	23,599	20,643
96,650	96,700	21,815	17,789	22,626	19,864	99,650	99,700	22,655	18,539	23,616	20,657
96,700	96,750	21,829	17,801	22,642	19,876	99,700	99,750	22,669	18,551	23,632	20,671
96,750	96,800	21,843	17,814	22,659	19,889	99,750	99,800	22,683	18,564	23,649	20,685
96,800	96,850	21,857	17,826	22,675	19,901	99,800	99,850	22,697	18,576	23,665	20,699
96,850	96,900	21,871	17,839	22,692	19,914	99,850	99,900	22,711	18,589	23,682	20,713
96,900	96,950	21,885	17,851	22,708	19,926	99,900	99,950	22,725	18,601	23,698	20,727
96,950	97,000	21,899	17,864	22,725	19,939	99,950	100,000	22,739	18,614	23,715	20,741
97,000						<div style="border: 1px solid black; border-radius: 50%; padding: 20px; width: fit-content; margin: auto;"> <p>\$100,000 or over — use the Tax Rate Schedules on page 74</p> </div>					
97,000	97,050	21,913	17,876	22,741	19,951						
97,050	97,100	21,927	17,889	22,758	19,964						
97,100	97,150	21,941	17,901	22,774	19,976						
97,150	97,200	21,955	17,914	22,791	19,989						
97,200	97,250	21,969	17,926	22,807	20,001						
97,250	97,300	21,983	17,939	22,824	20,014						
97,300	97,350	21,997	17,951	22,840	20,026						
97,350	97,400	22,011	17,964	22,857	20,039						
97,400	97,450	22,025	17,976	22,873	20,051						
97,450	97,500	22,039	17,989	22,890	20,064						
97,500	97,550	22,053	18,001	22,906	20,076						
97,550	97,600	22,067	18,014	22,923	20,089						
97,600	97,650	22,081	18,026	22,939	20,101						
97,650	97,700	22,095	18,039	22,956	20,114						
97,700	97,750	22,109	18,051	22,972	20,126						
97,750	97,800	22,123	18,064	22,989	20,139						
97,800	97,850	22,137	18,076	23,005	20,151						
97,850	97,900	22,151	18,089	23,022	20,164						
97,900	97,950	22,165	18,101	23,038	20,176						
97,950	98,000	22,179	18,114	23,055	20,189						

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

2003 Tax Rate Schedules



Use **only** if your taxable income (Form 1040, line 40) is \$100,000 or more. If less, use the **Tax Table**. Even though you cannot use the Tax Rate Schedules below if your taxable income is less than \$100,000, all levels of taxable income are shown so taxpayers can see the tax rate that applies to each level.

Schedule X—Use if your filing status is **Single**

If the amount on Form 1040, line 40, is: Over—	But not over—	Enter on Form 1040, line 41	of the amount over—
\$0	\$7,000	10%	\$0
7,000	28,400	\$700.00 + 15%	7,000
28,400	68,800	3,910.00 + 25%	28,400
68,800	143,500	14,010.00 + 28%	68,800
143,500	311,950	34,926.00 + 33%	143,500
311,950	-----	90,514.50 + 35%	311,950

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

If the amount on Form 1040, line 40, is: Over—	But not over—	Enter on Form 1040, line 41	of the amount over—
\$0	\$14,000	10%	\$0
14,000	56,800	\$1,400.00 + 15%	14,000
56,800	114,650	7,820.00 + 25%	56,800
114,650	174,700	22,282.50 + 28%	114,650
174,700	311,950	39,096.50 + 33%	174,700
311,950	-----	84,389.00 + 35%	311,950

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

If the amount on Form 1040, line 40, is: Over—	But not over—	Enter on Form 1040, line 41	of the amount over—
\$0	\$7,000	10%	\$0
7,000	28,400	\$700.00 + 15%	7,000
28,400	57,325	3,910.00 + 25%	28,400
57,325	87,350	11,141.25 + 28%	57,325
87,350	155,975	19,548.25 + 33%	87,350
155,975	-----	42,194.50 + 35%	155,975

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

If the amount on Form 1040, line 40, is: Over—	But not over—	Enter on Form 1040, line 41	of the amount over—
\$0	\$10,000	10%	\$0
10,000	38,050	\$1,000.00 + 15%	10,000
38,050	98,250	5,207.50 + 25%	38,050
98,250	159,100	20,257.50 + 28%	98,250
159,100	311,950	37,295.50 + 33%	159,100
311,950	-----	87,736.00 + 35%	311,950

Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. See pages 8 through 10 for the titles of the forms and publications. We will mail you two copies of each form and one copy of each publication you order. To help reduce waste, please order only the items you need to prepare your return.



For faster ways of getting the items you need, such as by Internet or fax, see page 7.

How To Use the Order Blank

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

Print or type your name and address accurately in the space provided below. An accurate address will ensure delivery of your order. Cut the order blank on the dotted line. Enclose the order blank in your own envelope and send it to the IRS address shown below that applies to you. You

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

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



Where To Mail Your Order Blank for Free Forms and Publications

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

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Fill in your name and address.

Name		
Postal mailing address	Apt./Suite/Room	
City	State	ZIP code
Foreign country	International postal code	
Daytime phone number ()		

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

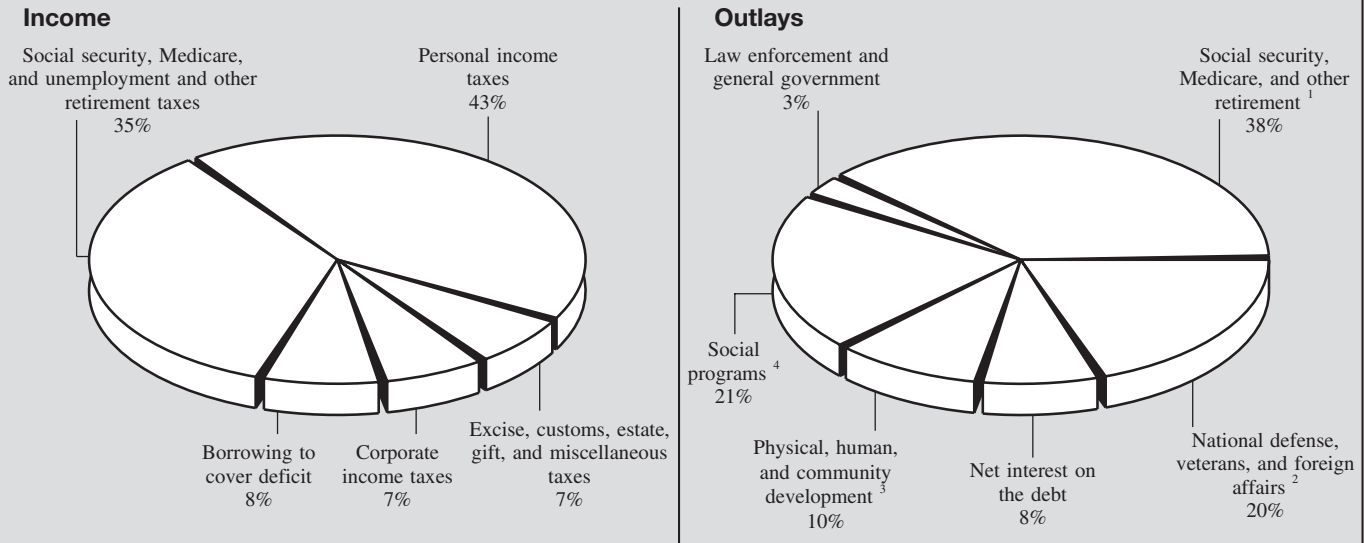
Circle the forms and publications you need. The instructions for any form you order will be included.

1040	Schedule F (1040)	Schedule 3 (1040A)	2441	8582	Pub. 17	Pub. 525	Pub. 596
Schedules A&B (1040)	Schedule H (1040)	1040EZ	3903	8606	Pub. 334	Pub. 527	Pub. 910
Schedule C (1040)	Schedule J (1040)	1040-ES (2004)	4506	8812	Pub. 463	Pub. 529	Pub. 926
Schedule C-EZ (1040)	Schedule R (1040)	1040-V	4562	8822	Pub. 501	Pub. 535	Pub. 929
Schedule D (1040)	Schedule SE (1040)	1040X	4868	8829	Pub. 502	Pub. 550	Pub. 936
Schedule D-1 (1040)	1040A	2106	5329	8863	Pub. 505	Pub. 554	Pub. 970
Schedule E (1040)	Schedule 1 (1040A)	2106-EZ	8283	9465	Pub. 521	Pub. 575	Pub. 972
Schedule EIC (1040A or 1040)	Schedule 2 (1040A)	2210	8379	Pub. 1	Pub. 523	Pub. 590	

N

Major Categories of Federal Income and Outlays for Fiscal Year 2002

Income and Outlays. These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 2002.



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

In fiscal year 2002 (which began on October 1, 2001, and ended on September 30, 2002), Federal income was \$1.9 trillion and outlays were \$2.1 trillion, leaving a deficit of \$0.2 trillion.

Footnotes for Certain Federal Outlays

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

2. National defense, veterans, and foreign affairs: About 17% of outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities; about 2% were for veterans benefits and services; and about 1% were for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

3. Physical, human, and community development: These outlays were for agriculture; natural resources; environment; transportation; aid for elementary and secondary education and direct assistance to college students; job training; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

4. Social programs: About 14% of total outlays were for Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs; and 7% for health research and public health programs, unemployment compensation, assisted housing, and social services.

Note. The percentages on this page exclude undistributed offsetting receipts, which were \$48 billion in fiscal year 2002. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are for the U.S. Government's share of its employee retirement programs, rents and royalties on the Outer Continental Shelf, and proceeds from the sale of assets.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

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

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

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

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

Revenue law.

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

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

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

determining entitlement for benefits or the eligibility for and the repayment of loans. We may also disclose this information to other countries under a tax treaty, or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism.

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

The Time It Takes To Prepare Your Return

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

We Welcome Comments on Forms

If you have comments concerning the accuracy of the time estimates shown below or suggestions for making these forms simpler, we would be happy to hear from you. You can email us at [*taxforms@irs.gov](mailto:taxforms@irs.gov). Please put "Forms Comment" on the subject line. Or you can write to the Tax Products Coordinating Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send your return to this address. Instead, see the back cover.

Estimated Preparation Time

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

Form	Recordkeeping	Learning about the law or the form	Preparing the form	Copying, assembling, and sending the form to the IRS	Totals
Form 1040	2 hr., 46 min.	3 hr., 51 min.	6 hr., 18 min.	34 min.	13 hr., 29 min.
Sch. A	3 hr., 4 min.	39 min.	1 hr., 34 min.	20 min.	5 hr., 37 min.
Sch. B	33 min.	8 min.	25 min.	20 min.	1 hr., 26 min.
Sch. C	6 hr., 4 min.	1 hr., 51 min.	2 hr., 19 min.	41 min.	10 hr., 55 min.
Sch. C-EZ	45 min.	3 min.	35 min.	20 min.	1 hr., 43 min.
Sch. D	1 hr., 29 min.	2 hr., 47 min.	3 hr., 8 min.	34 min.	7 hr., 58 min.
Sch. D-1	13 min.	1 min.	13 min.	34 min.	1 hr., 1 min.
Sch. E	3 hr.	1 hr., 13 min.	1 hr., 27 min.	34 min.	6 hr., 14 min.
Sch. EIC	- - - - -	1 min.	13 min.	20 min.	34 min.
Sch. F:					
Cash Method	3 hr., 29 min.	36 min.	1 hr., 27 min.	20 min.	5 hr., 52 min.
Accrual Method	3 hr., 36 min.	26 min.	1 hr., 25 min.	20 min.	5 hr., 47 min.
Sch. H	1 hr., 38 min.	30 min.	53 min.	34 min.	3 hr., 35 min.
Sch. J	19 min.	13 min.	2 hr., 1 min.	20 min.	2 hr., 53 min.
Sch. R	19 min.	15 min.	29 min.	34 min.	1 hr., 37 min.
Sch. SE:					
Short	13 min.	14 min.	13 min.	13 min.	53 min.
Long	26 min.	20 min.	35 min.	20 min.	1 hr., 41 min.



2003 Instructions for Schedules A & B (Form 1040)

Instructions for Schedule A, Itemized Deductions

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

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



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

Medical and Dental Expenses

You may deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 35.

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



If you received a distribution from an MSA in 2003, see **Pub. 969** to figure your deduction.

Examples of Medical and Dental Payments You May Deduct

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

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see **Limit on Long-Term Care Premiums You May Deduct** on this page. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29.

Note. If, during 2003, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2.



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

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and housework, you may deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.

- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. **Do not** deduct more than \$50 a night for each eligible person.

- Ambulance service and other travel costs to get medical care. If you used your own car, you may claim what you spent for gas and oil to go to and from the place you received the care; or you may claim **12 cents a mile**. Add parking and tolls to the amount you claim under either method.

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

Limit on Long-Term Care Premiums You May Deduct. The amount you may deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2003, of the person for whom the premiums were paid. See the following chart for details.

IF the person was, at the end of 2003, age . . .	THEN the most you may deduct is . . .
40 or under	\$ 250
41–50	\$ 470
51–60	\$ 940
61–70	\$ 2,510
71 or older	\$ 3,130

Examples of Medical and Dental Payments You May Not Deduct

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



If you were 65 or older but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.

- The cost of diet food.
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.
- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 45.
- Illegal operations or drugs.
- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
- Funeral, burial, or cremation costs.

Line 1

Medical and Dental Expenses

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



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 29, reduce the premiums by the amount on line 29.

Note. If, during 2003, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you **must** complete **Form 8885** before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, **do not** include any health coverage tax credit advance payments shown in box 1 of **Form 1099-H**. Also, subtract the amount shown on line 4 of Form 8885 (reduced by any advance payments shown on line 6 of that form) from the total insurance premiums you paid.

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

- Yourself and your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained in **Pub. 501** for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return if that person had not received \$3,050 or more of gross income or had not filed a joint return.

Example. You provided over half of your mother's support but may not claim her as a dependent because she received wages of \$3,050 in 2003. You may include on line 1 any medical and dental expenses you paid in 2003 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 **only** the amount you paid. If you received a reimbursement in 2003 for medical or dental expenses you paid in 2003, reduce your 2003 expenses by this amount. If you received a reimbursement in 2003 for prior year medical or dental expenses, do not reduce your 2003 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See **Pub. 502** for details on how to figure the amount to include.

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

Taxes You Paid

Taxes You May Not Deduct

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

Line 5

State and Local Income Taxes

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

- State and local income taxes withheld from your salary during 2003. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.

- State and local income taxes paid in 2003 for a prior year, such as taxes paid with your 2002 state or local income tax return. **Do not** include penalties or interest.

- State and local estimated tax payments made during 2003, including any part of a prior year refund that you chose to have credited to your 2003 state or local income taxes.

- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2003 or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2003. Instead, see the instructions for Form 1040, line 10.

Line 6

Real Estate Taxes

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

Do not include the following amounts on line 6.

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).

- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an

existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you may deduct only the amount the mortgage company actually paid to the taxing authority in 2003.

If you sold your home in 2003, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any **Form 1099-S** you received. This amount is considered a refund of real estate taxes. See **Refunds and Rebates** below. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and Rebates. If you received a refund or rebate in 2003 of real estate taxes you paid in 2003, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2003 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. See **Recoveries in Pub. 525** for details on how to figure the amount to include in income.

Line 7

Personal Property Taxes

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

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

Line 8

Other Taxes

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



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 44, for details.

Interest You Paid

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

In general, if you paid interest in 2003 that applies to any period after 2003, you may deduct only amounts that apply for 2003.

Lines 10 and 11

Home Mortgage Interest

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

A **home** may be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

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

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

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 2003. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 2003. The limit is \$500,000 if married filing separately.



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

Line 10

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

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

Note. If you are claiming the **mortgage interest credit** (see the instructions for Form 1040, line 51), subtract the amount shown on line 3 of **Form 8396** from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

Line 11

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

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

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

Line 12

Points Not Reported on Form 1098

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

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

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



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

Line 13

Investment Interest

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

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

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

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.
2. You have no other deductible investment expenses.
3. You have no disallowed investment interest expense from 2002.

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

For more details, see **Pub. 550**.

Gifts to Charity

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

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

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

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See **Pub. 78** for a list of most qualified organizations. You can access Pub. 78 on

the IRS website at www.irs.gov under **Charities and Non-Profits**.

- Call our **Tax Exempt/Government Entities Customer Account Services** at **1-877-829-5500**. Assistance is available Monday through Friday from 8:00 a.m. to 6:30 p.m. EST.

Contributions You May Deduct

Contributions may be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you may take **14 cents a mile** or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts From Which You Benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you may generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see **Pub. 526**.

Example. You paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40. You may deduct only \$30.

Gifts of \$250 or More. You may deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in **1** and **2** below.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See Pub. 526 if you made a separate gift of \$250 or more through payroll deduction.

1. The amount of any money contributed and a description (but not value) of any property donated.

2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe or value the benefit.



You must get the statement by the date you file your return or the due date (including extensions) for filing your return,

whichever is earlier. **Do not** attach the statement to your return. Instead, keep it for your records.

Limit on the Amount You May Deduct. See Pub. 526 to figure the amount of your deduction if **any** of the following apply.

- Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 35.
- Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 35.
- You gave gifts of property that increased in value or gave gifts of the use of property.

Contributions You May Not Deduct

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.

- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 27. See page A-6 for details.

- Cost of tuition. But you may be able to deduct this expense on line 20 (see page A-5) or take a credit for this expense (see **Form 8863**).

- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

- Gifts to individuals and groups that are run for personal profit.

- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Israeli, and Mexican charities. See Pub. 526 for details.

- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See Internal Revenue Code section 170(f)(9).

- Gifts to groups whose purpose is to lobby for changes in the laws.

- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.

- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

Line 15

Gifts by Cash or Check

Enter the total contributions you made in cash or by check (including out-of-pocket expenses).

Line 16

Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. For more details on determining the value of donated property, see **Pub. 561**.

If the amount of your deduction is more than \$500, you must complete and attach **Form 8283**. For this purpose, the "amount of your deduction" means your deduction **before** applying any income limits that could result in a carryover of contributions. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See **Form 8283** and its instructions for details.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.
- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- Any conditions attached to the gift.

Note. If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See **Pub. 526** for details.

Line 17

Carryover From Prior Year

Enter any carryover of contributions that you could not deduct in an earlier year be-

cause they exceeded your adjusted gross income limit. See **Pub. 526** for details.

Casualty and Theft Losses

Line 19

Complete and attach **Form 4684** to figure the amount of your loss to enter on line 19.

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You may deduct nonbusiness casualty or theft losses only to the extent that—

- The amount of **each** separate casualty or theft loss is more than \$100 and
- The total amount of **all** losses during the year is more than 10% of the amount on **Form 1040**, line 35.

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

Use line 22 of Schedule A to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

For information on Federal disaster area losses, see **Pub. 547**.

Job Expenses and Most Other Miscellaneous Deductions

You may deduct only the part of these expenses that exceeds 2% of the amount on **Form 1040**, line 35.

Pub. 529 discusses the types of expenses that may and may not be deducted.

Examples of Expenses You May Not Deduct

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Commuting expenses. See **Pub. 529** for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See **Pub. 529** for an exception for certain Federal employees.
- Travel as a form of education.

- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.

- Club dues. See **Pub. 529** for exceptions.

- Expenses of adopting a child. But you may be able to take a credit for adoption expenses. See **Form 8839** for details.

- Fines and penalties.

- Expenses of producing tax-exempt income.

Line 20

Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your **Form W-2** are not considered reimbursements.)

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

But you **must** fill in and attach **Form 2106** if **either 1 or 2** next applies.

1. You claim any travel, transportation, meal, or entertainment expenses for your job.

2. Your employer paid you for any of your job expenses reportable on line 20.



If you used your own vehicle and item **2** does not apply, you may be able to file **Form 2106-EZ** instead.

If you do not have to file **Form 2106** or **2106-EZ**, list the type and amount of each expense on the dotted lines next to line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20.



Do not include on line 20 any educator expenses you deducted on **Form 1040**, line 23.

Examples of other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Certain business use of part of your home. For details, including limits that apply, use **TeleTax** topic 509 (see page 11 of

the Form 1040 instructions) or see **Pub. 587**.

- Certain educational expenses. For details, use TeleTax topic 513 (see page 11 of the Form 1040 instructions) or see **Pub. 970**. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 26.



You may be able to take a credit for your educational expenses instead of a deduction. See **Form 8863** for details.

Line 21

Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit card, **do not** include the convenience fee you were charged.

Line 22

Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But **do not** include any personal expenses. List the type and amount of each expense on the dotted lines next to line 22. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 22.

Examples of expenses to include on line 22 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see **Pub. 529**.
- Casualty and theft losses of property used in performing services as an employee from **Form 4684**, lines 32 and 38b, or **Form 4797**, line 18b(1).
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

- Casualty and theft losses of income-producing property from **Form 4684**, lines 32 and 38b, or **Form 4797**, line 18b(1).

- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if over \$3,000. See **Pub. 525** for details.
- Certain unrecovered investment in a pension.
- Impairment-related work expenses of a disabled person.

For more details, see **Pub. 529**.

Other Miscellaneous Deductions

Line 27

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

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

Total Itemized Deductions

Line 28

Use the worksheet below to figure the amount to enter on line 28 if the amount on Form 1040, line 35, is over \$139,500 (\$69,750 if married filing separately).

