

Note: This booklet does not contain tax forms.



# 1998 1040

## Instructions

### Taxpayer News

Explore  
IRS e-file!



- Quickest way to file.
  - Fastest way to get your refund.
  - Best way to avoid errors and notices.
- See page 5.

#### Need Help?

Quick and easy access to tax help and forms.  
See page 6.

### SSN Needed!

We heard you!

To protect your privacy, we took your social security number (SSN) off the label. But we still

need your SSN. So be sure to complete the SSN area at the top of Form 1040.  
See page 12.

### New Tax Benefits!

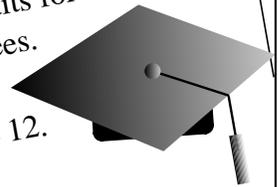
#### Child Tax Credits!

You may be able to claim credits of up to \$400 for each child under 17.  
See page 12.

#### Benefits for College and Other Higher Education!

- Student loan interest deduction.
- Credits for tuition and fees.

See page 12.







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## A Message From the Commissioner

Dear Taxpayer:

As part of its ongoing efforts to improve customer service, the IRS is working to provide you with even more reliable and helpful assistance for the coming tax filing season. Whether it is in person or on the phone, we want to answer your questions correctly, promptly and courteously. We want to process your return quickly and accurately and make sure that more of you can file by computer and telephone and get information and forms over the Internet. To find out more about the many different services the IRS offers this tax season, see page 6 of this booklet.

Paperless filing is the wave of the future. The IRS is greatly expanding and promoting the use of electronic filing through our *e-file* program. You can ask a tax professional to *e-file* your return, or if you prefer, you can file from home using your personal computer. There are also more than 5,000 tax products, including forms, on the IRS Home Page ([www.irs.ustreas.gov](http://www.irs.ustreas.gov)) that can be downloaded to your computer.

Beginning in January 1999, our phone helpline will also be open for business 24-hours-a-day/seven days a week, all year long. New technology will reduce even further hold time and allow callers to get specific information and help on, for example, the sale of a house, retirement, or job changes.

During the 1998 tax filing season, we offered more walk-in office hours at locations and times convenient to you. We will expand this option beginning in January with walk-in service on 13 Saturdays at 250 sites across the nation.

We will continue to hold Problem Solving Days every month throughout the year when taxpayers can sit down and meet face-to-face with an IRS representative to help resolve a particular problem. When and where a Problem Solving Day will be held near you can be found on the IRS Home Page at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) and the events are publicized in local newspapers and on radio and television.

We still have a ways to go before we can provide world class customer service but we are taking some important steps in the right direction. We have also begun a multi-year modernization of the IRS with customer service as its focus and the goal of giving America's taxpayers the services they expect and deserve.

Sincerely,



Charles O. Rossotti

### 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.

## 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
- Access to information
- Accuracy

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

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

## IRS e-file. Click. Zip. Fast Round Trip!



Take advantage of the benefits of IRS e-file!

- Get your **REFUND** in **half the time**
- Take advantage of the **FASTEST** and most **ACCURATE** way possible to file your tax return (thereby reducing your likelihood of receiving an error notice)
- Get **PROOF** your return has been accepted
- File your Federal and state tax returns together
- **New this year**—Pay your balance due electronically when you use an authorized IRS e-file provider or when you e-file from your home computer.



IRS e-file means a fast refund—even faster with **Direct Deposit!**



Look for this sign! An authorized IRS e-file provider can prepare **AND** e-file your return or e-file a tax return you have prepared yourself.

### IRS e-file From Your Personal Computer

File electronically from your home using tax preparation software, a personal computer, and a modem. Check out the IRS web site at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) for a list of companies who participate in this IRS e-file program. You can also find a listing of partnerships the IRS has with private sector companies offering low-cost IRS e-file options.

### IRS e-file By Phone

10 minutes is all it takes to file your tax return with a touch tone phone through TeleFile. This system is **FREE**, available 24 hours a day, 7 days a week for those taxpayers who receive the *TeleFile Tax Package*.

**Get all the details on page 47.**

"People are quickly discovering how easy it is to take care of their taxes by telephone or personal computer. This year millions will file electronically and millions more will get tax information by computer or telephone. Beginning in 1999, if you file electronically you can also pay your balance due electronically. These are