Itemized Deductions Worksheet—Line 28

Keep for Your Records



1. Enter the total of the amounts from Schedule A, lines 4, 9, 14, 18, 19, 26, and 27	1.	_____
2. Enter the total of the amounts from Schedule A, lines 4, 13, and 19, plus any gambling and casualty or theft losses included on line 27.	2.	_____
<div style="display: flex; align-items: center;"> <p>Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 27.</p> </div>		
3. Is the amount on line 2 less than the amount on line 1? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28. <input type="checkbox"/> Yes. Subtract line 2 from line 1	3.	_____
4. Multiply line 3 by 80% (.80)	4.	_____
5. Enter the amount from Form 1040, line 35	5.	_____
6. Enter: \$139,500 (\$69,750 if married filing separately)	6.	_____
7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28. <input type="checkbox"/> Yes. Subtract line 6 from line 5	7.	_____
8. Multiply line 7 by 3% (.03)	8.	_____
9. Enter the smaller of line 4 or line 8	9.	_____
10. Total itemized deductions. Subtract line 9 from line 1. Enter the result here and on Schedule A, line 28	10.	_____

Instructions for Schedule B, Interest and Ordinary Dividends

TIP You may list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate statements that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the statements and attach them at the end of your return.

Part I. Interest

Line 1 Interest

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

Special Rules

Seller-Financed Mortgages

If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not show the buyer's name, address, and SSN, or let the buyer know your SSN, you may have to pay a \$50 penalty.

Nominees

If you received a **Form 1099-INT** that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, enter "Nominee Distribution" and show the total interest you received as a nominee. Subtract this

Use Schedule B (Form 1040) if **any** of the following apply.

- You had over \$1,500 of taxable interest.
- Any of the **Special Rules** listed in the instructions for line 1 below apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You had over \$1,500 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You **(a)** had a foreign account or **(b)** received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.

amount from the subtotal and enter the result on line 2.

TIP If you received interest as a nominee, you must give the actual owner a **Form 1099-INT** unless the owner is your spouse. You must also file a **Form 1096** and a **Form 1099-INT** with the IRS. For more details, see the **General Instructions for Forms 1099, 1098, 5498, and W-2G and Instructions for Forms 1099-INT and 1099-OID**.

Accrued Interest

When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a **Form 1099** for interest as a purchaser of a bond with accrued interest, follow the rules earlier under **Nominees** to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

Tax-Exempt Interest

If you received a **Form 1099-INT** for tax-exempt interest, follow the rules earlier under **Nominees** to see how to report the interest on Schedule B. But identify the amount to be subtracted as "Tax-Exempt Interest."

Original Issue Discount (OID)

If you are reporting OID in an amount less than the amount shown on **Form 1099-OID**, follow the rules earlier under **Nominees** to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

Amortizable Bond Premium

If you are reducing your interest income on a bond by the amount of amortizable bond premium, follow the rules earlier under **Nominees** to see how to report the interest on Schedule B. But identify the amount to be subtracted as "ABP Adjustment."

Line 3

Excludable Interest on Series EE and I U.S. Savings Bonds Issued After 1989

If, during 2003, you cashed series EE or I U.S. savings bonds issued after 1989 and you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See **Form 8815** for details.

Part II. Ordinary Dividends

Note. You may have to file **Form 5471** if, in 2003, you were an officer or director of a foreign corporation. You may also have to file **Form 5471** if, in 2003, you owned 10% or more of the total **(a)** value of a foreign corporation's stock or **(b)** combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see **Form 5471** and its instructions.

Line 5 Ordinary Dividends

Report on line 5 **all** of your ordinary dividends. This amount should be shown in box 1a of your **Forms 1099-DIV** or substitute statements. List each payer's name and show the amount.

Nominees

If you received a **Form 1099-DIV** that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.



If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV unless the owner is your spouse. You must also file a **Form 1096** and a Form 1099-DIV with the IRS. For more details, see the **General Instructions for Forms 1099, 1098, 5498, and W-2G** and **Instructions for Form 1099-DIV**.

Part III. Foreign Accounts and Trusts

Lines 7a and 7b Foreign Accounts

Line 7a

Check the “Yes” box on line 7a if **either 1 or 2** next applies.

1. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

2. At any time during the year you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).

Note. Item **2** does not apply to foreign securities held in a U.S. securities account.

Exceptions. Check the “No” box if any of the following applies to you.

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You were an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account was in your employer’s name; **and** you did not have a personal financial interest in the account.
- You were an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account was in your employer’s name; you did not have a personal financial interest in the account; **and** the corporation’s chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

See **Form TD F 90-22.1** to find out if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get Form TD F

90-22.1 by visiting the IRS website at www.irs.gov/pub/irs-pdf/f9022-1.pdf.

If you checked the “Yes” box on line 7a, file Form TD F 90-22.1 by June 30, 2004, with the **Department of the Treasury** at the address shown on that form. **Do not** attach it to Form 1040.

Line 7b

If you checked the “Yes” box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

Line 8 Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See **Form 3520** for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 2003, you may have to file Form 3520.



2003 Instructions for Schedule C

Profit or Loss From Business

Use Schedule C (Form 1040) to report income or loss from a business you operated or a profession you practiced as a sole proprietor. Also, use Schedule C to report wages and expenses you had as a statutory employee. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Form 1040, line 21.

Small businesses and statutory employees with expenses of \$2,500 or less may be able to file **Schedule C-EZ** instead of Schedule C. See Schedule C-EZ for details.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Section references are to the Internal Revenue Code.

General Instructions

A Change To Note

Contract labor is now reported on line 11 and bad debts are now reported in Part V.

Other Schedules and Forms You May Have To File

- **Schedule A** to deduct interest, taxes, and casualty losses not related to your business.
 - **Schedule E** to report rental real estate and royalty income or (loss) that is **not** subject to self-employment tax.
 - **Schedule F** to report profit or (loss) from farming.
 - **Schedule SE** to pay self-employment tax on income from any trade or business.
 - **Form 4562** to claim depreciation on assets placed in service in 2003, to claim amortization that began in 2003, to make an election under section 179 to expense certain property, or to report information on listed property.
 - **Form 4684** to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.
 - **Form 4797** to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.
 - **Form 8271** if you are claiming or reporting on Schedule C or C-EZ any income, deduction, loss, credit, or other tax benefit from a tax shelter.
 - **Form 8594** to report certain purchases or sales of groups of assets that constitute a trade or business.
 - **Form 8824** to report like-kind exchanges.
 - **Form 8829** to claim expenses for business use of your home.
- Husband-Wife Business.** If you and your spouse jointly own and operate a business

and share in the profits and losses, you are partners in a partnership, whether or not you have a formal partnership agreement. **Do not** use Schedule C or C-EZ. Instead, file **Form 1065**. See **Pub. 541** for more details.

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

Single-Member Limited Liability Company (LLC). Generally, a single-member domestic LLC is not treated as a separate entity for Federal income tax purposes. If you are the sole member of a domestic LLC, file Schedule C or C-EZ (or Schedule E or F, if applicable). However, you may elect to treat a domestic LLC as a corporation. See **Form 8832** for details on the election and the tax treatment of a foreign LLC.

Heavy Highway Vehicle Use Tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a Federal highway motor vehicle use tax. See the **Instructions for Form 2290** to find out if you owe this tax.

Information Returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For details, see the 2003

General Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file **Form 8300**. For details, see **Pub. 1544**.

Reportable Transaction Disclosure Statement

Use **Form 8886** to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your Federal income tax liability is affected by your participation in the transaction. The following are reportable transactions.

- Any transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.
- Any transaction offered under conditions of confidentiality.
- Any transaction for which you have contractual protection against disallowance of the tax benefits.
- Any transaction resulting in a loss of at least \$2 million in any single tax year or \$4 million in any combination of tax years. (At least \$50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)
- Any transaction resulting in a book-tax difference of more than \$10 million on a gross basis.
- Any transaction resulting in a tax credit of more than \$250,000, if you held the asset generating the credit for 45 days or less.

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

Additional Information

See **Pub. 334** for more information for small businesses.

Specific Instructions

Filers of Form 1041. Do not complete the block labeled "Social security number." Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line D

You need an EIN only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, file **Form SS-4**. If you do not have an EIN, leave line D blank. Do not enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

Generally, you can use the cash method, accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. Unless you are a qualifying taxpayer or a qualifying small business taxpayer, you must use the accrual method for sales and purchases of inventory items. See the Part III instructions on page C-6 for the definition of a qualifying taxpayer and a qualifying small business taxpayer. Special rules apply to long-term contracts. See section 460 for details.

If you use the **cash method**, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond

the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See **Pub. 535**.

If you use the **accrual method**, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year. Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See **Pub. 538**.

To change your accounting method, you generally must file **Form 3115**. You may also have to make an adjustment to prevent amounts of income or expense from being duplicated or omitted. This is called a section 481(a) adjustment.

Example. You change to the cash method of accounting and choose to account for inventoriable items in the same manner as materials and supplies that are not incidental. You accrued sales in 2002 for which you received payment in 2003. You must report those sales in both years as a result of changing your accounting method and must make a section 481(a) adjustment to prevent duplication of income.

A net negative section 481(a) adjustment is taken into account entirely in the year of the change. A net positive section 481(a) adjustment is generally taken into account over a period of 4 years. Include any net positive section 481(a) adjustments on line 6. If the net section 481(a) adjustment is negative, report it in Part V.

For details on figuring section 481(a) adjustments, see Rev. Proc. 2002-9, Rev. Proc. 2002-19, and Rev. Proc. 2002-54. You can find Rev. Proc. 2002-9 on page 327 of Internal Revenue Bulletin 2002-3 at www.irs.gov/pub/irs-irbs/irb02-03.pdf, Rev. Proc. 2002-19 on page 696 of Internal Revenue Bulletin 2002-13 at www.irs.gov/pub/irs-irbs/irb02-13.pdf, and Rev. Proc. 2002-54 on page 432 of Internal Revenue Bulletin 2002-35 at www.irs.gov/pub/irs-irbs/irb02-35.pdf.

Line G

If your business activity was not a rental activity **and** you met any of the material participation tests below **or** the exception for oil and gas applies (explained on page C-3), check the "Yes" box. Otherwise, check the "No" box. If you check the "No" box, this business is a passive activity. If you have a loss from this business, see **Limit on Losses** on page C-3. If you have a profit from this business activity but have current year losses from other passive activities or you have prior year unallowed passive activity losses, see the **Instructions for Form 8582**.

Material Participation. Participation, for purposes of the seven material participation tests listed below, generally includes any work you did in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the

work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

1. Studying and reviewing financial statements or reports on the activity,
2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
3. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return.

For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 2003 if you met any of the following seven tests.

1. You participated in the activity for more than 500 hours during the tax year.
2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.
4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).
5. You materially participated in the activity for any 5 of the prior 10 tax years.
6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year. But you do not meet this test if you participated in the activity for 100 hours or less during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) (a) received compensation for performing management services in connection with the activity or (b) spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

Rental of Personal Property. A rental activity (such as long-term equipment leasing) is a passive activity even if you materially participated in the activity. However, if you met any of the five exceptions listed under **Rental Activities** in the Instructions for Form 8582, the rental of the property is not treated as a rental activity and the material participation rules above apply.

Exception for Oil and Gas. If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box. The activity of owning the working interest is not a passive activity regardless of your participation.

Limit on Losses. If you checked the "No" box and you have a loss from this business, you may have to use **Form 8582** to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities. For details, see **Pub. 925**.

Line H

If you started or acquired this business in 2003, check the box on line H. Also check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 2002 Schedule C or C-EZ for this business.

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes income from whatever source derived. Gross income, however, does not include extraterritorial income that is qualifying foreign trade income. Use **Form 8873** to figure the extraterritorial income exclusion. Report it on Schedule C as explained in the Instructions for Form 8873.

Line 1

Enter gross receipts from your trade or business. Include amounts you received in

your trade or business that were properly shown on **Forms 1099-MISC**. If the total amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

Statutory Employees. If you received a Form W-2 and the "Statutory employee" box in box 13 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ and **check the box** on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not owe self-employment tax on these earnings. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, you **must** file two Schedules C. You **cannot** use Schedule C-EZ or combine these amounts on a single Schedule C.

Installment Sales. Generally, the installment method may not be used to report income from the sale of (a) personal property regularly sold under the installment method or (b) real property held for resale to customers. But the installment method may be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See section 453(1)(2)(B) for details. If you make this election, include the interest on Form 1040, line 60. Also, enter "453(1)(3)" and the amount of the interest on the dotted line to the left of line 60.

If you use the installment method, attach a schedule to your return. Show separately for 2003 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 2003, credit for Federal tax paid on gasoline or other fuels claimed on your 2002 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on **Form 1099-PATR**. Also, include any recapture of the deduction for clean-fuel vehicles used in your business and clean-fuel vehicle refueling property. For details, see **Pub. 535**.

If the business use percentage of any listed property (defined in the instructions for line 13 on page C-4) decreased to 50% or less in 2003, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use **Form 4797** to figure the recapture. Also, if the business use percentage drops to 50%

or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See **Pub. 946** to figure the amount.

Part II. Expenses

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property generally must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property generally must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8-26 and Part V by amounts capitalized. For details, see **Pub. 538**.

Exception for Certain Producers. Producers who account for inventoriable items in the same manner as materials and supplies that are not incidental may currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See **Cost of Goods Sold** on page C-6 for more details.

Exception for Creative Property. If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For details, see **Pub. 538**.

Line 9

You can deduct the actual expenses of running your car or truck or take the **standard mileage rate**. You **must** use actual expenses if you used your vehicle for hire (such as a taxicab) or you used more than one vehicle simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2003 **only** if you:

- Owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

- Include on line 9 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

If you take the standard mileage rate, multiply the number of business miles by 36 cents. Add to this amount your parking fees and tolls, and enter the total on line 9. **Do not** deduct depreciation, rent or lease payments, or your actual operating expenses.

For details, see **Pub. 463**.

Information on Your Vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

- Part IV of Schedule C or Part III of Schedule C-EZ if: (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated and (b) you are **not** required to file **Form 4562** for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Part IV of Schedule C, or Part III of Schedule C-EZ, for each additional vehicle.

- Part V of Form 4562 if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13).

Line 11

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

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach **Form T**. See **Pub. 535** for details.

Line 13

Depreciation and Section 179 Expense Deduction. Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You may also elect under section 179 to expense part of the cost of certain property you bought in 2003 for use in your business. See the Instructions for Form 4562 to figure the amount to enter on line 13.

When To Attach Form 4562. You must complete and attach Form 4562 **only** if:

- You are claiming depreciation on property placed in service during 2003;
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service; or
- You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 2003, see Pub. 946.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less;
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.;
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment);
- Cellular telephones or other similar telecommunications equipment; and
- Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under section 280A(c)(1) for deducting expenses for the business use of your home.

See the instructions for line 6 on page C-3 if the business use percentage of any listed property decreased to 50% or less in 2003.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on Form 1040, line 29, the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for Form 1040, line 29, for details.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost

earnings due to sickness or disability. For details, see **Pub. 535**.

Lines 16a and 16b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See **Pub. 535** for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

How To Report. If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 2003 to banks or other financial institutions for which you received a **Form 1098** (or similar statement). If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 16a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 16a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 16b, enter "See attached."

If you paid interest in 2003 that applies to future years, deduct only the part that applies to 2003.

Line 17

Include on this line fees for tax advice related to your business and for preparation of the tax forms related to your business.

Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plans for the benefit of your employees. If the plan included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 30, not on Schedule C.

Generally, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing

requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

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

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

For details, see **Pub. 560**.

Lines 20a and 20b

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

You may have to do this if—

The lease term began during ...	And the vehicle's fair market value on the first day of the lease exceeded ...
2003	\$18,000
1999 through 2002	15,500
1997 or 1998	15,800
1995 or 1996	15,500
If the lease term began before 1995, see Pub. 463 to find out if you have an inclusion amount.	

See **Pub. 463** to figure your inclusion amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of repairs and maintenance. Include labor, supplies, and other items that do not add to the value or increase the life of the property. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 22

Generally, you can deduct the cost of supplies only to the extent you actually consumed and used them in your business during the tax year (unless you deducted them in a prior tax year). However, if you had incidental supplies on hand for which you kept no inventories or records of use, you may deduct the cost of supplies you actually purchased during the tax year, provided that method clearly reflects income.

Line 23

You can deduct the following taxes and licenses on this line.

- State and local sales taxes imposed on you as the **seller** of goods or services. If you collected this tax from the **buyer**, you must also include the amount collected in gross receipts or sales on line 1.

- Real estate and personal property taxes on business assets.

- Licenses and regulatory fees for your trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized. See **Pub. 535** for details.

- Social security and Medicare taxes paid to match required withholding from your employees' wages. Also, Federal unemployment tax paid. Reduce your deduction by the amount of the current year credit shown on line 4 of **Form 8846**.

- Federal highway use tax.

Do not deduct the following on this line.

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 28.

- Estate and gift taxes.

- Taxes assessed to pay for improvements, such as paving and sewers.

- Taxes on your home or personal use property.

- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.

- State and local sales taxes imposed on the **buyer** that you were required to collect and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.

- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for lines 24b and 24c on this page.

Instead of keeping records of your actual incidental expenses, you can use an **optional method for deducting incidental**

expenses only if you did **not** pay or incur meal expenses on a day you were traveling away from your tax home. The amount of the deduction is \$2 a day for the period from January 1 through October 31, 2003, and \$3 a day for the period from November 1 through December 31, 2003. Incidental expenses include fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries. They do **not** include expenses for laundry, cleaning and pressing of clothing, lodging taxes, or the costs of telegrams or telephone calls. You cannot use this method on any day that you use the standard meal allowance (as explained in the instructions for lines 24b and 24c).

You cannot deduct expenses for attending a foreign convention unless it is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For details, see **Pub. 463**.

Lines 24b and 24c

On line 24b, enter your total business meal and entertainment expenses. Include meals expenses while traveling away from home for business. Instead of the actual cost of your meals while traveling away from home, you may use the **standard meal allowance** for your daily meals and incidental expenses. Under this method, you deduct a specified amount, depending on where you travel, instead of keeping records of your actual meal expenses. However, you must still keep records to prove the time, place, and business purpose of your travel.

The standard meal allowance is the Federal M&IE rate. You can find these rates on the Internet at www.policyworks.gov/perdiem. Click on **2003 Domestic Per Diem Rates** for the period January 1, 2003–September 30, 2003 and on **2004 Domestic Per Diem Rates** for the period October 1, 2003–December 31, 2003. For locations outside the continental United States, the applicable rates are published monthly. You can find these rates on the Internet at www.state.gov/m/a/als/prdm/2003.

See Pub. 463 for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel.

Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Also, you cannot deduct membership dues for any club organized for business, pleasure, recreation, or other social pur-

pose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See Pub. 463.

Generally, you may deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. For individuals subject to the Department of Transportation (DOT) hours of service limits, that percentage is increased to 65% for business meals consumed during, or incident to, any period of duty for which those limits are in effect. Individuals subject to the DOT hours of service limits include the following persons:

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are under Federal Aviation Administration regulations.
- Interstate truck operators who are under DOT regulations.
- Certain merchant mariners who are under Coast Guard regulations.

However, you may fully deduct meals, incidentals, and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You may also fully deduct meals, incidentals, and entertainment provided to a nonemployee to the extent the expenses are includible in the gross income of that person and reported on Form 1099-MISC. See **Pub. 535** for details and other exceptions.

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

Figure how much of the amount on line 24b is not deductible and enter that amount on line 24c.

Line 25

Deduct only utility expenses for your trade or business.

Local Telephone Service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Work Opportunity Credit,
- **Form 8844**, Empowerment Zone and Renewal Community Employment Credit,
- **Form 8845**, Indian Employment Credit,
- **Form 8861**, Welfare-to-Work Credit, and
- **Form 8884**, New York Liberty Zone Business Employee Credit.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

Line 30

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. You must attach **Form 8829** if you claim this deduction. For details, see the Instructions for Form 8829 and **Pub. 587**.

Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go to line 32 before entering your loss on line 31. If you answered "No" to Question G on Schedule C, also see the Instructions for Form 8582. Enter the net profit or **deductible** loss here. Combine this amount with any profit or loss from other businesses, and enter the total on Form 1040, line 12, and Schedule SE, line 2. Estates and trusts should enter the total on Form 1041, line 3.

If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit. See the instructions for Form 1040, line 63, for details.

Statutory Employees. Include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12. However, **do not** report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

Line 32

At-Risk Rules. Generally, if you have (a) a business loss and (b) amounts in the business for which you are **not at risk**, you will have to complete **Form 6198** to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check **box 32b** if you have amounts for which you are not at risk in this business, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under section 465(b)(3) to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 32a** and enter your loss on line 31. But if you answered "No" to Question G, you may need to complete **Form 8582** to figure your deductible loss. See the Instructions for Form 8582 for details.

If you checked **box 32b**, see Form 6198 to determine the amount of your deductible loss. But if you answered "No" to Question G, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this business not allowed for 2003 because of the at-risk rules is treated as a deduction allocable to the business in 2004. For details, see the Instructions for Form 6198 and **Pub. 925**.

Part III. Cost of Goods Sold

Generally, if you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, you must take inventories into account at the beginning and end of your tax year.

However, if you are a qualifying taxpayer or a qualifying small business taxpayer, you may account for inventoriable items in the same manner as materials and supplies that are not incidental. To change your accounting method, see the instructions for line F on page C-2.

A **qualifying taxpayer** is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are \$1 million or less and (b) whose business is not a tax shelter (as defined in section 448(d)(3)).

A **qualifying small business taxpayer** is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are more than \$1 million but not more than \$10 million, (b) whose business is not a tax shelter (as defined in section 448(d)(3)),

and (c) whose principal business activity is not an ineligible activity as explained in Rev. Proc. 2002-28, 2002-18 I.R.B. 815. You can find Rev. Proc. 2002-28 on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.

Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method). Enter amounts paid for all raw materials and merchandise during 2003 on line 36. The amount you can deduct for 2003 is figured on line 42.

Additional information. For additional guidance on this method of accounting for inventoriable items, see Rev. Proc. 2001-10, 2001-2 I.R.B. 272 if you are a qualifying taxpayer or Rev. Proc. 2002-28 if you are a qualifying small business taxpayer. You can find Rev. Proc. 2001-10 on page 272 of Internal Revenue Bulletin 2001-2 at www.irs.gov/pub/irs-irbs/irb01-02.pdf, and Rev. Proc. 2002-28 on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.

Note. Certain direct and indirect expenses may have to be capitalized or included in inventory. See the instructions for Part II beginning on page C-3.

Line 33

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS. However, you are required to use cost if you are using the cash method of accounting.

Line 35

If you are changing your method of accounting beginning with 2003, refigure last year's closing inventory using your new

method of accounting and enter the result on line 35. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring your section 481(a) adjustment. See the example on page C-2 for details.

Line 41

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, enter on line 41 the portion of your raw materials and merchandise purchased for resale that are included on line 40 and were not sold during the year.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you may not deduct fines or penalties paid to a government for violating any law. For details on business expenses, see **Pub. 535**.

Amortization. Include amortization in this part. For amortization that begins in 2003, you must complete and attach **Form 4562**.

You may amortize:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Certain business startup costs.
- Qualified forestation and reforestation costs. See Pub. 535 for limitations.

- Qualified revitalization expenditures.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.
- Goodwill and certain other intangibles.

In general, you **may not** amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

At-Risk Loss Deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2003.

Capital Construction Fund. Do not claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936. Instead, reduce the amount you would otherwise enter on Form 1040, line 40, by the amount of the deduction. Next to line 40, enter "CCF" and the amount of the deduction. For details, see **Pub. 595**.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your business and qualified clean-fuel vehicle refueling property. See Pub. 535 for details.

Disabled Access Credit and the Deduction for Removing Barriers to Individuals With Disabilities and the Elderly. You may be able to claim a tax credit of up to \$5,000 for eligible expenditures paid or incurred in 2003 to provide access to your business for individuals with disabilities. See **Form 8826** for details. You can also deduct up to \$15,000 of costs paid or incurred in 2003 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit and the deduction on the same expenditures.

Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS). Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity (for example, 531210, the code for offices of real estate agents and brokers) and **enter it on line B of Schedule C or C-EZ**.

Note. If your principal source of income is from farming activities, you should file **Schedule F, Profit or Loss From Farming**.

Accommodation, Food Services, & Drinking Places Accommodation 721310 Rooming & boarding houses 721210 RV (recreational vehicle) parks & recreational camps 721100 Travel accommodation (including hotels, motels, & bed & breakfast inns) Food Services & Drinking Places 722410 Drinking places (alcoholic beverages) 722110 Full-service restaurants 722210 Limited-service eating places 722300 Special food services (including food service contractors & caterers)	Administrative & Support and Waste Management & Remediation Services Administrative & Support Services 561430 Business service centers (including private mail centers & copy shops) 561740 Carpet & upholstery cleaning services 561440 Collection agencies 561450 Credit bureaus 561410 Document preparation services 561300 Employment services 561710 Exterminating & pest control services 561210 Facilities support (management) services	561600 Investigation & security services 561720 Janitorial services 561730 Landscaping services 561110 Office administrative services 561420 Telephone call centers (including telephone answering services & telemarketing bureaus) 561500 Travel arrangement & reservation services 561490 Other business support services (including repossession services, court reporting, & stenotype services) 561790 Other services to buildings & dwellings	561900 Other support services (including packaging & labeling services, & convention & trade show organizers) Waste Management & Remediation Services 562000 Waste management & remediation services Agriculture, Forestry, Hunting, & Fishing 112900 Animal production (including breeding of cats and dogs) 114110 Fishing 113000 Forestry & logging (including forest nurseries & timber tracts) 114210 Hunting & trapping
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Principal Business or Professional Activity Codes (continued)

<p>Support Activities for Agriculture & Forestry</p> <p>115210 Support activities for animal production (including farriers)</p> <p>115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating)</p> <p>115310 Support activities for forestry</p>	<p>Educational Services</p> <p>611000 Educational services (including schools, colleges, & universities)</p>	<p>Information</p> <p>511000 Publishing industries (except Internet)</p>	<p>311300 Sugar & confectionery product mfg.</p> <p>311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)</p>
<p>Arts, Entertainment, & Recreation</p> <p>Amusement, Gambling, & Recreation Industries</p> <p>713100 Amusement parks & arcades</p> <p>713200 Gambling industries</p> <p>713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)</p> <p>Museums, Historical Sites, & Similar Institutions</p> <p>712100 Museums, historical sites, & similar institutions</p> <p>Performing Arts, Spectator Sports, & Related Industries</p> <p>711410 Agents & managers for artists, athletes, entertainers, & other public figures</p> <p>711510 Independent artists, writers, & performers</p> <p>711100 Performing arts companies</p> <p>711300 Promoters of performing arts, sports, & similar events</p> <p>711210 Spectator sports (including professional sports clubs & racetrack operations)</p>	<p>Finance & Insurance</p> <p>Credit Intermediation & Related Activities</p> <p>522100 Depository credit intermediation (including commercial banking, savings institutions, & credit unions)</p> <p>522200 Nondepository credit intermediation (including sales financing & consumer lending)</p> <p>522300 Activities related to credit intermediation (including loan brokers)</p> <p>Insurance Agents, Brokers, & Related Activities</p> <p>524210 Insurance agencies & brokerages</p> <p>524290 Other insurance related activities</p> <p>Securities, Commodity Contracts, & Other Financial Investments & Related Activities</p> <p>523140 Commodity contracts brokers</p> <p>523130 Commodity contracts dealers</p> <p>523110 Investment bankers & securities dealers</p> <p>523210 Securities & commodity exchanges</p> <p>523120 Securities brokers</p> <p>523900 Other financial investment activities (including investment advice)</p>	<p>Broadcasting (except Internet) & Telecommunications</p> <p>515000 Broadcasting (except Internet)</p> <p>517000 Telecommunications</p> <p>Internet Publishing & Broadcasting</p> <p>516110 Internet publishing & broadcasting</p> <p>Internet Service Providers, Web Search Portals, & Data Processing Services</p> <p>518210 Data processing, hosting, & related services</p> <p>518111 Internet service providers</p> <p>518112 Web search portals</p> <p>519100 Other information services (including news syndicates and libraries)</p> <p>Motion Picture & Sound Recording</p> <p>512100 Motion picture & video industries (except video rental)</p> <p>512200 Sound recording industries</p>	<p>Leather & Allied Product Manufacturing</p> <p>316210 Footwear mfg. (including leather, rubber, & plastics)</p> <p>316110 Leather & hide tanning & finishing</p> <p>316990 Other leather & allied product mfg.</p> <p>Nonmetallic Mineral Product Manufacturing</p> <p>327300 Cement & concrete product mfg.</p> <p>327100 Clay product & refractory mfg.</p> <p>327210 Glass & glass product mfg.</p> <p>327400 Lime & gypsum product mfg.</p> <p>327900 Other nonmetallic mineral product mfg.</p>
<p>Construction of Buildings</p> <p>236200 Nonresidential building construction</p> <p>236100 Residential building construction</p> <p>Heavy and Civil Engineering Construction</p> <p>237310 Highway, street, & bridge construction</p> <p>237210 Land subdivision</p> <p>237100 Utility system construction</p> <p>237990 Other heavy & civil engineering construction</p> <p>Specialty Trade Contractors</p> <p>238310 Drywall & insulation contractors</p> <p>238210 Electrical contractors</p> <p>238350 Finish carpentry contractors</p> <p>238330 Flooring contractors</p> <p>238130 Framing carpentry contractors</p> <p>238150 Glass & glazing contractors</p> <p>238140 Masonry contractors</p> <p>238320 Painting & wall covering contractors</p> <p>238220 Plumbing, heating & air-conditioning contractors</p> <p>238110 Poured concrete foundation & structure contractors</p> <p>238160 Roofing contractors</p> <p>238170 Siding contractors</p> <p>238910 Site preparation contractors</p> <p>238120 Structural steel & precast concrete construction contractors</p> <p>238340 Tile & terrazzo contractors</p> <p>238290 Other building equipment contractors</p> <p>238390 Other building finishing contractors</p> <p>238190 Other foundation, structure, & building exterior contractors</p> <p>238990 All other specialty trade contractors</p>	<p>Health Care & Social Assistance</p> <p>Ambulatory Health Care Services</p> <p>621610 Home health care services</p> <p>621510 Medical & diagnostic laboratories</p> <p>621310 Offices of chiropractors</p> <p>621210 Offices of dentists</p> <p>621330 Offices of mental health practitioners (except physicians)</p> <p>621320 Offices of optometrists</p> <p>621340 Offices of physical, occupational & speech therapists, & audiologists</p> <p>621111 Offices of physicians (except mental health specialists)</p> <p>621112 Offices of physicians, mental health specialists</p> <p>621391 Offices of podiatrists</p> <p>621399 Offices of all other miscellaneous health practitioners</p> <p>621400 Outpatient care centers</p> <p>621900 Other ambulatory health care services (including ambulance services, blood, & organ banks)</p> <p>Hospitals</p> <p>622000 Hospitals</p> <p>Nursing & Residential Care Facilities</p> <p>623000 Nursing & residential care facilities</p> <p>Social Assistance</p> <p>624410 Child day care services</p> <p>624200 Community food & housing, & emergency & other relief services</p> <p>624100 Individual & family services</p> <p>624310 Vocational rehabilitation services</p>	<p>Manufacturing</p> <p>315000 Apparel mfg.</p> <p>312000 Beverage & tobacco product mfg.</p> <p>334000 Computer & electronic product mfg.</p> <p>335000 Electrical equipment, appliance, & component mfg.</p> <p>332000 Fabricated metal product mfg.</p> <p>337000 Furniture & related product mfg.</p> <p>333000 Machinery mfg.</p> <p>339110 Medical equipment & supplies mfg.</p> <p>322000 Paper mfg.</p> <p>324100 Petroleum & coal products mfg.</p> <p>326000 Plastics & rubber products mfg.</p> <p>331000 Primary metal mfg.</p> <p>323100 Printing & related support activities</p> <p>313000 Textile mills</p> <p>314000 Textile product mills</p> <p>336000 Transportation equipment mfg.</p> <p>321000 Wood product mfg.</p> <p>339900 Other miscellaneous mfg.</p> <p>Chemical Manufacturing</p> <p>325100 Basic chemical mfg.</p> <p>325500 Paint, coating, & adhesive mfg.</p> <p>325300 Pesticide, fertilizer, & other agricultural chemical mfg.</p> <p>325410 Pharmaceutical & medicine mfg.</p> <p>325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.</p> <p>325600 Soap, cleaning compound, & toilet preparation mfg.</p> <p>325900 Other chemical product & preparation mfg.</p> <p>Food Manufacturing</p> <p>311110 Animal food mfg.</p> <p>311800 Bakeries & tortilla mfg.</p> <p>311500 Dairy product mfg.</p> <p>311400 Fruit & vegetable preserving & speciality food mfg.</p> <p>311200 Grain & oilseed milling</p> <p>311610 Animal slaughtering & processing</p> <p>311710 Seafood product preparation & packaging</p>	<p>Mining</p> <p>212110 Coal mining</p> <p>212200 Metal ore mining</p> <p>212300 Nonmetallic mineral mining & quarrying</p> <p>211110 Oil & gas extraction</p> <p>213110 Support activities for mining</p> <p>Other Services</p> <p>Personal & Laundry Services</p> <p>812111 Barber shops</p> <p>812112 Beauty salons</p> <p>812220 Cemeteries & crematories</p> <p>812310 Coin-operated laundries & drycleaners</p> <p>812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning dropoff & pickup sites)</p> <p>812210 Funeral homes & funeral services</p> <p>812330 Linen & uniform supply</p> <p>812113 Nail salons</p> <p>812930 Parking lots & garages</p> <p>812910 Pet care (except veterinary) services</p> <p>812920 Photofinishing</p> <p>812190 Other personal care services (including diet & weight reducing centers)</p> <p>812990 All other personal services</p> <p>Repair & Maintenance</p> <p>811120 Automotive body, paint, interior, & glass repair</p> <p>811110 Automotive mechanical & electrical repair & maintenance</p> <p>811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)</p> <p>811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance</p> <p>811210 Electronic & precision equipment repair & maintenance</p> <p>811430 Footwear & leather goods repair</p> <p>811410 Home & garden equipment & appliance repair & maintenance</p> <p>811420 Reupholstery & furniture repair</p> <p>811490 Other personal & household goods repair & maintenance</p>

Principal Business or Professional Activity Codes (continued)

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



2003 Instructions for Schedule D

Capital Gains and Losses

Use Schedule D (Form 1040) to report the following.

- The sale or exchange of a capital asset (defined on this page) not reported on another form or schedule.
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13a.
- Nonbusiness bad debts.

Additional Information. See **Pub. 544** and **Pub. 550** for more details. For a comprehensive filled-in example of Schedule D, see Pub. 550.

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Changes To Note

Maximum Capital Gains Tax Rates. The 20% maximum tax rate on net capital gain (the excess of net long-term capital gain over net short-term capital loss) has been reduced to 15%, and the 10% rate has been reduced to 5%, for sales and other dispositions after May 5, 2003 (and installment payments received after that date). The 25% rate on unrecaptured section 1250 gain and the 28% rate on collectibles gain and section 1202 gain have not changed.

Qualified Dividends. Dividends paid by most domestic and foreign corporations after December 31, 2002, are eligible for the new maximum capital gains tax rate of 15% (5% in some cases). Qualified dividends are reported on Form 1040, line 9b. For details, see the Instructions for Form 1040, line 9b, on page 23.

Qualified 5-Year Gain. The 8% maximum capital gains tax rate for qualified 5-year gain has been eliminated for sales and other dispositions after May 5, 2003 (and installment payments received after that date). Instead, gain from these transactions will be taxed at the 5% maximum capital gains tax rate described above. See the instructions for line 35 on page D-10 for more details.

28% Rate Gain. Any 28% rate gain is now figured on a worksheet and entered on Schedule D, line 20. See the instructions for line 20 beginning on page D-8 for more details.

Capital Loss Carryover Worksheet. The Capital Loss Carryover Worksheet has been removed from the 2003 Instructions for Schedule D to simplify the preparation of your 2003 tax return. To figure your capital loss carryover to 2004, you will use a worksheet in the 2004 Instructions for Schedule D. See the instructions for line 18 on page D-7 for more details.

Other Forms You May Have To File

Use **Form 4797** to report the following.

- The sale or exchange of:
 1. Property used in a trade or business;
 2. Depreciable and amortizable property;
 3. Oil, gas, geothermal, or other mineral property; and
 4. Section 126 property.
- The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.

• The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.

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

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

• Ordinary gain or loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See **Traders in Securities** on page D-3.

Use **Form 4684** to report involuntary conversions of property due to casualty or theft.

Use **Form 6781** to report gains and losses from section 1256 contracts and straddles.

Use **Form 8824** to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house,

furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by you **except** the following.

- Stock in trade or other property included in inventory or held mainly for sale to customers.
- Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of stock in trade or other property held mainly for sale to customers.
- Depreciable property used in your trade or business, even if it is fully depreciated.
- Real estate used in your trade or business.
- Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: (a) created by your personal efforts; (b) prepared or produced for you (in the case of letters, memoranda, or similar property); or (c) that you received from someone who created them or for whom they were created, as mentioned in (a) or (b), in a way (such as by gift) that entitled you to the basis of the previous owner.
- U.S. Government publications, including the Congressional Record, that you received from the government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.
- Certain commodities derivative financial instruments held by a dealer. See section 1221(a)(6).
- Certain hedging transactions entered into in the normal course of your trade or business. See section 1221(a)(7).
- Supplies regularly used in your trade or business.

Short Term or Long Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Gain Distributions

These distributions are paid by a mutual fund (or other regulated investment company) or real estate investment trust from its net realized long-term capital gains. Distributions of net realized short-term capital gains are not treated as capital gains. Instead, they are included on **Form 1099-DIV** as ordinary dividends.

Enter on line 13, column (f), the **total** capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount is shown in box 2a of Form 1099-DIV.

If there is an amount in box 2b of Form 1099-DIV, include that amount on line 13, column (g).

If there is an amount in box 2c, include that amount on line 5 of the **Qualified 5-Year Gain Worksheet** on page D-10 if you complete line 35 of Schedule D.

If there is an amount in box 2d, include that amount on line 11 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-7 if you complete line 19 of Schedule D.

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

If there is an amount in box 2f, include that amount on line 4 of the **28% Rate Gain Worksheet** on page D-8 if you complete line 20 of Schedule D.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.

Sale of Your Home

If you sold or exchanged your main home, **do not** report it on your tax return unless your gain exceeds your exclusion amount. Generally, if you meet the two tests below, you can exclude up to \$250,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to

\$500,000 of gain (but only one spouse needs to meet the ownership requirement in **Test 1**).

Test 1. You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.

Test 2. You have not sold or exchanged another main home during the 2-year period ending on the date of the sale or exchange of your home.

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

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

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

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unrecaptured section 1250 gain. For details on 28% rate gain, see the instructions for line 20 beginning on page D-8. For details on unrecaptured section 1250 gain, see the instructions for line 19 beginning on page D-7.

Capital Assets Held for Personal Use

Generally, gain from the sale or exchange of a capital asset held for personal use is a capital gain. Report it on Schedule D, Part I or Part II. However, if you converted depreciable property to personal use, all or part of the gain on the sale or exchange of that property may have to be recaptured as ordinary income. Use Part III of **Form 4797** to figure the amount of ordinary income recapture. The recapture amount is included on line 31 (and line 13) of Form 4797. **Do not** enter any gain for this property on line 32 of Form 4797. If you are not completing Part III for any other properties, enter "N/A" on line 32. If the total gain is more than the recapture amount, enter "From Form 4797" in column (a) of line 1 or line 8 of Schedule D, skip columns (b) through (e), and in column (f) (and column (g) for sales after May 5, 2003) enter the excess of the total gain over the recapture amount.

Loss from the sale or exchange of a capital asset held for personal use is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use for which you received a **Form 1099-S**, you must report the transaction on Schedule D even though the loss is not deductible. For example, you have a loss on the sale of a vacation home that is not your main home and you received a Form 1099-S for the transaction. Report the transaction on line 1 or 8, depending on how long you

owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter zero in column (f).

Non deductible Losses

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

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

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

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

If the loss is allowable under the at-risk rules, it may then be subject to the passive activity rules. See **Form 8582** and its instructions for details on reporting capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See **Pub. 550**.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity or to a trust of which you are a beneficiary. See **Pub. 544**.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 995(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See **Pub. 541**.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550.
- Transfer of appreciated property to a political organization. See section 84.
- In general, no gain or loss is recognized on the transfer of property from an

individual to a spouse or a former spouse if the transfer is incident to a divorce. See **Pub. 504**.

- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See **Pub. 550**.

- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D, but any gain is reported as ordinary income on **Form 4797**.

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

- Amounts received by shareholders in corporate liquidations. See **Pub. 550**.

- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See **Pub. 550**.

- Mutual fund load charges, which may not be taken into account in determining gain or loss on certain dispositions of stock in mutual funds if reinvestment rights were exercised. See **Pub. 564**.

- The sale or exchange of S corporation stock or an interest in a trust held for more than 1 year, which may result in collectibles gain (28% rate gain). See page D-8.

- Gain or loss on the disposition of securities futures contracts. See **Pub. 550**.

- Gain on the constructive sale of certain appreciated financial positions. See **Pub. 550**.

- Certain constructive ownership transactions. Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 60. Write "Section 1260(b) interest" and the amount of the interest to the left of line 60. This interest is not deductible.

- The sale of publicly traded securities, if you elect to postpone gain by purchasing common stock or a partnership interest in a specialized small business investment company during the 60-day period that began on the date of the sale. See **Pub. 550**.

- The sale of qualified securities, held for at least 3 years, to an employee stock ownership plan or eligible worker-owned cooperative, if you elect to postpone gain by purchasing qualified replacement property. See **Pub. 550**.

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (in-

cluding a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you directly or indirectly:

- Buy substantially identical stock or securities,

- Acquire substantially identical stock or securities in a fully taxable trade, or

- Enter into a contract or option to acquire substantially identical stock or securities.

You **cannot** deduct losses from wash sales unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical property (or contract or option to acquire such property) is its cost increased by the disallowed loss. For more details on wash sales, see **Pub. 550**.

Report a wash sale transaction on line 1 or 8. Enter the full amount of the (loss) in column (f). Also report this amount in column (g) if the transaction occurred after May 5, 2003. Directly below the line on which you reported the loss, enter "Wash Sale" in column (a), and enter as a positive amount in column (f) (and column (g) for transactions after May 5, 2003) the amount of the loss not allowed.

Traders in Securities

You are a **trader in securities** if you are engaged in the **business** of buying and selling securities for your own account. To be engaged in business as a trader in securities:

- You must seek to **profit from daily market movements** in the prices of securities and not from dividends, interest, or capital appreciation.

- Your activity must be **substantial**.

- You must carry on the activity with **continuity and regularity**.

The following facts and circumstances should be considered in determining if your activity is a business.

- Typical holding periods for securities bought and sold.

- The frequency and dollar amount of your trades during the year.

- The extent to which you pursue the activity to produce income for a livelihood.

- The amount of time you devote to the activity.

You are considered an investor, and not a trader, if your activity does not meet the above definition of a business. It does not matter whether you call yourself a trader or a "day trader."

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities) on Schedule D or D-1 or on an attached statement containing all the same information for each sale in a similar format. However, if a trader previously made the mark-to-market election (see below), each transaction is reported in Part II of **Form 4797** instead of Schedules D and D-1. Regardless of whether a trader reports his or her gains and losses on Schedules D

and D-1 or Form 4797, the gain or loss from the disposition of securities is **not** taken into account when figuring net earnings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

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

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

Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or loss), including securities held at the end of the year. Securities held at the end of the year are "marked to market" by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (**not** including extensions) of the tax return for the year **prior** to the year for which the election becomes effective. To be effective for 2003, the election must have been made by April 15, 2003.

Starting with the year the election becomes effective, a trader reports all gains and losses from securities held in connection with the trading business, including securities held at the end of the year, in Part II of Form 4797. If you previously made the election, see the Instructions for Form 4797. For details on making the mark-to-market election for 2004, see **Pub. 550** or **Rev. Proc. 99-17, 1999-1 C.B. 503**. You can find **Rev. Proc. 99-17** on page 52 of Internal Revenue Bulletin 1999-7 at www.irs.gov/pub/irs-irbs/irb99-07.pdf.

If you hold securities for investment, they must be identified as such in your records on the day they are acquired (for example, by holding the securities in a separate brokerage account). Securities held for investment are not marked-to-market.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you (**a**) held substantially identical property for 1 year or less on

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

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract but is a capital asset in your hands. If an option you purchased expired, enter the expiration date in column (c) and enter **"EXPIRED"** in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter **"EXPIRED"** in column (e). Fill in the other columns as appropriate. See **Pub. 550** for details.

Undistributed Capital Gains

Include on line 11, column (f), the amount from box 1a of **Form 2439**. This represents your share of the undistributed long-term capital gains of the regulated investment company (including a mutual fund) or real estate investment trust.

If there is an amount in box 1b of **Form 2439**, include that amount on line 11, column (g).

If there is an amount in box 1c, include that amount on line 5 of the **Qualified 5-Year Gain Worksheet** on page D-10 if you complete line 35 of Schedule D.

If there is an amount in box 1d, include that amount on line 11 of the **Unrecaptured Section 1250 Gain Worksheet** on page D-7 if you complete line 19 of Schedule D.

If there is an amount in box 1e, see **Exclusion of Gain on Qualified Small Business (QSB) Stock** on page D-4.

If there is an amount in box 1f, include that amount on line 4 of the **28% Rate Gain Worksheet** on page D-8 if you complete line 20 of Schedule D.

Enter on **Form 1040**, line 67, the tax paid as shown in box 2 of **Form 2439**. Also on line 67, check the box for **Form 2439**. Add to the basis of your stock the excess of the amount included in income over the amount of the credit for the tax paid. See **Pub. 550** for details.

Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of sale, you generally must report the sale on the installment method unless you elect not to. Use **Form 6252** to report the sale on the installment method. Also use **Form 6252** to report any payment received in 2003 from a sale made in an earlier year that you reported on the installment method.

To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed re-

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

Demutualization of Life Insurance Companies

Demutualization of a life insurance company occurs when a mutual life insurance company changes to a stock company. If you were a policyholder or annuitant of the mutual company, you may have received either stock in the stock company or cash in exchange for your equity interest in the mutual company. The basis of your equity interest in the mutual company is considered to be zero.

If the demutualization transaction qualifies as a tax-free reorganization, no gain is recognized on the exchange of your equity interest in the mutual company for stock. The company can advise you if the transaction is a tax-free reorganization. Because the basis of your equity interest in the mutual company is considered to be zero, your basis in the stock received is zero. Your holding period for the new stock includes the period you held an equity interest in the mutual company. If you received cash in exchange for your equity interest, you must recognize a capital gain in an amount equal to the cash received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1.

If the demutualization transaction does not qualify as a tax-free reorganization, you must recognize a capital gain in an amount equal to the cash and fair market value of the stock received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1. Your holding period for the new stock begins on the day after you received the stock.

Exclusion of Gain on Qualified Small Business (QSB) Stock

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of QSB stock. The section 1202 exclusion applies only to QSB stock held for more than 5 years.

To be **QSB stock**, the stock must meet **all** of the following tests.

- It must be stock in a C corporation (that is, not S corporation stock).
- It must have been originally issued after August 10, 1993.
- As of the date the stock was issued, the corporation was a domestic C corporation with total gross assets of \$50 million or less (a) at all times after August

9, 1993, and before the stock was issued and (b) immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.

- You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.

- During substantially all the time you held the stock:

1. The corporation was a C corporation,
2. At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined below), and
3. The corporation was **not** a foreign corporation, DISC, former DISC, regulated investment company, real estate investment trust, REMIC, FASIT, cooperative, or a corporation that has made (or that has a subsidiary that has made) a section 936 election.

Note. A specialized small business investment company (SSBIC) is treated as having met test 2 above.

A **qualified business** is any business **other than a—**

- Business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services.
- Business whose principal asset is the reputation or skill of one or more employees.
- Banking, insurance, financing, leasing, investing, or similar business.
- Farming business (including the raising or harvesting of trees).
- Business involving the production of products for which percentage depletion can be claimed.
- Business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, to qualify for the exclusion you must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold.

How To Report

Report in column (f) of line 8 the entire gain realized on the sale of QSB stock. Complete all other columns as indicated, but **do not** enter any amount in column (g). Directly below the line on which you reported the gain, enter in column (a) "Section 1202 exclusion" and enter as a loss in column (f) the amount of the allowable exclusion. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Gain From Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2e, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Gain From Form 2439. If you received a Form 2439 with a gain in box 1e, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Gain From an Installment Sale of QSB Stock. If all payments are not received in the year of sale, a sale of QSB stock that is not traded on an established securities market generally is treated as an installment sale and is reported on Form 6252. Figure the allowable section 1202 exclusion for the year by multiplying the total amount of the exclusion by a fraction, the numerator of which is the amount of eligible gain to be recognized for the tax year and the denominator of which is the total amount of eligible gain. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 20 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the **28% Rate Gain Worksheet** on page D-8.

Alternative Minimum Tax. On line 12 of **Form 6251** you must enter 42% of your allowable exclusion for dispositions before May 6, 2003 (7% for dispositions after May 5, 2003).

Rollover of Gain From QSB Stock

If you sold QSB stock (defined on page D-4) that you held for more than 6

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

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

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

To make the election, report the entire gain realized on the sale in column (f) of line 1 or 8. If the sale occurred after May 5, 2003, also report the gain in column (g) (unless the gain also qualifies for the section 1202 exclusion discussed on page D-4). Directly below the line on which you reported the gain, enter in column (a) "Section 1045 rollover", and enter the amount of the postponed gain as a (loss) in column (f) (and column (g) for sales after May 5, 2003, unless the gain also qualifies for the section 1202 exclusion discussed on page D-4).

Rollover of Gain From Empowerment Zone Assets

If you sold a qualified empowerment zone asset that you held for more than 1 year, you may be able to elect to postpone part or all of the gain that you would otherwise include on Schedule D. If you make the election, the gain on the sale generally is recognized only to the extent, if any, that the amount realized on the sale exceeds the cost of qualified empowerment zone assets (replacement property) you purchased during the 60-day period beginning on the date of the sale. The following rules apply.

- No portion of the cost of the replacement property may be taken into account to the extent the cost is taken into account to exclude gain on a different empowerment zone asset.

- The replacement property must qualify as an empowerment zone asset with

respect to the same empowerment zone as the asset sold.

- You must reduce the basis of the replacement property by the amount of postponed gain.

- This election does not apply to any gain (a) treated as ordinary income or (b) attributable to real property, or an intangible asset, which is not an integral part of an enterprise zone business.

- The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.

- The election is irrevocable without IRS consent.

See **Pub. 954** for the definition of empowerment zone and enterprise zone business. You can find out if your business is located within an empowerment zone by using the RC/EZ/EC Address Locator at <http://hud.esri.com/locateservices/ezec>.

Qualified empowerment zone assets are:

- Tangible property, if:

1. You acquired the property after December 21, 2000,

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

3. Substantially all of the use of the property, during substantially all of the time that you held it, was in your enterprise zone business; **and**

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

1. You acquired the stock or partnership interest after December 21, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;

2. The business was an enterprise zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; and

3. The business qualified as an enterprise zone business during substantially all of the time during which you held the stock or partnership interest.

How To Report. Report the entire gain realized from the sale as you otherwise would without regard to the election. On Schedule D, line 8, enter "Section 1397B Rollover" in column (a) and enter as a loss in column (f) (and column (g) for sales after May 5, 2003) the amount of gain included on Schedule D that you are electing to postpone. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

See section 1397B for more details.

Specific Instructions

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). But **do not** report the sale or exchange of your main home unless required (see page D-2). Include these transactions even if you did not receive a **Form 1099-B** or **1099-S** (or substitute statement) for the transaction. You can use stock ticker symbols or abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

Use **Schedule D-1** to list additional transactions for lines 1 and 8. Use as many Schedules D-1 as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1.



Add the following amounts reported to you for 2003 on Forms 1099-B and 1099-S (or substitute statements) that you are not reporting on another form or schedule included with your return: (a) proceeds from transactions involving stocks, bonds, and other securities and (b) gross proceeds from real estate transactions (other than the sale of your main home if you are not required to report it). If this total is **more** than the total of lines 3 and 10, attach an explanation of the difference.

Column (b)—Date Acquired

Enter in this column the date the asset was acquired. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

The date acquired for an asset you held on January 1, 2001, for which you made an election to recognize any gain in a deemed sale is the date of the deemed sale and reacquisition.

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and enter **"INHERITED"** in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that was acquired through several different purchases, you may report the sale on one line and enter **"VARIOUS"** in column (b). However, you still must report the short-term gain or (loss) on the sale in Part I and the long-term gain or (loss) in Part II.

Column (c)—Date Sold

Enter in this column the date the asset was sold. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), **do not** include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).



Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cost as the basis. If you do not use the actual cost, attach an explanation of your basis.

If you sold stock, adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. See **Pub. 550** for details.

If you elected to recognize gain on an asset held on January 1, 2001, your basis in the asset is its closing market price or fair market value, whichever applies, on the date of the deemed sale and reacquisition, whether the deemed sale resulted in a gain or an unallowed loss.

You may elect to use an average basis for all shares of a mutual fund if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. If you are reporting an average basis, include **"AVGB"** in column (a) of Schedule D. For details on making the election and how to figure average basis, see **Pub. 564**.

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death. See **Pub. 551** for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument by the amount of OID that has been included in gross income for that instrument. See **Pub. 550** for details.

If a charitable contribution deduction is allowed because of a bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the amount that has the same ratio to the adjusted basis as the amount realized has to the fair market value. See **Pub. 544** for details.

Increase your cost or other basis by any expense of sale, such as broker's fees, commissions, state and local transfer taxes, and option premiums, before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, see **Pub. 551**.

Column (f)—Gain or (Loss) for the Entire Year

You **must** make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Column (g)—Post-May 5 Gain or (Loss)

Enter in this column all gains and losses you reported in column (f) from sales, exchanges, or conversions (including installment payments received) after May 5, 2003. However, **do not** include gain attributable to unrecaptured section 1250 gain, collectibles gains and losses (defined on page D-8) or eligible gain on qualified small business stock (defined on page D-4).

Line 7a

Enter on line 7a, column (g), your post-May 5 short-term loss, if any. If the total of lines 1 through 5 in column (g) is a gain, enter zero.

Example 1. Bill and Jean Birch had the following short-term capital gains and losses for 2003.

1. A sale of stock on April 10, 2003, at a loss of (\$2,000).
2. A sale of stock on July 7, 2003, at a gain of \$2,000.
3. A sale of stock on September 15, 2003, at a loss of (\$3,000).

The Birches enter a loss of (\$1,000) on line 7a, column (g), consisting of the post-May 5 short-term gain of \$2,000 from item 2 and the post-May 5 short-term loss of (\$3,000) from item 3.

Example 2. Frank and Barbara Elm had the following short-term capital gains and losses for 2003.

1. A sale of stock on March 5, 2003, at a gain of \$2,500.
2. A sale of stock on June 9, 2003, at a gain of \$4,000.
3. A sale of stock on September 20, 2003, at a loss of (\$3,000).

The Elms enter zero on line 7a, column (g), since they have a post-May 5 net short-term gain of \$1,000, consisting of the post-May 5 short-term gain of \$4,000 from item 2 and the post-May 5 short-term loss of (\$3,000) from item 3.

Line 18

Limit on Capital Losses. For 2003, you may deduct capital losses up to the amount of your capital gains plus \$3,000 (\$1,500 if married separately).

Capital Loss Carryover. You have a capital loss carryover from 2003 to 2004 if you have a loss on line 17a and either:

- That loss is more than the loss on line 18 **or**
- Form 1040, line 38, is less than zero.

To figure any capital loss carryover to 2004, you will use the **Capital Loss Carryover Worksheet** in the 2004 Instructions for Schedule D. If you want to figure your carryover now, see **Pub. 550**.



You will need a copy of your 2003 Form 1040 and Schedule D to figure your capital loss carryover to 2004.

Tax Computation Using Maximum Capital Gains Rates

First, complete Form 1040 through line 40 (taxable income). Then, unless the Ex-

ception below applies, complete Part IV of Schedule D to figure your tax if:

- Both lines 16 and 17a of Schedule D are gains **or**
- You have qualified dividends on Form 1040, line 9b.

If you cannot use Part IV of Schedule D to figure your tax, see the Instructions for Form 1040, line 41.

Exception. If Form 1040, line 40, is zero, enter zero on Form 1040, line 41, and **do not** complete Part IV of Schedule D.

Line 19

If you complete Part IV, complete the worksheet below if **any** of the following apply for 2003.

- You sold or otherwise disposed of section 1250 property (generally, real property that you depreciated) held more than 1 year.
- You received installment payments for section 1250 property held more than 1 year for which you are reporting gain on the installment method.
- You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows “unrecaptured section 1250 gain.”

- You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports “unrecaptured section 1250 gain.”
- You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet

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

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

Step 1. Figure the **smaller** of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the **smaller** of line 22 or line 24 of your 2003 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

Unrecaptured Section 1250 Gain Worksheet—Line 19

Keep for Your Records



If you are not reporting a gain on Form 4797, line 7, column (g), skip lines 1 through 9 and go to line 10.

1. If you have a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252), enter the smaller of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. If you had more than one such property, see instructions	1.	
2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1	2.	
3. Subtract line 2 from line 1	3.	
4. Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions)	4.	
5. Enter the total of any amounts reported to you on a Schedule K-1 from a partnership or an S corporation as “unrecaptured section 1250 gain”	5.	
6. Add lines 3 through 5	6.	
7. Enter the smaller of line 6 or the gain from Form 4797, line 7, column (g)	7.	
8. Enter the amount, if any, from Form 4797, line 8, column (g)	8.	
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	
10. Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain (see instructions)	10.	
11. Enter the total of any amounts reported to you on a Schedule K-1, Form 1099-DIV, or Form 2439 as “unrecaptured section 1250 gain” from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company)	11.	
12. Enter the total of any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale (see instructions)	12.	
13. Add lines 9 through 12	13.	
14. If you had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the 28% Rate Gain Worksheet on page D-8. Otherwise, enter -0-	14.	
15. Enter the (loss), if any, from Schedule D, line 7b. If Schedule D, line 7b, is zero or a gain, enter -0-	15.	()
16. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), line 13c	16.	()
17. Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0-	17.	
18. Unrecaptured section 1250 gain. Subtract line 17 from line 13. If zero or less, enter -0-. Enter the result here and on Schedule D, line 19	18.	

Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2003 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2003 as the **smaller** of (a) the amount from line 26 or line 37 of your 2003 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

Line 10. Include on line 10 your share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property. For details, see Regulations section 1.1(h)-1. Also attach the statement

required under Regulations section 1.1(h)-1(e).

Line 12. An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12, follow the applicable instructions below.

Installment sales. To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of your Form 4797 for the year of sale.

- **Step 1.** Figure the **smaller** of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the **smaller** of line 22 or line 24 of your 2003 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

- **Step 2.** Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2003 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

- **Step 3.** Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2003 as the **smaller** of (a) the amount from line 26 or line 37 of your 2003 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if

you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

Other sales or dispositions of section 1250 property. For each sale of property held more than 1 year (for which you did not make an entry in Part I of Form 4797), figure the **smaller** of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the **smaller** of line 22 or line 24 of Form 4797 for the property. Next, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 for the property. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.

Line 20

If you complete Part IV, complete the worksheet below if **either** of the following apply for 2003.

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

- You reported in Part II, column (f), a collectibles gain or (loss). A **collectibles gain or (loss)** is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Include on the worksheet any gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year

28% Rate Gain Worksheet—Line 20

Keep for Your Records



1. Enter the total of all collectibles gain or (loss) from items you reported on line 8, column (f), of Schedules D and D-1	1.	
2. Enter as a positive number the amount of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1	2.	
3. Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15, is more than zero); Form 6252; Form 6781, Part II; and Form 8824	3.	
4. Enter the total of any collectibles gain reported to you on: <ul style="list-style-type: none"> • Form 1099-DIV, box 2f; • Form 2439, box 1f; and • Schedule K-1 from a partnership, S corporation, estate, or trust. 	4.	
5. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), line 13c	5.	()
6. If Schedule D, line 7b, is a (loss), enter that (loss) here. Otherwise, enter -0-	6.	()
7. Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 20	7.	

and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also, attach the statement required under Regulations section 1.1(h)-1(e).

amount on line 4g is greater than the amount on line 4e of that form, use the worksheet below to figure the amount to enter on Schedule D, lines 31 and 43.

Otherwise, enter on those lines the sum of lines 17b and 23 of Schedule D (unless you are skipping the line).

Lines 31 and 43

If you are filing **Form 4952**, Investment Interest Expense Deduction, and the

Worksheet for Lines 31 and 43

Keep for Your Records



1. Enter your qualified dividends from Form 1040, line 9b	1.	
2. Enter the amount from Form 4952, line 4g	2.	
3. Enter the amount from Form 4952, line 4e (or, if applicable, the smaller amount you entered on the dotted line next to line 4e)	3.	
4. Subtract line 3 from line 2. If zero or less, enter -0-	4.	
5. Subtract line 4 from line 1. If zero or less, enter -0-	5.	
6. Enter the amount from Schedule D, line 17b	6.	
7. Add lines 5 and 6. Enter the result here and on Schedule D, lines 31 and 43 (unless you are skipping the line)	7.	

Line 35—Qualified 5-Year Gain

Qualified 5-year gain is long-term capital gain (other than 28% rate gain or gain on line 6 or 10 through 12 of the **Unrecaptured Section 1250 Gain Worksheet**) from property held more than 5 years and sold or otherwise disposed of before May 6, 2003. Qualified 5-year gain is taxed at 8% to the extent the gain would otherwise be taxed at 10%. To figure your qualified 5-year gain, complete the

worksheet on this page if any of the following apply.

- You held long-term capital gain property for more than 5 years and sold or otherwise disposed of it at a gain before May 6, 2003.
- You received a Schedule K-1 from an estate, trust, partnership, or S corporation that reports “qualified 5-year gain.”
- You received a Form 1099-DIV (or Form 2439) with “qualified 5-year gain”

reported in box 2c (box 1c of Form 2439).

- You received payments before May 6, 2003, from an installment sale of long-term capital gain property that you had held for more than 5 years when you entered into the installment sale.

Qualified 5-Year Gain Worksheet—Line 35

Keep for Your Records



1. Enter the total of all gains that you reported on line 8, column (f), of Schedules D and D-1 from property held more than 5 years and disposed of before May 6, 2003. Do not reduce these gains by any losses	1.	
2. Enter the total of all gains from property held more than 5 years and disposed of before May 6, 2003, from Form 4797, Part I, but only if Form 4797, line 7, column (g), is more than zero. Do not reduce these gains by any losses	2.	
3. Enter the total of all capital gains from property held more than 5 years and disposed of before May 6, 2003, from Form 4684, line 4, but only if Form 4684, line 15, is more than zero. Do not reduce these gains by any losses	3.	
4. Enter the total of all capital gains from property held more than 5 years and disposed of before May 6, 2003, from Form 6252; Form 6781, Part II; and Form 8824. Do not reduce these gains by any losses	4.	
5. Enter the total of any qualified 5-year gain reported to you on: <ul style="list-style-type: none"> • Form 1099-DIV, box 2c; • Form 2439, box 1c; and • Schedule K-1 from a partnership, S corporation, estate, or trust (do not include gains from section 1231 property; take them into account on line 2 above, but only if Form 4797, line 7, column (g), is more than zero). 	5.	
6. Add lines 1 through 5.	6.	
7. Enter the part, if any, of the gain on line 6 that is: <ul style="list-style-type: none"> • Attributable to 28% rate gain or • Included on line 6, 10, 11, or 12 of the Unrecaptured Section 1250 Gain Worksheet on page D-7. 	7.	
8. Qualified 5-year gain. Subtract line 7 from line 6. Enter the result here and on Schedule D, line 35	8.	



Complete this worksheet only if line 19 or line 20 of Schedule D is more than zero.

1. Enter your taxable income from Form 1040, line 40		1.	<input type="text"/>
2. Enter your qualified dividends from Form 1040, line 9b	2.	<input type="text"/>	
3. Enter the amount from Form 4952, line 4g	3.	<input type="text"/>	
4. Enter the amount from Form 4952, line 4e*	4.	<input type="text"/>	
5. Subtract line 4 from line 3. If zero or less, enter -0-	5.	<input type="text"/>	
6. Subtract line 5 from line 2. If zero or less, enter -0-	6.	<input type="text"/>	
7. Enter the smaller of line 16 or line 17a of Schedule D	7.	<input type="text"/>	
8. Enter the smaller of line 3 or line 4	8.	<input type="text"/>	
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	<input type="text"/>	
10. Add lines 6 and 9	10.	<input type="text"/>	
11. Add lines 19 and 20 of Schedule D	11.	<input type="text"/>	
12. Enter the smaller of line 9 or line 11	12.	<input type="text"/>	
13. Subtract line 12 from line 10.	13.	<input type="text"/>	
14. Subtract line 13 from line 1. If zero or less, enter -0-	14.	<input type="text"/>	
15. Enter the smaller of line 1 or:			
• \$56,800 if married filing jointly or qualifying widow(er);	}	15.	<input type="text"/>
• \$28,400 if single or married filing separately; or			
• \$38,050 if head of household.			
16. Enter the smaller of line 14 or line 15	16.	<input type="text"/>	
17. Subtract line 10 from line 1. If zero or less, enter -0-	17.	<input type="text"/>	
18. Enter the larger of line 16 or line 17	18.	<input type="text"/>	
If lines 15 and 16 are the same, skip lines 19 through 28 and go to line 29. Otherwise, go to line 19.			
19. Subtract line 16 from line 15	19.	<input type="text"/>	
20. Add the amounts on Schedule D, line 17b, and line 6 above	20.	<input type="text"/>	
21. Enter the smaller of line 19 or line 20	21.	<input type="text"/>	
22. Multiply line 21 by 5% (.05)	22.	<input type="text"/>	
If lines 19 and 21 are the same, skip lines 23 through 28 and go to line 29. Otherwise, go to line 23.			
23. Subtract line 21 from line 19	23.	<input type="text"/>	
24. Qualified 5-year gain from the worksheet on page D-10. Also enter on Schedule D, line 35	24.	<input type="text"/>	
25. Enter the smaller of line 23 or line 24	25.	<input type="text"/>	
26. Multiply line 25 by 8% (.08)	26.	<input type="text"/>	
27. Subtract line 25 from line 23	27.	<input type="text"/>	
28. Multiply line 27 by 10% (.10)	28.	<input type="text"/>	
If lines 1 and 15 are the same, skip lines 29 through 47 and go to line 48. Otherwise, go to line 29.			
29. Enter the smaller of line 1 or line 13	29.	<input type="text"/>	
30. Enter the amount from line 19 (if line 19 is blank, enter -0-)	30.	<input type="text"/>	
31. Subtract line 30 from line 29. If zero or less, enter -0-	31.	<input type="text"/>	
32. Add the amounts on Schedule D, line 17b, and line 6 above	32.	<input type="text"/>	
33. Enter the amount from line 21 (if line 21 is blank, enter -0-)	33.	<input type="text"/>	
34. Subtract line 33 from line 32	34.	<input type="text"/>	
35. Enter the smaller of line 31 or line 34	35.	<input type="text"/>	
36. Multiply line 35 by 15% (.15)	36.	<input type="text"/>	
37. Subtract line 35 from line 31	37.	<input type="text"/>	
38. Multiply line 37 by 20% (.20)	38.	<input type="text"/>	
If Schedule D, line 19, is zero or blank, skip lines 39 through 44 and go to line 45. Otherwise, go to line 39.			
39. Enter the smaller of line 9 above or Schedule D, line 19	39.	<input type="text"/>	
40. Add lines 10 and 18	40.	<input type="text"/>	
41. Enter the amount from line 1 above	41.	<input type="text"/>	
42. Subtract line 41 from line 40. If zero or less, enter -0-	42.	<input type="text"/>	
43. Subtract line 42 from line 39. If zero or less, enter -0-	43.	<input type="text"/>	
44. Multiply line 43 by 25% (.25)	44.	<input type="text"/>	
If Schedule D, line 20, is zero or blank, skip lines 45 through 47 and go to line 48. Otherwise, go to line 45.			
45. Add lines 18, 19, 31, and 43	45.	<input type="text"/>	
46. Subtract line 45 from line 1	46.	<input type="text"/>	
47. Multiply line 46 by 28% (.28)	47.	<input type="text"/>	
48. Figure the tax on the amount on line 18. Use the Tax Table or Tax Rate Schedules, whichever applies	48.	<input type="text"/>	
49. Add lines 22, 26, 28, 36, 38, 44, 47, and 48	49.	<input type="text"/>	
50. Figure the tax on the amount on line 1. Use the Tax Table or Tax Rate Schedules, whichever applies	50.	<input type="text"/>	
51. Tax on all taxable income (including capital gains and qualified dividends). Enter the smaller of line 49 or line 50. Also enter this amount on Schedule D, line 53, and Form 1040, line 41	51.	<input type="text"/>	

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



2003 Instructions for Schedule E (Form 1040)

Supplemental Income and Loss

Use Schedule E (Form 1040) to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

You may attach your own schedule(s) to report income or loss from any of these sources. Use the same format as on Schedule E.

Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

Section references are to the Internal Revenue Code.

General Instructions

At-Risk Rules

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

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

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

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

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

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

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

Qualified nonrecourse financing is treated as an amount at risk if it is secured by real property used in an activity of holding real property that is subject to the at-risk rules. Qualified nonrecourse financ-

ing is financing for which no one is personally liable for repayment and is:

- Borrowed by you in connection with holding real property,
- Not convertible from a debt obligation to an ownership interest, and
- Loaned or guaranteed by any Federal, state, or local government, or borrowed by you from a **qualified person**.

A **qualified person** is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A qualified person **cannot** be:

- Related to you (unless the nonrecourse financing obtained is commercially reasonable and on the same terms as loans involving unrelated persons),
- The seller of the property (or a person related to the seller), or
- A person who receives a fee due to your investment in real property (or a person related to that person).

Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. These rules apply to losses in Parts I, II, and III, and line 40 of Schedule E.

Losses from passive activities may be subject first to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity loss rules.

You generally can deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (explained on page E-2).

Passive Activity

A passive activity is any business activity in which you **did not** materially participate and any rental activity, except as explained on this page and page E-2. If you are a limited partner, you generally are not treated as having materially participated in the partnership's activities for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply. If your rental of property is not treated as a rental activity, you must determine whether it is a trade or business activity, and if so,

whether you materially participated in the activity for the tax year.

See the Instructions for **Form 8582** to determine whether you materially participated in the activity and for the definition of "rental activity."

See **Pub. 925** for special rules that apply to rentals of:

- Substantially nondepreciable property,
- Property incidental to development activities, and
- Property to activities in which you materially participate.

Activities That Are Not Passive Activities

Activities of Real Estate Professionals. If you were a real estate professional in 2003, any rental real estate activity in which you materially participated is not a passive activity. You were a **real estate professional** only if you met **both** of the following conditions.

1. More than half of the personal services you performed in trades or businesses were performed in real property trades or businesses in which you materially participated.
2. You performed more than 750 hours of services in real property trades or businesses in which you materially participated.

For purposes of this rule, each interest in rental real estate is a separate activity, unless you elect to treat all your interests in rental real estate as one activity. To make this election, attach a statement to your original tax return that declares you are a qualifying taxpayer for the year and you are making the election under section 469(c)(7)(A). The election applies for the year made and all later years in which you are a real estate professional. You may revoke the election only if your facts and circumstances materially change.

If you are married filing jointly, either you or your spouse must separately meet both of the above conditions, without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services you performed as an employee are not treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

If you were a real estate professional for 2003, complete line 43 on page 2 of Schedule E.

Other Activities. The rental of your home that you also used for personal purposes is not a passive activity. See the instructions for line 2 on page E-3.

A working interest in an oil or gas well that you held directly or through an entity that did not limit your liability is not a passive activity even if you did not materially participate.

Royalty income not derived in the ordinary course of a trade or business reported on Schedule E generally is not considered income from a passive activity.

For more details on passive activities, see the Instructions for Form 8582 and Pub. 925.

Exception for Certain Rental Real Estate Activities

If you meet **all three** of the following conditions, your rental real estate losses are not limited by the passive activity loss rules. If you **do not** meet **all three** of these conditions, see the Instructions for Form 8582 to find out if you must complete and attach Form 8582 to figure any losses allowed.

1. Rental real estate activities are your only passive activities.
2. You do not have any prior year unallowed losses from any passive activities.
3. **All** of the following apply if you have an overall net loss from these activities:
 - You actively participated (defined below) in all of the rental real estate activities;
 - If married filing separately, you lived apart from your spouse all year;
 - Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately);
 - You have no current or prior year unallowed credits from passive activities; and
 - Your modified adjusted gross income (defined later) is \$100,000 or less (\$50,000 or less if married filing separately).

Active Participation. You can meet the active participation requirement without regular, continuous, and substantial involvement in real estate activities. But you must have participated in making management decisions or arranging for others to provide services (such as repairs) in a

significant and bona fide sense. Such management decisions include:

- Approving new tenants,
- Deciding on rental terms,
- Approving capital or repair expenditures, and
- Other similar decisions.

You are not considered to actively participate if, at any time during the tax year, your interest (including your spouse's interest) in the activity was less than 10% by value of all interests in the activity.

Modified Adjusted Gross Income. This is your adjusted gross income from Form 1040, line 34, without taking into account:

- Any passive activity loss,
- Rental real estate losses allowed under the exception for real estate professionals (explained on page E-1),
 - Taxable social security or tier 1 railroad retirement benefits,
 - Deductible contributions to a traditional IRA or certain other qualified retirement plans under section 219,
 - The student loan interest deduction,
 - The tuition and fees deduction,
 - The deduction for one-half of self-employment tax, and
 - Any excluded amounts under an employer's adoption assistance program.

However, if you file **Form 8815**, include in your modified adjusted gross income the savings bond interest excluded on line 14 of that form.

Reportable Transaction Disclosure Statement

Use **Form 8886** to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your Federal income tax liability is affected by your participation in the transaction. The following are reportable transactions.

- Any transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.
- Any transaction offered under conditions of confidentiality.
- Any transaction for which you have contractual protection against disallowance of the tax benefits.
 - Any transaction resulting in a loss of at least \$2 million in any single tax year or \$4 million in any combination of tax years. (At least \$50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)
 - Any transaction resulting in a book-tax difference of more than \$10 million on a gross basis.
 - Any transaction resulting in a tax credit of more than \$250,000, if you held

the asset generating the credit for 45 days or less.

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

Tax Shelter Registration Number

Complete and attach **Form 8271** if you are reporting any deduction, loss, credit, other tax benefit, or income from an interest purchased or otherwise acquired in a tax shelter.

Form 8271 is used to report the name, tax shelter registration number, and identifying number of the tax shelter. There is a \$250 penalty if you do not report the registration number of the tax shelter on your tax return.

Specific Instructions

Filers of Form 1041

If you are a fiduciary filing Schedule E with Form 1041, enter the estate's or trust's employer identification number (EIN) in the space for "Your social security number."

Part I

Income or Loss From Rental Real Estate and Royalties

Use Part I to report:

- Income and expenses from rental real estate (including personal property leased with real estate) and
- Royalty income and expenses.

See the instructions for lines 3 and 4 to determine if you should report your rental real estate and royalty income on **Schedule C, Schedule C-EZ, or Form 4835** instead of Schedule E.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

Complete lines 1 and 2 for each rental real estate property. Leave these lines blank for each royalty property.

If you have more than three rental real estate or royalty properties, complete and attach as many Schedules E as you need to list them. But fill in the "Totals" column on only one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals of all your Schedules E. If you are also using page 2 of Schedule E, use the same Schedule E on which you entered the combined totals for Part I.

Personal Property. Do not use Schedule E to report income and expenses from the rental of personal property, such as equipment or vehicles. Instead, use Schedule C or C-EZ if you are in the business of renting personal property. You are in the business of renting personal property if the primary purpose for renting the property is income or profit and you are involved in the rental activity with continuity and regularity.

If your rental of personal property is not a business, see the Instructions for Form 1040, lines 21 and 33, to find out how to report the income and expenses.

Extraterritorial Income Exclusion. Except as otherwise provided in the Internal Revenue Code, gross income includes all income from whatever source derived. Gross income, however, does not include extraterritorial income that is qualifying foreign trade income. Use **Form 8873** to figure the extraterritorial income exclusion. Report it on Schedule E as explained in the Instructions for Form 8873.

Line 1

For rental real estate property only, show:

- The kind of property you rented (for example, townhouse).
- The street address, city or town, and state. You do not have to give the ZIP code.
- Your percentage of ownership in the property, if less than 100%.

Line 2

If you rented out a dwelling unit that you also used for **personal purposes** during the year, you may not be able to deduct all the expenses for the rental part. "Dwelling unit" (unit) means a house, apartment, condominium, or similar property.

A day of **personal use** is any day, or part of a day, that the unit was used by:

- You for personal purposes;
- Any other person for personal purposes, if that person owns part of the unit (unless rented to that person under a "shared equity" financing agreement);
- Anyone in your family (or in the family of someone else who owns part of the unit), unless the unit is rented at a fair rental price to that person as his or her main home;
- Anyone who pays less than a fair rental price for the unit; or
- Anyone under an agreement that lets you use some other unit.

Do not count as personal use:

- Any day you spent working substantially full time repairing and maintaining the unit, even if family members used it for recreational purposes on that day or
- Any days you used the unit as your main home before or after renting it or offering it for rent, if you rented or tried to rent it for at least 12 consecutive months (or

for a period of less than 12 consecutive months at the end of which you sold or exchanged it).

Check "Yes" if you or your family used the unit for personal purposes in 2003 more than the **greater** of:

1. 14 days or
2. 10% of the total days it was rented to others at a fair rental price.

Otherwise, check "No."

If you checked "No," you can deduct all your expenses for the rental part, subject to the **At-Risk Rules** and the **Passive Activity Loss Rules** explained beginning on page E-1.

If you checked "Yes" and rented the unit out for fewer than 15 days, do not report the rental income and do not deduct any rental expenses. If you itemize deductions on Schedule A, you may deduct allowable interest, taxes, and casualty losses.

If you checked "Yes" and rented the unit out for at least 15 days, you may **not** be able to deduct all your rental expenses. You can deduct all of the following expenses for the rental part on Schedule E.

- Mortgage interest.
- Real estate taxes.
- Casualty losses.
- Other rental expenses not related to your use of the unit as a home, such as advertising expenses and rental agents' fees.

If any income is left after deducting these expenses, you can deduct other expenses, including depreciation, up to the amount of remaining income. You can carry over to 2004 the amounts you cannot deduct.

See **Pub. 527** for details.

Line 3

If you received rental income from real estate (including personal property leased with real estate) and you were not in the real estate business, report the income on line 3. Include income received for renting a room or other space. If you received services or property instead of money as rent, report the fair market value of what you received as rental income.

Be sure to enter the total of all your rents in the "Totals" column even if you have only one property.

If you provided significant services to the renter, such as maid service, report the rental activity on Schedule C or C-EZ, not on Schedule E. Significant services **do not** include the furnishing of heat and light, cleaning of public areas, trash collection, or similar services.

If you were in the real estate sales business, include on line 3 only the rent received from real estate (including personal property leased with real estate) you held

for investment or speculation. Do not use Schedule E to report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business. Instead, use Schedule C or C-EZ for these rentals.

For more details on rental income, use TeleTax topic 414 (see page 11 of the Form 1040 instructions) or see Pub. 527.

Rental Income From Farm Production or Crop Shares. Report farm rental income and expenses on Form 4835 if:

- You received rental income based on crops or livestock produced by the tenant and
- You did not manage or operate the farm to any great extent.

Line 4

Report on line 4 **royalties** from oil, gas, or mineral properties (not including operating interests); copyrights; and patents. Use a separate column (A, B, or C) for each royalty property. Be sure to enter the total of all your royalties in the "Totals" column even if you have only one source of royalties.

If you received \$10 or more in royalties during 2003, the payer should send you a **Form 1099-MISC** or similar statement by February 2, 2004, showing the amount you received.

If you are in business as a self-employed writer, inventor, artist, etc., report your royalty income and expenses on Schedule C or C-EZ.

You may be able to treat amounts received as "royalties" for the transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For details, see **Pub. 544**.

Enter on line 4 the gross amount of royalty income, even if state or local taxes were withheld from oil or gas payments you received. Include taxes withheld by the producer on line 16.

General Instructions for Lines 5 Through 21

Enter your rental and royalty expenses for each property in the appropriate column. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agents' commissions, and depreciation.

Do not deduct the value of your own labor or amounts paid for capital investments or capital improvements.

Enter your total expenses for mortgage interest (line 12), total expenses before depreciation expense or depletion (line 19), and depreciation expenses or depletion (line 20) in the "Totals" column even if you have only one property.

Renting Out Part of Your Home. If you rent out only part of your home or other

property, deduct the part of your expenses that applies to the rented part.

Credit or Deduction for Access Expenditures. You may be able to claim a tax credit for eligible expenditures paid or incurred in 2003 to provide access to your business for individuals with disabilities. See **Form 8826** for details.

You can also deduct up to \$15,000 of qualified costs paid or incurred in 2003 to remove architectural or transportation barriers to individuals with disabilities and the elderly.

You cannot take both the credit and the deduction for the same expenditures. See **Pub. 535** for details.

Line 6

You may deduct ordinary and necessary auto and travel expenses related to your rental activities, including 50% of meal expenses incurred while traveling away from home. You generally can either deduct your actual expenses or take the standard mileage rate. You **must** use actual expenses if you use more than one vehicle simultaneously in your rental activities (as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can use the standard mileage rate for 2003 **only** if:

- You owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual auto expenses:

- Include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, etc. and
- Show auto rental or lease payments on line 18 and depreciation on line 20.

If you take the standard mileage rate, multiply the number of miles you drove your auto in connection with your rental activities by 36 cents. Include this amount and your parking fees and tolls on line 6.

If you claim any auto expenses (actual or the standard mileage rate), you must complete Part V of **Form 4562** and attach Form 4562 to your tax return.

See Pub. 527 and **Pub. 463** for details.

Line 10

Include on line 10 fees for tax advice and the preparation of tax forms related to your rental real estate or royalty properties.

Do not deduct legal fees paid or incurred to defend or protect title to property, to recover property, or to develop or improve property. Instead, you must capital-

ize these fees and add them to the property's basis.

Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you must have records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 12 the amount of interest you paid for 2003 to banks or other financial institutions. Be sure to fill in the "Totals" column.

Do not deduct prepaid interest when you paid it. You can deduct it only in the year to which it is properly allocable. Points, including loan origination fees, charged only for the use of money must be deducted over the life of the loan.

If you paid \$600 or more in interest on a mortgage during 2003, the recipient should send you a **Form 1098** or similar statement by February 2, 2004, showing the total interest received from you.

If you paid more mortgage interest than is shown on your Form 1098 or similar statement, see Pub. 535 to find out if you can deduct part or all of the additional interest. If you can, enter the entire deductible amount on line 12. Attach a statement to your return explaining the difference. Write "See attached" in the left margin next to line 12.

Note. If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 13.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage, and the other person received Form 1098, report your share of the deductible interest on line 13. Attach a statement to your return showing the name and address of the person who received Form 1098. In the left margin next to line 13, write "See attached."

Line 14

You may deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized and depreciated (that is, they cannot be deducted in full in the year they are paid or incurred). See the instructions for line 20.

Line 17

You may deduct the cost of ordinary and necessary telephone calls related to your rental activities or royalty income (for example, calls to the renter). However, the base rate (including taxes and other charges) for local telephone service for the first telephone line into your residence is a personal expense and is not deductible.

Line 20

Depreciation is the annual deduction you must take to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. Land is not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you deduct all your depreciable cost or other basis or no longer use the property in your business or for the production of income.

See the Instructions for Form 4562 to figure the amount of depreciation to enter on line 20. Be sure to fill in the "Totals" column.

You must complete and attach Form 4562 **only** if you are claiming:

- Depreciation on property first placed in service during 2003;
- Depreciation on listed property (defined in the Instructions for Form 4562), including a vehicle, regardless of the date it was placed in service; or
- A section 179 expense deduction or amortization of costs that began in 2003.

See Pub. 527 for more information on depreciation of residential rental property. See **Pub. 946** for a more comprehensive guide to depreciation.

If you own mineral property or an oil, gas, or geothermal well, you may be able to take a deduction for depletion. See Pub. 535 for details.

Line 22

If you have amounts for which you are not at risk, use Form 6198 to determine the amount of your deductible loss. Enter that amount in the appropriate column of Schedule E, line 22. In the space to the left of line 22, write "Form 6198." Attach Form 6198 to your return. For details on the at-risk rules, see page E-1.

Line 23

Do not complete line 23 if the amount on line 22 is from royalty properties.

If you have a rental real estate loss from a passive activity (defined on page E-1), the amount of loss you can deduct may be limited by the passive activity loss rules. You may need to complete Form 8582 to figure the amount of loss, if any, to enter on line 23.

If your rental real estate loss is not from a passive activity or you meet the exception for certain rental real estate activities (explained on page E-2), you do not have to complete Form 8582. Enter the loss from line 22 on line 23.

Parts II and III

If you need more space in Part II or III to list your income or losses, attach a continuation sheet using the same format as shown in Part II or III. However, be sure to complete the "Totals" columns for lines 29a and 29b, or lines 34a and 34b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Tax Preference Items. If you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of preferences and adjustments from these entities for the alternative minimum tax on **Form 6251** or Schedule I of **Form 1041**.

Part II

Income or Loss From Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder in an S corporation, use Part II to report your share of the partnership or S corporation income (even if not received) or loss.

You should receive a **Schedule K-1** from the partnership or S corporation. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items. If you did not receive these instructions with your Schedule K-1, see page 7 of the Form 1040 instructions for how to get a copy. **Do not** attach Schedules K-1 to your return. Keep them for your records.

If you are treating items on your tax return differently from the way the partnership (other than an electing large partnership) or S corporation reported them on its return, you may have to file **Form 8082**. If you are a partner in an electing large partnership, you must report the items shown on Schedule K-1 (Form 1065-B) on your tax return the same way that the partnership reported the items on Schedule K-1.

Special Rules That Limit Losses. Please note the following.

- If you have a current year loss, or a prior year unallowed loss, from a partnership or an S corporation, see **At-Risk Rules** and **Passive Activity Loss Rules** on page E-1.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. If you are subject to the at-risk rules for any activity, use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter any deductible loss from Form 6198 on the appropriate line in Part II, column (h), of Schedule E.

- If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (f), for that activity. But if you are a **general partner** or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity **and** you meet **all three** of the conditions listed on page E-2 under **Exception for Certain Rental Real Estate Activities**, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (f).

If you have passive activity income, complete Part II, column (g), for that activity.

If you have nonpassive income or losses, complete Part II, columns (h) through (j), as appropriate.

Partnerships

See the Schedule K-1 instructions before entering on your return other partnership items from a passive activity or income or loss from any publicly traded partnership.

You may deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership if you were required to pay these expenses under the partnership agreement. See the instructions for **line 27** on this page for how to report these expenses.

Report allowable interest expense paid or incurred from debt-financed acquisitions in Part II or on Schedule A depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for Federal tax on gasoline or other fuels on your 2002 Form 1040 based on information received from the partnership, enter as income in column (g) or column (j), whichever applies, the amount of the credit claimed for 2002.

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on **Schedule SE**. Enter the amount from Schedule K-1 (Form 1065), line 15a (or from Schedule K-1 (Form 1065-B), box 9 (code **K-1**)), on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

Foreign Partnerships. If you are a U.S. person, you may have to file **Form 8865** if any of the following applies:

- You controlled a foreign partnership (that is, you owned more than a 50% direct or indirect interest in the partnership).
- You owned at least a 10% direct or indirect interest in a foreign partnership

while U.S. persons controlled that partnership.

- You had an acquisition, disposition, or change in proportional interest of a foreign partnership that:

1. Increased your direct interest to at least 10% or reduced your direct interest of at least 10% to less than 10% or

2. Changed your direct interest by at least a 10% interest.

- You contributed property to a foreign partnership in exchange for a partnership interest if:

1. Immediately after the contribution, you owned, directly or indirectly, at least a 10% interest in the partnership or

2. The fair market value of the property you contributed to the partnership in exchange for a partnership interest, when added to other contributions of property you made to the partnership during the preceding 12-month period, exceeds \$100,000.

Also, you may have to file Form 8865 to report certain dispositions by a foreign partnership of property you previously contributed to that partnership if you were a partner at the time of the disposition.

For more details, including penalties for failing to file Form 8865, see Form 8865 and its separate instructions.

S Corporations

If you are a shareholder in an S corporation, your share of the corporation's aggregate losses and deductions (combined income, losses, and deductions) is limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of the basis limitation may be carried forward and deducted in a later year subject to the basis limitation for that year.

If you are claiming a deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See the Schedule K-1 instructions for details.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules. See page E-1.

Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on Form 1040, line 9a.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

Your share of the net income of an S corporation is **not** subject to self-employment tax.

Line 27

If you answered "Yes" on line 27, follow the instructions below. If you fail to follow these instructions, the IRS may send you a notice of additional tax due because the amounts reported by the partnership or S

corporation on Schedule K-1 do not match the amounts you reported on your tax return.

Losses Not Allowed in Prior Years Due to the At-Risk or Basis Limitations

- Enter your total prior year unallowed losses that are now deductible on a **separate** line in column (h) of line 28. **Do not** combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

- Enter "PYA" (prior year amount) in column (a) of the same line.

Passive Losses Not Reported on Form 8582

- If you are not required to file Form 8582, enter any prior year unallowed losses on a **separate** line in column (f) of line 28. **Do not** combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

- Enter "PYA" (prior year amount) in column (a) of the same line.

Unreimbursed Partnership Expenses

- You may deduct unreimbursed ordinary and necessary partnership expenses you paid on behalf of the partnership on Schedule E if you were required to pay these expenses under the partnership agreement (except amounts deductible only as itemized deductions, which you must enter on Schedule A).

- Enter unreimbursed partnership expenses from nonpassive activities on a **separate** line in column (h) of line 28. **Do not** combine these expenses with, or net them against, any other amounts from the partnership.

- If the expenses are from a passive activity and you are not required to file Form 8582, enter the expenses related to a passive activity on a **separate** line in column (f) of line 28. **Do not** combine these expenses with, or net them against, any other amounts from the partnership.

- Enter "UPE" (unreimbursed partnership expenses) in column (a) of the same line.

Line 28

For nonpassive income or loss (and passive losses for which you are **not** filing Form 8582), enter in the applicable column of line 28 your current year ordinary income or loss from the partnership or S corporation. Report each related item in the applicable column of a **separate** line following the line on which you reported the current year ordinary income or loss. Also enter a description of the related item (for example, depletion) in column (a) of the same line.

If you are required to file Form 8582, see the Instructions for Form 8582 before completing Schedule E.

Part III

Income or Loss From Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a **Schedule K-1** (Form 1041) from the fiduciary. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. **Do not** attach Schedule K-1 to your return. Keep it for your records.

If you are treating items on your tax return differently from the way the estate or trust reported them on its return, you may have to file Form 8082.

If you have estimated taxes credited to you from a trust (Schedule K-1, line 14a), write "ES payment claimed" and the amount on the dotted line next to line 37. **Do not** include this amount in the total on line 37. Instead, enter the amount on Form 1040, line 62.

A U.S. person who transferred property to a foreign trust may have to report the income received by the trust as a result of the transferred property if, during 2003, the trust had a U.S. beneficiary. See section 679. An individual who received a distribution from, or who was the grantor of or transferor to, a foreign trust must also complete Part III of **Schedule B** (Form 1040) and may have to file **Form 3520**. In addition, the owner of a foreign trust must ensure that the trust files an annual information return on **Form 3520-A**.

Part IV

Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)

If you are the holder of a residual interest in a REMIC, use Part IV to report your total share of the REMIC's taxable income or loss for each quarter included in your tax year. You should receive **Schedule Q** (Form 1066) and instructions from the REMIC for each quarter. **Do not** attach Schedules Q to your return. Keep them for your records.

If you are treating REMIC items on your tax return differently from the way the REMIC reported them on its return, you may have to file Form 8082.

If you are the holder of a residual interest in more than one REMIC, attach a continuation sheet using the same format as in

Part IV. Enter the totals of columns (d) and (e) on line 39 of Schedule E. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

REMIC income or loss is not income or loss from a passive activity.

Note. If you are the holder of a regular interest in a REMIC, **do not** use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c. This is the **smallest** amount you are allowed to report as your taxable income (Form 1040, line 40). It is also the **smallest** amount you are allowed to report as your alternative minimum taxable income (AMTI) (Form 6251, line 28).

If the amount in column (c) is larger than your taxable income would otherwise be, enter the amount from column (c) on Form 1040, line 40. Similarly, if the amount in column (c) is larger than your AMTI would otherwise be, enter the amount from column (c) on Form 6251, line 28. Write "Sch. Q" on the dotted line to the left of this amount on Form 1040 or 6251.

Note. These rules also apply to estates and trusts that hold a residual interest in a REMIC. Be sure to make the appropriate entries on the comparable lines on Form 1041.



Do not include the amount shown in column (c) in the total on line 39 of Schedule E.

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b. If you itemize your deductions on Schedule A, include this amount on line 22.

Part V

Summary

Line 42

You will not be charged a penalty for underpayment of estimated tax if:

1. Your gross farming or fishing income for 2002 or 2003 is at least two-thirds of your gross income and
2. You file your 2003 tax return and pay the tax due by March 1, 2004.



2003 Instructions for Schedule F

Profit or Loss From Farming

Use Schedule F (Form 1040) to report farm income and expenses. File it with Form 1040, 1041, 1065, or 1065-B.

This activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Additional Information. **Pub. 225** has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Other Schedules and Forms You May Have To File

- **Schedule E** to report rental income from pastureland that is based on a flat charge. Report this income in Part I of Schedule E. But report on line 10 of Schedule F pasture income received from taking care of someone else's livestock.

- **Schedule J** to figure your tax by averaging your farm income over the previous 3 years. Doing so may reduce your tax.

- **Schedule SE** to pay self-employment tax on income from your farming business.

- **Form 4562** to claim depreciation on assets placed in service in 2003, to claim amortization that began in 2003, to make an election under section 179 to expense certain tangible property, or to report information on vehicles and other listed property.

- **Form 4684** to report a casualty or theft gain or loss involving farm business property including livestock held for draft, breeding, sport, or dairy purposes.

See Pub. 225 for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.

- **Form 4797** to report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.

- **Form 4835** to report rental income based on farm production or crop shares if you did not materially participate (for self-employment tax purposes) in the management or operation of the farm. This income is not subject to self-employment tax. See Pub. 225.

- **Form 8824** to report like-kind exchanges.

Heavy Highway Vehicle Use Tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your farming business, you may have to pay a Federal highway motor vehicle use tax. See the **Instructions for Form 2290** to find out if you owe this tax.

Information Returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For details, see the 2003 **General Instructions for Forms 1099, 1098, 5498, and W-2G**.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file **Form 8300**. For details, see **Pub. 1544**.

Reportable Transaction Disclosure Statement. If you entered into a reportable transaction in 2003, you must use **Form 8886** to disclose information if your Federal income tax liability is affected by your participation in the transaction. For more information, see **Reportable Transaction Disclosure Statement** in the Instructions for Schedule C on page C-1.

Estimated Tax

If you had to make estimated tax payments in 2003 and you underpaid your estimated tax, you will not be charged a penalty if **both** of the following apply.

- Your gross farming or fishing income for 2002 or 2003 is at least two-thirds of your gross income.

- You file your 2003 tax return and pay the tax due by March 1, 2004.

For details, see Pub. 225.

Specific Instructions

Filers of Forms 1041, 1065, and 1065-B

Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 14 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income.

Line C

If you use the **cash method**, check the box labeled "Cash." Complete Parts I and II of Schedule F. Generally, report income in the year in which you actually or constructively received it and deduct expenses in the year you paid them. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See **Pub. 225**.

If you use the **accrual method**, check the box labeled "Accrual." Complete Parts II, III, and line 11 of Schedule F. Generally, report income in the year in which you earned it and deduct expenses in the year you incurred them, even if you did not pay them in that year. Accrual basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of de-

ductions based on economic performance. See **Pub. 538**.

Farming syndicates cannot use the cash method of accounting. A farming syndicate may be a partnership, any other noncorporate group, or an S corporation if:

- The interests in the business have ever been for sale in a way that would require registration with any Federal or state agency or
- More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A **limited partner** is one who can lose only the amount invested or required to be invested in the partnership. A **limited entrepreneur** is a person who does not take any active part in managing the business.

Line D

You need an employer identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, or firearms tax return. If you need an EIN, file **Form SS-4**. If you do not have an EIN, leave line D blank. **Do not** enter your SSN.

Line E

Material Participation. For the definition of material participation for purposes of the passive activity rules, see the instructions for Schedule C, line G, on page C-2. If you meet any of the material participation tests described in those instructions, check the “Yes” box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if the real property used for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.

Check the “No” box if you did not materially participate. If you checked “No” and you have a loss from this business, see **Limit on Passive Losses** below. If you have a profit from this business activity but have current year losses from other passive activities or prior year unallowed passive activity losses, see the **Instructions for Form 8582**.

Limit on Passive Losses. If you checked the “No” box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from

passive activities only to the extent of income from passive activities. For details, see **Pub. 925**.

Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Generally, count both the cash actually or constructively received and the fair market value of goods or other property received for these items. Income is constructively received when it is credited to your account or set aside for you to use. However, farm production flexibility contract payments received under the Federal Agriculture Improvement and Reform Act of 1996 are required to be included in income only in the year of actual receipt.

If you ran the farm yourself and received rents based on crop shares or farm production, report these rents as income on line 4.

Sales of Livestock Because of Weather-Related Conditions

If you sold livestock because of drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if **all** of the following apply.

- Your main business is farming.
- You can show that you sold the livestock only because of weather-related conditions.
- Your area qualified for Federal aid.

Forms 1099 or CCC-1099-G

If you received Forms 1099 or CCC-1099-G showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-1099-G amounts in the total amount reported on that line.

Form	Where to report
1099-PATR	Line 5a
1099-A	Line 7b
1099-MISC (for crop insurance)	Line 8a
1099-G or CCC-1099-G (for disaster payments) . .	Line 8a
(for other agricultural program payments)	Line 6a

You may also receive **Form 1099-MISC** for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, “Custom hire (machine work) income.”

Lines 1 and 2

On line 1, show amounts received from sales of livestock and other items bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

Line 4

Show amounts received from sales of livestock, produce, grains, and other products you raised.

Lines 5a and 5b

If you received distributions from a cooperative in 2003, you should receive **Form 1099-PATR**. On line 5a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends received in cash and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificates.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 6a and 6b

Enter on line 6a the **total** of the following amounts.

- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
- Diversion payments.
- Cost-share payments (sight drafts).

- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).

These amounts are government payments you received, usually reported to you on **Form 1099-G**. You may also receive **Form CCC-1099-G** from the Department of Agriculture showing the amounts and types of payments made to you.

On line 6b, report only the taxable amount. For example, do not report the market gain shown on Form CCC-1099-G on line 6b if you elected to report CCC loan proceeds as income in the year received (see **Lines 7a Through 7c** below). No gain results from redemption of the commodity because you previously reported the CCC loan proceeds as income. You are treated as repurchasing the commodity for the amount of the loan repayment. However, if you did not report the CCC loan proceeds under the election, you must report the market gain on line 6b.

Lines 7a Through 7c

Commodity Credit Corporation (CCC) Loans. Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you receive them, instead of the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 2003 on line 7a. Attach a statement to your return showing the details of the loan(s).

Forfeited CCC Loans. Include the full amount forfeited on line 7b, even if you reported the loan proceeds as income.

If you **did not** elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you did elect to report the loan proceeds as income, you generally will not have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

See **Pub. 225** for details on the tax consequences of electing to report CCC loan proceeds as income or forfeiting CCC loans.

Lines 8a Through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 2003 was the year of damage, you may elect to include certain proceeds in income for 2004. To make this election, check the box on line 8c and attach a statement to your return. See **Pub. 225** for a description of the proceeds for which an election may be

made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including Federal disaster payments).

Enter on line 8a the **total** crop insurance proceeds you received in 2003, even if you elect to include them in income for 2004.

Enter on line 8b the taxable amount of the proceeds you received in 2003. Do not include proceeds you elect to include in income for 2004.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 2002 and elected to include in income for 2003.

Line 10

Use this line to report income not shown on lines 1 through 9, such as the following.

- Illegal Federal irrigation subsidies. See **Pub. 225**.

- Bartering income.

- Income from cancellation of debt. Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. If a Federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a **Form 1099-C**, or similar statement, by February 2, 2004, showing the amount of debt canceled in 2003. However, certain solvent farmers may exclude canceled qualified farm indebtedness from income. To find out if you must include any cancellation of debt in income, see **Pub. 225**.

- State gasoline or fuel tax refund you received in 2003.

- The amount of credit for Federal tax paid on fuels claimed on your 2002 Form 1040.

- The amount of credit for alcohol used as fuel that was entered on **Form 6478**.

- Any recapture of excess depreciation, including any section 179 expense deduction, if the business use percentage of any listed property decreased to 50% or less in 2003. Use **Form 4797** to figure the recapture. See the instructions for Schedule C, line 13, on page C-4 for the definition of listed property.

- The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. See **Pub. 946** to figure the amount.

- Any recapture of the deduction for clean-fuel vehicles used in your farming business and clean-fuel vehicle refueling property. For details on how to figure recapture, see **Pub. 535**.

- The gain or loss on the sale of commodity futures contracts if the contracts were made to protect you from price changes. These are a form of business in-

sureance and are considered hedges. If you had a loss in a closed futures contract, enclose it in parentheses.



For property acquired and hedging positions established, you must clearly identify on your books and records both the hedging transaction and the item(s) or aggregate risk that is being hedged.

Purchase or sales contracts are not true hedges if they offset losses that already occurred. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, report the profit or loss on **Form 6781** instead of this line.

Part II. Farm Expenses

Do not deduct the following.

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.

- Expenses of raising anything you or your family used.

- The value of animals you raised that died.

- Inventory losses.

- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Capitalizing Costs of Property. If you produced real or tangible personal property or acquired property for resale, certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. However, these rules generally **do not** apply to expenses of:

1. Producing any plant that has a preproductive period of 2 years or less,

2. Raising animals, or

3. Replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or casualty.

Note. Exceptions **1** and **2** above do not apply to tax shelters, farming syndicates, or partnerships required to use the accrual method of accounting under section 447 or 448.

But you may be able to currently deduct rather than capitalize the expenses of producing a plant with a preproductive period of more than 2 years. See **Election To Deduct Certain Preproductive Period Expenses** on page F-4.

Do not reduce your deductions on lines 12 through 34e by the preproductive period

expenses you must capitalize. Instead, enter the total amount capitalized in parentheses on line 34f. See **Preproductive Period Expenses** on page F-6 for details.

If you revoked an election made before 1989 to deduct preproductive period expenses for animals, you must continue to apply the alternative depreciation rules to property placed in service while your election was in effect. Also, the expenses you previously chose to deduct will have to be recaptured as ordinary income when you dispose of the animals.

Election To Deduct Certain Preproductive Period Expenses. If the preproductive period of any plant you produce is more than 2 years, you may choose to currently deduct the expenses rather than capitalize them. But you may not make this election for the costs of planting or growing citrus or almond groves that are incurred before the end of the 4th tax year beginning with the tax year you planted them in their permanent grove. By deducting the preproductive period expenses for which you may make this election, you are treated as having made the election.

Note. In the case of a partnership or S corporation, the election must be made by the partner or shareholder. This election may not be made by tax shelters, farming syndicates, or partners in partnerships required to use the accrual method of accounting under section 447 or 448.

If you make the election to deduct preproductive expenses for plants, any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted. Also, the alternative depreciation rules apply to property placed in service in any tax year your election is in effect. Unless you obtain IRS consent, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You may not revoke this election without IRS consent.

For details, see **Pub. 225**.

Prepaid Farm Supplies. Generally, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm supplies not used or consumed during the year. They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to (a) capitalize the cost of poultry bought for use in your farming business and deduct it ratably over the lesser of 12 months or the useful life of the poultry and (b) deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it.

If the limit applies, you can deduct prepaid farm supplies that do not exceed 50%

of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For details and exceptions to these rules, see **Pub. 225**.

Line 12

You can deduct the actual expenses of running your car or truck or take the standard mileage rate. You **must** use actual expenses if you used your vehicle for hire or you used more than one vehicle simultaneously in your farming business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2003 **only** if you:

- Owned the vehicle and use the standard mileage rate for the first year you placed the vehicle in service or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual expenses:

- Include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 16 and rent or lease payments on line 26a.

If you take the standard mileage rate, multiply the number of business miles by 36 cents. Add to this amount your parking fees and tolls, and enter the total on line 12. **Do not** deduct depreciation, rent or lease payments, or your actual operating expenses.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested in Part V of **Form 4562**. Be sure to attach **Form 4562** to your return.

For details, see **Pub. 463**.

Line 14

Deductible soil and water conservation expenses generally are those that are paid to conserve soil and water or to prevent erosion of land used for farming. These expenses include (but are not limited to) the cost of leveling, grading and terracing, contour furrowing, the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets and ponds, the eradication of brush, and the planting of windbreaks.

These expenses can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service of the Department of Agriculture for the area in which your land is

located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You cannot deduct the expenses if they were paid or incurred for land used in farming in a foreign country.

Do not deduct expenses you paid or incurred to drain or fill wetlands, to prepare land for center pivot irrigation systems, or to clear land.

Your deduction may not exceed 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, the excess may be carried forward and deducted in later tax years. However, the amount deductible for any 1 year may not exceed the 25% gross income limit for that year.

For details, see **Pub. 225**.

Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment).

Do not include amounts paid for rental or lease of equipment that you operated yourself. Instead, report those amounts on line 26a.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You may also elect under section 179 to expense a portion of the cost of certain tangible property you bought in 2003 for use in your farming business.

For details, including when you must complete and attach **Form 4562**, see the instructions for Schedule C, line 13, on page C-4.

Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 17 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance. You may be able to deduct on **Form 1040**, line 29, the amount you paid for health insurance on behalf of yourself, your spouse, and dependents even if you do not itemize

your deductions. See the instructions for Form 1040, line 29, for details.

Line 18

If you use the cash method, you cannot deduct when paid the cost of feed your livestock will consume in a later year unless **all** of the following apply.

- The payment was for the purchase of feed rather than a deposit.
- The prepayment had a business purpose and was not made merely to avoid tax.
- Deducting the prepayment will not materially distort your income.

If all of the above apply, you can deduct the prepaid feed, which is subject to the overall limit for **Prepaid Farm Supplies** explained on page F-4. If all of the above **do not** apply, you can deduct the prepaid feed only in the year it is consumed.

Line 20

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock, and deduct them when the livestock is sold.

Line 22

Deduct on this line premiums paid for farm business insurance. Deduct on line 17 amounts paid for employee accident and health insurance. Amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability are not deductible.

Lines 23a and 23b

Interest Allocation Rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. See **Pub. 535** for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in your farming business, see Pub. 535 to figure the amount to include on lines 23a and 23b.

How To Report. If you have a mortgage on real property used in your farming business (other than your main home), enter on line

23a the interest you paid for 2003 to banks or other financial institutions for which you received a **Form 1098** (or similar statements). If you did not receive a Form 1098, enter the interest on line 23b.

If you paid more mortgage interest than is shown on Form 1098, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 23a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 23a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 23b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 23b, enter "See attached."

Do not deduct interest you prepaid in 2003 for later years; include only the part that applies to 2003.

Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the current year credits claimed on:

- **Form 5884**, Work Opportunity Credit,
- **Form 8844**, Empowerment Zone and Renewal Community Employment Credit,
- **Form 8845**, Indian Employment Credit,
- **Form 8861**, Welfare-to-Work Credit, and
- **Form 8884**, New York Liberty Zone Business Employee Credit.

Count the cost of boarding farm labor but not the value of any products they used from the farm. Count only what you paid household help to care for farm laborers.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts you depreciated or deducted elsewhere.

Line 25

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 30, not on Schedule F.

Generally, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or

not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

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

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

For details, see **Pub. 560**.

Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount**. For details, see the instructions for Schedule C, lines 20a and 20b, on page C-5.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farm land.

Line 27

Enter amounts you paid for repairs and maintenance of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or minimal cost, such as shovels and rakes.

Do not deduct repairs or maintenance on your home.

Line 31

You can deduct the following taxes on this line.

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare taxes you paid to match what you are required to withhold from farm employees' wages and any Federal unemployment tax paid.
- Federal highway use tax.

Do not deduct the following taxes on this line.

- Federal income taxes, including your self-employment tax. However, you may deduct one-half of your self-employment tax on Form 1040, line 28.
- Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your farming business. Instead, treat these taxes as part of the cost of the property.

- Other taxes not related to your farming business.

Line 32

Enter amounts you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities. You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for your farming business. But you can deduct expenses you paid for your farming business that are more than the cost of the base rate for the first phone line. For example, if you had a second phone line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Lines 34a Through 34f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc. **Do not** include fines or penalties paid to a government for violating any law.

Amortization. You can amortize qualifying forestation and reforestation costs over 84 months. You can also amortize certain business startup costs over a period of at least 60 months. For details, see **Pub. 535**. For amortization that begins in 2003, you must complete and attach **Form 4562**.

At-Risk Loss Deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2003.

Bad Debts. See **Pub. 535**.

Business Use of Your Home. You may be able to deduct certain expenses for business use of your home, subject to limitations. Use the worksheet in **Pub. 587** to figure your allowable deduction. **Do not** use **Form 8829**.

Deduction for Clean-Fuel Vehicles and Clean-Fuel Vehicle Refueling Property. You may deduct part of the cost of qualified clean-fuel vehicle property used in your farming business and qualified clean-fuel vehicle refueling property. See **Pub. 535**.

Legal and Professional Fees. You can deduct on this line fees for tax advice related to your farming business and for preparation of the tax forms related to your farming business.

Travel, Meals, and Entertainment. Generally, you can deduct expenses for farm business travel and 50% of your business meals and entertainment. But there are exceptions and limitations. See the instructions for Schedule C, lines 24a through 24c, on page C-5.

Preproductive Period Expenses. If you had preproductive period expenses in 2003 and you decided to capitalize them, you must enter the total of these expenses in parentheses on line 34f and enter "263A" in the space to the left of the total.

If you entered an amount in parentheses on line 34f because you have preproductive period expenses you are capitalizing, subtract the amount on line 34f from the total of lines 12 through 34e. Enter the result on line 35.

For details, see **Capitalizing Costs of Property** on page F-3 and **Pub. 225**.

Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 37 before entering your loss on line 36. If you checked the "No" box on line E on Schedule F, also see the **Instructions for Form 8582**. Enter the net profit or **deductible** loss here and on Form 1040, line 18, and Schedule SE, line 1. Estates and trusts should enter the net profit or deductible loss here and on **Form 1041**, line 6. Partnerships should stop here and enter the profit or loss on this line and on **Form 1065**, line 5 (or **Form 1065-B**, line 7).

If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the instructions for Form 1040, line 63, for details.

Line 37

At-Risk Rules. Generally, if you have (a) a loss from a farming activity and (b) amounts in the activity for which you are **not at risk**, you will have to complete **Form 6198** to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check **box 37b** if you have amounts for which you are not at risk in this activity, such as the following.

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

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

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

If all amounts are at risk in this business, check **box 37a** and enter your loss on line 36. But if you checked the "No" box on line E, you may need to complete **Form 8582** to figure your allowable loss to enter on line 36. See the Instructions for Form 8582.

If you checked **box 37b**, see Form 6198 to determine the amount of your deductible loss and enter that amount on line 36. But if you checked the "No" box on line E, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter zero on line 36. Be sure to attach Form 6198 to your return. If you checked box 37b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this activity not allowed for 2003 because of the at-risk rules is treated as a deduction allocable to the activity in 2004.

For details, see **Pub. 925** and the Instructions for Form 6198.

Part III. Farm Income—Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must include animals and crops in your inventory if you use this method. See **Pub. 225** for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

Line 38

Enter the amount earned from the sale of livestock, produce, grains, and other products you raised.

Lines 39a Through 41c

See the instructions for lines 5a through 7c that begin on page F-2.

Line 44

See the instructions for line 10 on page F-3.



2003 Instructions for Schedule J

Farm Income Averaging

Use Schedule J (Form 1040) to elect to figure your 2003 tax by averaging, over the previous 3 years (base years), all or part of your 2003 taxable income from your trade or business of farming. Making this election may give you a lower tax if your 2003 income from farming is high and your taxable income for one or more of the 3 prior years was low.

If you owe alternative minimum tax (AMT) for 2003 (figured without regard to farm income averaging), filing Schedule J will not reduce your total tax for 2003. Filing Schedule J may, however, increase your credit for prior year minimum tax in a later tax year.

This election does not apply when figuring your tentative minimum tax on **Form 6251** (that is, you cannot average your AMT farm income). Also, you do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

General Instructions

Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2000, 2001, and 2002 to figure your tax on Schedule J. If you do not have copies of those returns, you can get them by filing **Form 4506**. See your Form 1040 instruction booklet to find out how to get this form. Keep a copy of your 2003 income tax return for use in 2004, 2005, or 2006.

Additional Information

See Regulations section 1.1301-1 for more details.

Specific Instructions

Line 2

Elected Farm Income

To figure elected farm income, first figure your taxable income from farming. **Taxable income from farming** includes all income, gains, losses, and deductions attributable to any farming business. However, it does not include gain from the sale or other disposition of land.

Your **elected farm income** is the amount of your taxable income from

farming that you elect to include on line 2. You do not have to include all of your taxable income from farming on line 2. It may be to your advantage to include less than the full amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior 3 tax years.

Your elected farm income cannot exceed your taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the **smaller** of your total net capital gain or your net capital gain attributable to your farming business. If your elected farm income includes net capital gain, you must allocate an equal portion of the net capital gain to each of the base years. If, for any base year, you had a capital loss that resulted in a capital loss carryover to the next tax year, **do not** reduce the elected farm income allocated to that base year by any part of the carryover.

Farming Business. A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

- Operating a nursery or sod farm;
- Raising or harvesting of trees bearing fruits, nuts, or other crops;
- Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);

- Raising, shearing, feeding, caring for, training, and managing animals; and
- Leasing land to a tenant engaged in a farming business, but **only** if the lease payments are **(a)** based on a share of the tenant's production (not a fixed amount) and **(b)** determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business **does not** include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else or
- Merely buying or reselling plants or animals grown or raised by someone else.



Generally, farm income, gains, losses, and deductions are reported on:

- **Form 1040**, line 7, to the extent of wages and other compensation you received as a shareholder in an S corporation engaged in a farming business;
- **Schedule D**;
- **Schedule E**, Part II;
- **Schedule F**;
- **Form 4797**; and
- **Form 4835**.

Line 4

Figure the tax on the amount on line 3 using the **2003** Tax Table, Tax Rate Schedules, or Qualified Dividends and Capital Gain Tax Worksheet from your 2003 Form 1040 instruction booklet, or use Schedule D. Enter the tax on line 4.

Line 5

If you used Schedule J to figure your tax for 2002 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 42, or on Form 1040X), enter on line 5 the amount from line 11 of your 2002 Schedule J. If you used Schedule J to figure your tax for 2001 but not 2002, enter on line 5 the amount from line 15 of your 2001 Schedule J. If you used Schedule J to figure your tax for 2000 but not 2001 nor 2002, enter on line 5 the amount from line 3 of your 2000 Schedule J.

If you figured your tax for 2000, 2001, and 2002 without using Schedule J, enter on line 5 the taxable income from your 2000 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 5.

If you filed your 2000 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2000, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for at least 3 years after April 15, 2004 (or the date you file your

2003 tax return, if later), even if you did not file a tax return for 2000.

Instructions for 2000 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2000 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2001. This could happen if the taxable income before subtracting exemptions shown on your 2000 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2000 capital loss carryover to 2001 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2000 Schedule D, line 17, over the loss on your 2000 Schedule D, line 18. If you had any net operating loss (NOL) carrybacks to 2000, be sure you refigured your 2000 capital loss carryover to 2001.

Line 3. If you had an NOL for 2000, enter the amount of that NOL as figured on line 27 of the 2000 Form 1045, Schedule A, you filed with **Form 1045** or Form 1040X. If you did not have an NOL for 2000, enter the portion, if any, of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to years after 2000.

Example. John Farmington did not use farm income averaging for 2000, 2001, nor 2002. John has \$18,000 of elected farm income on line 2. The taxable income before subtracting exemptions shown on his 2000 Form 1040, line 37, was \$3,800. A deduction for exemptions of \$2,800 was shown on line 38, and line 39, taxable income, was \$1,000. How-

ever, John had a \$22,550 NOL in 2001, \$9,000 of which was remaining to carry to 2000 after the NOL was carried back to 1999. To complete line 1 of the worksheet, John combines the \$9,000 NOL deduction with the \$1,000 from his 2000 Form 1040, line 39. The result is a negative \$8,000, John's 2000 taxable income, which he enters as a positive amount on line 1 of the 2000 worksheet.

When John filed his 2000 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$4,000 capital loss carryover to 2001. However, when John carried back the 2001 NOL to 2000, he refigured his 2000 capital loss carryover to 2001 as \$7,000. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John had \$1,000 of taxable income in 2000 that reduced the 2001 NOL carryback. The \$2,800 of exemptions and \$3,000 net capital loss deduction also reduced the amount of the 2001 NOL carryback. Therefore, only \$2,200 was available to carry to 2002 and later years, as shown on his 2001 Form 1045, Schedule B, line 9. John enters the \$2,200 on line 3 of the worksheet, and \$5,200 on line 4. He then subtracts the \$5,200 from the \$8,000 on line 1 and enters the result, \$2,800, on line 5 of the worksheet. He enters a negative \$2,800 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$3,200 on Schedule J, line 7.

2000 Taxable Income Worksheet—Line 5

Keep for Your Records

Complete this worksheet if you figured your tax for both 2001 and 2002 without using Schedule J and your 2000 taxable income was zero or less. See the instructions above before completing this worksheet.



1. Figure the taxable income from your 2000 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2000, do not include any NOL carryovers or carrybacks to 2000. Enter the result as a positive amount	1.	_____
2. If there is a loss on your 2000 Schedule D, line 18, add that loss (as a positive amount) and your 2000 capital loss carryover to 2001. Subtract from that sum the amount of the loss on your 2000 Schedule D, line 17, and enter the result	2.	_____
3. If you had an NOL for 2000, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2000 that were not used in 2000 and were carried to years after 2000	3.	_____
4. Add lines 2 and 3	4.	_____
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 5	5.	_____

Line 8

If line 7 is zero, enter zero on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2000 Tax Rate Schedules below,

- The 2000 Capital Gain Tax Worksheet below, or

- The Schedule D you filed for 2000 (but use the 2000 Tax Rate Schedules below instead of the 2000 Tax Table when

figuring the tax on Schedule D, lines 33 and 53).

2000 Tax Rate Schedules—Line 8

Schedule X—Use if your 2000 filing status was Single				Schedule Y-2—Use if your 2000 filing status was Married filing separately			
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—
\$0	\$26,250	.....	15%	\$0	\$21,925	.....	15%
26,250	63,550	\$3,937.50 +	28%	26,250	63,550	\$3,288.75 +	28%
63,550	132,600	14,381.50 +	31%	63,550	132,600	11,982.75 +	31%
132,600	288,350	35,787.00 +	36%	132,600	288,350	20,585.25 +	36%
288,350	.....	91,857.00 +	39.6%	288,350	.....	43,427.25 +	39.6%
Schedule Y-1—Use if your 2000 filing status was Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your 2000 filing status was Head of household			
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—
\$0	\$43,850	.....	15%	\$0	\$35,150	.....	15%
43,850	105,950	\$6,577.50 +	28%	43,850	105,950	\$5,272.50 +	28%
105,950	161,450	23,965.50 +	31%	105,950	161,450	20,854.50 +	31%
161,450	288,350	41,170.50 +	36%	161,450	288,350	38,292.00 +	36%
288,350	.....	86,854.50 +	39.6%	288,350	.....	89,160.00 +	39.6%

2000 Capital Gain Tax Worksheet—Line 8

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2000 Form 1040 (or line 10 of your 2000 Form 1040A) and checked the box on that line **and** elected farm income included on Schedule J, lines 5 and 6, does not include any net capital gain.



1.	Amount from Schedule J, line 7	1.	_____
2.	Amount from your 2000 Form 1040, line 13 (or Form 1040A, line 10)	2.	_____
3.	Subtract line 2 from line 1. If zero or less, enter -0-	3.	_____
4.	Figure the tax on the amount on line 3. Use the 2000 Tax Rate Schedules above	4.	_____
5.	Enter the smaller of:		
	• The amount on line 1 above or		
	• \$26,250 if single for 2000; \$43,850 if married filing jointly or qualifying widow(er); \$21,925 if married filing separately; or \$35,150 if head of household.	5.	_____
6.	Enter the amount from line 3	6.	_____
7.	Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	_____
8.	Multiply line 7 by 10% (.10)	8.	_____
9.	Enter the smaller of line 1 or line 2	9.	_____
10.	Enter the amount from line 7	10.	_____
11.	Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	_____
12.	Multiply line 11 by 20% (.20)	12.	_____
13.	Add lines 4, 8, and 12	13.	_____
14.	Figure the tax on the amount on line 1. Use the 2000 Tax Rate Schedules above	14.	_____
15.	Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 8.	15.	_____

Line 9

If you used Schedule J to figure your tax for 2002 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 42, or on Form 1040X), enter on line 9 the amount from line 15 of your 2002 Schedule J. If you used Schedule J to figure your tax for 2001 but not 2002, enter on line 9 the amount from line 3 of your 2001 Schedule J.

If you figured your tax for both 2001 and 2002 without using Schedule J, enter on line 9 the taxable income from your 2001 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you filed your 2001 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2001, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2001 until at least 3 years after April 15, 2004 (or the date you file your 2003 tax return, if later), even if you did not file a tax return for 2001.

Instructions for 2001 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2001 Schedule D, line 18, is not al-

lowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2002. This could happen if the taxable income before subtracting exemptions shown on your 2001 Form 1040, line 37 (or as previously adjusted), was less than zero. Enter the amount by which your 2001 capital loss carryover to 2002 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2001 Schedule D, line 17, over the loss on your 2001 Schedule D, line 18. If you had any NOL carrybacks to 2001, be sure you refigured your 2001 capital loss carryover to 2002.

Line 3. If you had an NOL for 2001, enter the amount of that NOL as figured on line 27 of the 2001 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2001, enter the portion, if any, of the NOL carryovers and carrybacks to 2001 that were not used in 2001 and were carried to years after 2001.

Example. John Farmington did not use farm income averaging for 2000, 2001, nor 2002. The taxable income before subtracting exemptions on his 2001 Form 1040, line 37, is a negative \$30,100. A deduction for exemptions of \$2,900 is shown on line 38, and line 39, taxable income, is limited to zero. John subtracts from the \$30,100 loss the \$2,900 deduction for exemptions. The result is a nega-

tive \$33,000, John's 2001 taxable income, which he enters as a positive amount on line 1 of the 2001 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 17 (as adjusted). He also had a \$7,000 capital loss carryover to 2002. John adds the \$3,000 from Schedule D, line 18, and the \$7,000 carryover. He subtracts from the result the \$7,000 loss on his Schedule D, line 17, and enters \$3,000 on line 2 of the worksheet.

John enters \$22,550 on line 3 of the worksheet, the 2001 NOL from his 2001 Form 1045, Schedule A, line 27. Of the \$33,000 negative taxable income, the \$2,900 deduction for exemptions, the \$3,000 capital loss deduction, and his \$4,550 standard deduction were not allowed in figuring the NOL. John had a \$22,550 loss on his 2001 Schedule F, the only other item on his 2001 tax return.

John enters \$25,550 on line 4 and \$7,450 on line 5. He enters \$7,450 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$1,450 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2004, he will enter the negative \$1,450 amount on his 2004 Schedule J as his 2001 taxable income for farm income averaging purposes.

2001 Taxable Income Worksheet—Line 9

Keep for Your Records

Complete this worksheet if you did not use Schedule J to figure your tax for 2002 and your 2001 taxable income was zero or less. See the instructions above before completing this worksheet.



1. Figure the taxable income from your 2001 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2001, do not include any NOL carryovers or carrybacks to 2001. Enter the result as a positive amount		1.	_____
2. If there is a loss on your 2001 Schedule D, line 18, add that loss (as a positive amount) and your 2001 capital loss carryover to 2002. Subtract from that sum the amount of the loss on your 2001 Schedule D, line 17, and enter the result	2.	_____	
3. If you had an NOL for 2001, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2001 that were not used in 2001 and were carried to years after 2001	3.	_____	
4. Add lines 2 and 3	4.	_____	
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 9	5.	_____	

Line 12

If line 11 is zero or less, enter zero on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2001 Tax Rate Schedules below,
- The 2001 Capital Gain Tax Worksheet below, or
- The Schedule D you filed for 2001 (but use the 2001 Tax Rate Schedules below instead of the 2001 Tax Table when figuring the tax on Schedule D, lines 25

and 39, or on lines 15 and 36 of the Schedule D Tax Worksheet).

Exception. You must use the **2001 Tax Computation Worksheet for Certain Dependents and Nonresident Alien Individuals** on page J-6 if you, or your spouse if filing jointly, **did not** receive (before offset) an advance payment of your 2001 taxes and either of the following apply.

- You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2001 tax return.

- You filed Form 1040NR for 2001.

If the 2001 Capital Gain Tax Worksheet or Schedule D also applies, follow the **Special Rules** on the worksheet on page J-6 to figure your tax.

2001 Tax Rate Schedules—Line 12

Schedule X—Use if your 2001 filing status was Single				Schedule Y-2—Use if your 2001 filing status was Married filing separately			
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—
\$0	\$27,050	.....	15%	\$0	\$22,600	.....	15%
27,050	65,550	\$4,057.50 +	27.5%	27,050	54,625	\$3,390.00 +	27.5%
65,550	136,750	14,645.00 +	30.5%	65,550	83,250	12,196.88 +	30.5%
136,750	297,350	36,361.00 +	35.5%	136,750	148,675	20,927.50 +	35.5%
297,350	.....	93,374.00 +	39.1%	297,350	.....	44,153.38 +	39.1%
Schedule Y-1—Use if your 2001 filing status was Married filing jointly or Qualifying widow(er)				Schedule Z—Use if your 2001 filing status was Head of household			
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—
\$0	\$45,200	.....	15%	\$0	\$36,250	.....	15%
45,200	109,250	\$6,780.00 +	27.5%	45,200	93,650	\$5,437.50 +	27.5%
109,250	166,500	24,393.75 +	30.5%	109,250	151,650	21,222.50 +	30.5%
166,500	297,350	41,855.00 +	35.5%	166,500	297,350	38,912.50 +	35.5%
297,350	.....	88,306.75 +	39.1%	297,350	.....	90,636.00 +	39.1%

2001 Capital Gain Tax Worksheet—Line 12

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2001 Form 1040 (or line 10 of your 2001 Form 1040A) and checked the box on that line **and** elected farm income included on Schedule J, lines 9 and 10, does not include any net capital gain.



1.	Amount from Schedule J, line 11	1.	_____
2.	Amount from your 2001 Form 1040, line 13 (or Form 1040A, line 10)	2.	_____
3.	Subtract line 2 from line 1. If zero or less, enter -0-	3.	_____
4.	Figure the tax on the amount on line 3. Use the 2001 Tax Rate Schedules above	4.	_____
5.	Enter the smaller of:		
	• The amount on line 1 above or		
	• \$27,050 if single for 2001; \$45,200 if married filing jointly or qualifying widow(er); \$22,600 if married filing separately; or \$36,250 if head of household.	5.	_____
6.	Enter the amount from line 3	6.	_____
7.	Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	_____
8.	Multiply line 7 by 10% (.10)	8.	_____
9.	Enter the smaller of line 1 or line 2	9.	_____
10.	Enter the amount from line 7	10.	_____
11.	Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	_____
12.	Multiply line 11 by 20% (.20)	12.	_____
13.	Add lines 4, 8, and 12	13.	_____
14.	Figure the tax on the amount on line 1. Use the 2001 Tax Rate Schedules above	14.	_____
15.	Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 12.	15.	_____

2001 Tax Computation Worksheet for Certain Dependents and Nonresident Alien Individuals — Line 12

Keep for Your Records

Use this worksheet only if you, or your spouse if filing jointly, **did not** receive (before offset) an advance payment of your 2001 taxes and (a) you, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2001 tax return or (b) you filed Form 1040NR for 2001.



Special Rules. If:

- The **2001 Capital Gain Tax Worksheet** on page J-5 applies, use this worksheet to figure the tax on lines 4 and 14 of the 2001 Capital Gain Tax Worksheet.
- **Part IV** of the 2001 **Schedule D** applies, use this worksheet to figure the tax on lines 25 and 39 of Part IV. If the 2001 **Schedule D Tax Worksheet** applies, use this worksheet to figure the tax on lines 15 and 36 of the Schedule D Tax Worksheet.

- | | |
|--|---|
| <p>1. Figure the tax on the amount on Schedule J, line 11 (or the applicable line of the worksheet or schedule listed above). Use the 2001 Tax Rate Schedules on page J-5</p> | <p>1. <input style="width: 100px; height: 20px;" type="text"/></p> |
| <p>2. Is the amount on line 1 more than the amount shown below for your 2001 filing status?</p> <ul style="list-style-type: none"> • Single or married filing separately—\$900 • Married filing jointly or qualifying widow(er)—\$1,800 • Head of household—\$1,500 <p><input type="checkbox"/> Yes. Enter: \$300 if single or married filing separately for 2001; \$500 if head of household; \$600 if married filing jointly or qualifying widow(er). }</p> <p><input type="checkbox"/> No. Divide the amount on line 1 by 3.0. }</p> | <p>2. <input style="width: 100px; height: 20px;" type="text"/></p> |
| <p>3. Subtract line 2 from line 1. Enter the result here and on Schedule J, line 12 (or the applicable line of the worksheet or schedule listed above)</p> | <p>3. <input style="width: 100px; height: 20px;" type="text"/></p> |

Line 13

If you used Schedule J to figure your tax for 2002 (that is, you entered the amount from line 22 of that Schedule J on Form 1040, line 42, or on Form 1040X), enter on line 13 the amount from line 3 of that Schedule J.

If you did not use Schedule J to figure your tax for 2002, enter on line 13 the taxable income from your 2002 tax return (or as previously adjusted by the IRS, an amended return, etc.). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you filed your 2002 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2002, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2002 until at least 3 years after April 15, 2004 (or the date you file your 2003 tax return, if later), even if you did not file a tax return for 2002.

Instructions for 2002 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2002 Schedule D, line 18, is not allowed for farm income averaging purposes to the extent it did not reduce your capital loss carryover to 2003. This could happen if the taxable income before subtracting exemptions shown on your 2002 Form 1040, line 39 (or as previously adjusted), was less than zero. Enter the

amount by which your 2002 capital loss carryover to 2003 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2002 Schedule D, line 17, over the loss on your 2002 Schedule D, line 18.

Line 3. If you had an NOL for 2002, enter the amount of that NOL as figured on line 27 of the 2002 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2002, enter the portion, if any, of the NOL carryovers and carrybacks to 2002 that were not used in 2002 and were carried to years after 2002.

Example. John Farmington did not use farm income averaging for 2000, 2001, nor 2002. The taxable income before subtracting exemptions on his 2002 Form 1040, line 39, is a negative \$1,000. This amount includes an NOL deduction (NOLD) on his 2002 Form 1040, line 21, of \$2,200. The \$2,200 is the portion of the 2001 NOL that was remaining from 2000 to be carried to 2002. See the examples on pages J-2 and J-4. A deduction for exemptions of \$3,000 is shown on Form 1040, line 40, and line 41, taxable income, is limited to zero. John does not have an NOL for 2002. John subtracts from the \$1,000 negative amount on Form 1040, line 39, the \$3,000 deduction for exemptions. The result is a negative \$4,000, John's 2002 taxable income, which he enters as a positive amount on line 1 of the 2002 worksheet.

John had a \$3,000 net capital loss deduction on Schedule D, line 18 (which

was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 17, and a \$5,000 capital loss carryover to 2003 (his 2002 capital loss carryover to 2003 was \$5,000, not \$4,000, because the amount on his Form 1040, line 39, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 18, and the \$5,000 carryover. He reduces the result by the \$7,000 loss on his Schedule D, line 17, and enters \$1,000 on line 2 of the worksheet.

John enters zero on line 3 of the worksheet because he does not have an NOL for 2002 and did not have an NOL carryover from 2002 available to carry to 2003 and later years. The NOLD for 2002 of \$2,200 was reduced to zero because it did not exceed his modified taxable income of \$4,200. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$3,000 of exemptions to negative taxable income (figured without regard to the NOLD) of \$1,800. John enters \$1,000 on line 4 and \$3,000 on line 5. He enters \$3,000 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$3,000 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2004, he will enter \$3,000 on his 2004 Schedule J as his 2002 taxable income for farm income averaging purposes.

2002 Taxable Income Worksheet—Line 13

Keep for Your Records

Complete this worksheet if your 2002 taxable income is zero or less. See the instructions above before completing this worksheet.



1. Figure the taxable income from your 2002 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2002, do not include any NOL carryovers or carrybacks to 2002. Enter the result as a positive amount	1. _____
2. If there is a loss on your 2002 Schedule D, line 18, add that loss (as a positive amount) and your 2002 capital loss carryover to 2003. Subtract from that sum the amount of the loss on your 2002 Schedule D, line 17, and enter the result	2. _____
3. If you had an NOL for 2002, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2002 that were not used in 2002 and were carried to years after 2002	3. _____
4. Add lines 2 and 3	4. _____
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13	5. _____

Line 16

If line 15 is zero or less, enter zero on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2002 Tax Rate Schedules below,
- The 2002 Capital Gain Tax Worksheet below, or
- The Schedule D you filed for 2002 (but use the 2002 Tax Rate Schedules below instead of the 2002 Tax Table when figuring the tax on Schedule D, lines 25 and 39, or on lines 15 and 36 of the Schedule D Tax Worksheet).

your TeleFile Tax Record. If you amended your return or the IRS made changes to it, enter the corrected amount.

Lines 18, 19, and 20

If you filed your 2000, 2001, or 2002 tax return using TeleFile, enter your tax from

2002 Tax Rate Schedules—Line 16

Schedule X—Use if your 2002 filing status was Single					Schedule Y-2—Use if your 2002 filing status was Married filing separately				
If Schedule J, line 15, is: Over—	But not over—	Enter on Schedule J, line 16	of the amount over—		If Schedule J, line 15, is: Over—	But not over—	Enter on Schedule J, line 16	of the amount over—	
\$0	\$6,000	.....	10%	\$0	\$0	\$6,000	.....	10%	\$0
6,000	27,950	\$600.00 +	15%	6,000	6,000	23,350	\$600.00 +	15%	6,000
27,950	67,700	3,892.50 +	27%	27,950	23,350	56,425	3,202.50 +	27%	23,350
67,700	141,250	14,625.00 +	30%	67,700	56,425	85,975	12,132.75 +	30%	56,425
141,250	307,050	36,690.00 +	35%	141,250	85,975	153,525	20,997.75 +	35%	85,975
307,050	.....	94,720.00 +	38.6%	307,050	153,525	.....	44,640.25 +	38.6%	153,525
Schedule Y-1—Use if your 2002 filing status was Married filing jointly or Qualifying widow(er)					Schedule Z—Use if your 2002 filing status was Head of household				
If Schedule J, line 15, is: Over—	But not over—	Enter on Schedule J, line 16	of the amount over—		If Schedule J, line 15, is: Over—	But not over—	Enter on Schedule J, line 16	of the amount over—	
\$0	\$12,000	.....	10%	\$0	\$0	\$10,000	.....	10%	\$0
12,000	46,700	\$1,200.00 +	15%	12,000	10,000	37,450	\$1,000.00 +	15%	10,000
46,700	112,850	6,405.00 +	27%	46,700	37,450	96,700	5,117.50 +	27%	37,450
112,850	171,950	24,265.50 +	30%	112,850	96,700	156,600	21,115.00 +	30%	96,700
171,950	307,050	41,995.50 +	35%	171,950	156,600	307,050	39,085.00 +	35%	156,600
307,050	.....	89,280.50 +	38.6%	307,050	307,050	.....	91,742.50 +	38.6%	307,050

2002 Capital Gain Tax Worksheet—Line 16

Keep for Your Records

Use this worksheet **only** if you entered capital gain distributions directly on line 13 of your 2002 Form 1040 (or line 10 of your 2002 Form 1040A) and checked the box on that line **and** elected farm income on Schedule J, line 2, does not include any net capital gain.



1.	Amount from Schedule J, line 15	1.	_____	
2.	Amount from your 2002 Form 1040, line 13 (or Form 1040A, line 10)	2.	_____	
3.	Subtract line 2 from line 1. If zero or less, enter -0-	3.	_____	
4.	Figure the tax on the amount on line 3. Use the 2002 Tax Rate Schedules above	4.	_____	
5.	Enter the smaller of:			
	• The amount on line 1 above or			
	• \$27,950 if single for 2002; \$46,700 if married filing jointly or qualifying widow(er); \$23,350 if married filing separately; or \$37,450 if head of household.	5.	_____	
6.	Enter the amount from line 3	6.	_____	
7.	Subtract line 6 from line 5. If zero or less, enter -0- and go to line 9	7.	_____	
8.	Multiply line 7 by 10% (.10)	8.	_____	
9.	Enter the smaller of line 1 or line 2	9.	_____	
10.	Enter the amount from line 7	10.	_____	
11.	Subtract line 10 from line 9. If zero or less, enter -0- and go to line 13	11.	_____	
12.	Multiply line 11 by 20% (.20)	12.	_____	
13.	Add lines 4, 8, and 12	13.	_____	
14.	Figure the tax on the amount on line 1. Use the 2002 Tax Rate Schedules above	14.	_____	
15.	Tax. Enter the smaller of line 13 or line 14 here and on Schedule J, line 16.	15.	_____	



2003 Instructions for Schedule SE (Form 1040)

Self-Employment Tax

Use Schedule SE (Form 1040) to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are and even if you are already getting social security or Medicare benefits.

Additional Information. See **Pub. 533.**

General Instructions

A Change To Note

For 2003, the maximum amount of self-employment income subject to social security tax is \$87,000.

Who Must File Schedule SE

You must file Schedule SE if:

1. Your net earnings from self-employment (see page SE-2) from other than church employee income were \$400 or more or
2. You had church employee income of \$108.28 or more—see **Employees of Churches and Church Organizations** below.

Who Must Pay Self-Employment (SE) Tax?

Self-Employed Persons

You must pay SE tax if you had net earnings of \$400 or more as a self-employed person. If you are in business for yourself or you are a farmer, you are self-employed.

You must also pay SE tax on your share of certain partnership income and your guaranteed payments. See **Partnership Income or Loss** on page SE-2.

Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you must pay SE tax. **Church employee income** is wages you received as an employee (other than as a minister or member of a religious order) of a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

Ministers and Members of Religious Orders

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed **Form 4361**

and received IRS approval, you will be exempt from paying SE tax on those net earnings. If you had no other income subject to SE tax, write “Exempt—Form 4361” on line 55 of Form 1040. However, if you had other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.

Note. If you have ever filed Form 2031 to elect social security coverage on your earnings as a minister you cannot revoke that election.

If you must pay SE tax, include this income on line 2 of either Short or Long Schedule SE. But do not report it on line 5a of Long Schedule SE; it is not considered church employee income. Also, include on line 2:

- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) and
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer’s convenience.

However, **do not** include on line 2:

- Retirement benefits you received from a church plan after retirement or
- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement.

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. Subtract the allowable amount from your SE earnings when figuring your SE tax.

If you were a U.S. citizen or resident alien serving outside the United States as a minister or member of a religious order and you must pay SE tax, you may not reduce your net earnings by the foreign housing exclusion or deduction.

See **Pub. 517** for details.

Members of Certain Religious Sects

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are exempt from SE tax if you received IRS approval by filing **Form 4029**. In this case, do not file Schedule SE. Instead, write “Exempt—Form 4029” on Form 1040, line 55. See **Pub. 517** for details.

U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), or the Virgin Islands. Report income from this employment on line 2 of either Short or Long Schedule SE. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, in most cases you must pay SE tax. You may not reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Exception. The United States has social security agreements with many countries to eliminate dual taxes under two social security systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following

countries: Australia, Austria, Belgium, Canada, Chile, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. If you have questions about international social security agreements, you can:

- Visit the Social Security Administration (SSA) website at www.socialsecurity.gov/international,

- Call the SSA Office of International Programs at (410) 965-3544 or (410) 965-0377 (long-distance charges may apply), or

- Write to Social Security Administration, Office of International Programs, P.O. Box 17741, Baltimore, MD 21235-7741.

If your self-employment income is exempt from SE tax, you should get a statement from the appropriate agency of the foreign country verifying that your self-employment income is subject to social security coverage in that country. If the foreign country will not issue the statement, contact the SSA at the address shown above. **Do not** complete Schedule SE. Instead, attach a copy of the statement to Form 1040 and enter "Exempt, see attached statement" on Form 1040, line 55.

More Than One Business

If you had two or more businesses, your net earnings from self-employment are the combined net earnings from all of your businesses. If you had a loss in one business, it reduces the income from another. Figure the combined SE tax on one Schedule SE.

Joint Returns

Show the name of the spouse with SE income on Schedule SE. If both spouses have SE income, each must file a separate Schedule SE. However, if one spouse qualifies to use Short Schedule SE and the other has to use Long Schedule SE, both can use the **same** form. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Enter the combined SE tax on Form 1040, line 55.

Community Income

In most cases, if any of the income from a business (including farming) is community income, all of the income from that business is SE earnings of the spouse who carried on the business. The facts in each case will determine which spouse carried on the business. If you and your spouse are partners in a partnership, see **Partnership Income or Loss on this page**.

If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also, attach Schedule(s) C, C-EZ, or F to the return of each spouse.

If you are the spouse who carried on the business, you must include on line 3, Schedule SE, the net profit or (loss) reported on the other spouse's Schedule C, C-EZ, or F (except income not included in net earnings from self-employment as explained on page SE-3). Enter on the dotted line to the left of line 3, Schedule SE, "Community Income Taxed to Spouse" and the amount of any net profit or (loss) allocated to your spouse as community income. Combine that amount with the total of lines 1 and 2 and enter the result on line 3.

If you are not the spouse who carried on the business and you had no other income subject to SE tax, enter "Exempt Community Income" on Form 1040, line 55; **do not** file Schedule SE. However, if you had other earnings subject to SE tax of \$400 or more, enter on the dotted line to the left of line 3, Schedule SE, "Exempt Community Income" and the amount of the net profit or (loss) from Schedule C, C-EZ, or F allocated to you as community income. If that amount is a net profit, subtract it from the total of lines 1 and 2, and enter the result on line 3. If that amount is a loss, treat it as a positive amount, add it to the total of lines 1 and 2, and enter the result on line 3.



Community income included on Schedule(s) C, C-EZ, or F must be divided for income tax purposes on the basis of the community property laws.

Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

Specific Instructions

Read the chart on page 1 of Schedule SE to see if you can use **Section A**, Short Schedule SE, or if you must use **Section B**, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the following instructions to see what to include as net earnings and how to fill in lines 1 and 2 of either Short or Long Schedule SE. Enter all negative amounts in parentheses.

Net Earnings From Self-Employment

What Is Included in Net Earnings From Self-Employment?

In most cases, net earnings include your net profit from a farm or nonfarm business. If you were a partner in a partnership, see the following instructions.

Partnership Income or Loss

If you were a general or limited partner in a partnership, include on line 1 or line 2, whichever applies, the amount from line 15a of Schedule K-1 (Form 1065) or the amount identified as net earnings from self-employment in box 9 of Schedule K-1 (Form 1065-B). General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you reduce the amount you enter on Schedule SE, attach an explanation.

If a partner died and the partnership continued, include in SE income the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she died. See Internal Revenue Code section 1402(f).

If you were married and both you and your spouse were partners in a partnership, each of you must pay SE tax on your own share of the partnership income. Each of you must file a Schedule SE and report the partnership income or loss on **Schedule E** (Form 1040), Part II, for income tax purposes.

SE income belongs to the person who is the member of the partnership and cannot be treated as SE income by the non-member spouse even in community property states.

Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or a share of the proceeds from the sale of them). This applies even if you paid another person (an agent) to do the actual work or management for you. Report your net earnings for income tax purposes on **Schedule F** (Form 1040) and for SE tax purposes on Schedule SE. See **Pub. 225** for details.

Other Income and Losses Included in Net Earnings From Self-Employment

- Rental income from a farm if, as landlord, you materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To deter-

mine whether you materially participated in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests are explained in Pub. 225.

- Cash or a payment-in-kind from the Department of Agriculture for participating in a land diversion program.

- Payments for the use of rooms or other space when you also provided substantial services. Examples are hotel rooms, boarding houses, tourist camps or homes, parking lots, warehouses, and storage garages.

- Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.

- Amounts received by current or former self-employed insurance agents and salespersons that are:

1. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement,

2. Renewal commissions, or

3. Deferred commissions paid after retirement for sales made before retirement.

However, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment (as explained under **Termination payments** on this page).

- Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See **Pub. 595** for details.

- Fees as a state or local government employee if you were paid only on a fee basis and the job was not covered under a Federal-state social security coverage agreement.

- Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

- Fees and other payments received by you for services as a director of a corporation.

- Recapture amounts under sections 179 and 280F that you included in gross income because the business use of the property dropped to 50% or less. Do not include amounts you recaptured on the disposition of property. See **Form 4797**.

- Fees you received as a professional fiduciary. This may also apply to fees paid to you as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's business, or the management of an estate that required extensive management activities over a long period of time.

- Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

Income and Losses Not Included in Net Earnings From Self-Employment

- Salaries, fees, etc., subject to social security or Medicare tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained earlier under **Other Income and Losses Included in Net Earnings From Self-Employment**) or as an employee or employee representative under the railroad retirement system.

- Fees received for services performed as a notary public. If you had no other income subject to SE tax, enter "Exempt-Notary" on Form 1040, line 55. However, if you had other earnings of \$400 or more subject to SE tax, enter "Exempt-Notary" and the amount of your net profit as a notary public from Schedule C or Schedule C-EZ on the dotted line to the left of line 3, Schedule SE. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.

- Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.

- Income from real estate rentals if you did not receive the income in the course of a trade or business as a real estate dealer. Report this income on Schedule E.

- Income from farm rentals (including rentals paid in crop shares) if, as landlord, you did not materially participate in the production or management of the production of farm products on the land. See Pub. 225 for details.

- Dividends on shares of stock and interest on bonds, notes, etc., if you did not receive the income in the course of your trade or business as a dealer in stocks or securities.

- Gain or loss from:

1. The sale or exchange of a capital asset;

2. The sale, exchange, involuntary conversion, or other disposition of property unless the property is stock in trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or

3. Certain transactions in timber, coal, or domestic iron ore.

- Net operating losses from other years.

- **Termination payments** you received as a former insurance salesperson if **all** of the following conditions are met.

1. The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

2. The payment was received after termination of your agreement to perform services for the company.

3. You did not perform any services for the company after termination and before the end of the year in which you received the payment.

4. You entered into a covenant not to compete against the company for at least a 1-year period beginning on the date of termination.

5. The amount of the payment depended primarily on policies sold by or credited to your account during the last year of the agreement, or the extent to which those policies remain in force for some period after termination, or both.

6. The amount of the payment did not depend to any extent on length of service or overall earnings from services performed for the company (regardless of whether eligibility for the payment depended on length of service).

Statutory Employee Income

If you were required to check the box on line 1 of Schedule C or C-EZ because you were a statutory employee, **do not** include the net profit or (loss) from line 31 of that Schedule C (or the net profit from line 3 of Schedule C-EZ) on line 2 of Short or Long Schedule SE. But if you file Long Schedule SE, be sure to include statutory employee social security wages and tips from Form W-2 on line 8a.

Optional Methods

How Can the Optional Methods Help You?

Social Security Coverage. The optional methods may give you credit toward your social security coverage even though you have a loss or a small amount of income from self-employment.

Earned Income Credit (EIC). Using the optional methods may qualify you to claim the EIC or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the EIC with and without using the optional methods to see if the optional methods will benefit you.

Additional Child Tax Credit. Using the optional methods may qualify you to claim the additional child tax credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the additional child tax credit with and without using the optional methods to see if the optional methods will benefit you.

Child and Dependent Care Credit. The optional methods may also help you qualify for this credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure this credit with and without using the optional methods to see if the optional methods will benefit you.

Note. Using the optional methods may give you the benefits described above but they may also increase your SE tax.

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$2,400 or less **or** your net farm profits (defined on this page) were less than \$1,733. There is no limit on how many years you can use this method.

Under this method, you report on line 15, Part II, two-thirds of your gross farm income, up to \$1,600, as your net earnings. This method can increase or decrease your net earnings from farm self-employment even if the farming business had a loss.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do this, file **Form 1040X**.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's

gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. If you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Net farm profits is the total of the amounts from Schedule F (Form 1040), line 36, and Schedule K-1 (Form 1065), line 15a, from farm partnerships.

Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm self-employment if your net nonfarm profits (defined on this page) were less than \$1,733 and also less than 72.189% of your gross nonfarm income. To use this method, you also must be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were \$400 or more in 2 of the 3 years preceding the year you use the nonfarm method. The net earnings of \$400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of partnership income or loss subject to SE tax. Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, you report on line 17, Part II, two-thirds of your gross nonfarm income, up to \$1,600, as your net

earnings. But **you may not report less than your actual net earnings** from nonfarm self-employment.

You may change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do so, file Form 1040X.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See **Farm Optional Method** on this page for details.

Net nonfarm profits is the total of the amounts from Schedule C (Form 1040), line 31 (or Schedule C-EZ (Form 1040), line 3), Schedule K-1 (Form 1065), line 15a (from other than farm partnerships), and Schedule K-1 (Form 1065-B), box 9.

Using Both Optional Methods

If you can use both methods, you may report less than your total actual net earnings from farm and nonfarm self-employment, but you **cannot** report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you **cannot** report more than \$1,600 of net earnings from self-employment.

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Where Do You File?

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Envelopes without enough postage will be returned to you by the post office. Your envelope may need additional postage if it contains more than five pages or is oversized (for example, it is over 1/4" thick). Also, include your complete return address.

IF you live in...	THEN use this address if you:	
	Are not enclosing a check or money order...	Are enclosing a check or money order...
Alabama, Florida, Georgia, Mississippi, North Carolina, Rhode Island, South Carolina, West Virginia	Internal Revenue Service Center Atlanta, GA 39901-0002	Internal Revenue Service Center Atlanta, GA 39901-0102
Maine, Massachusetts, New Hampshire, New York, Vermont	Internal Revenue Service Center Andover, MA 05501-0002	Internal Revenue Service Center Andover, MA 05501-0102
Delaware, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999-0002	Internal Revenue Service Center Kansas City, MO 64999-0102
Connecticut, District of Columbia, Maryland, New Jersey, Pennsylvania	Internal Revenue Service Center Philadelphia, PA 19255-0002	Internal Revenue Service Center Philadelphia, PA 19255-0102
Arkansas, Colorado, Kentucky, Louisiana, New Mexico, Oklahoma, Tennessee, Texas	Internal Revenue Service Center Austin, TX 73301-0002	Internal Revenue Service Center Austin, TX 73301-0102
Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Wyoming	Internal Revenue Service Center Fresno, CA 93888-0002	Internal Revenue Service Center Fresno, CA 93888-0102
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All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding income under Internal Revenue Code section 933), dual-status aliens, a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563	Internal Revenue Service Center Philadelphia, PA 19255-0215 USA	Internal Revenue Service Center Philadelphia, PA 19255-0215 USA

* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802.

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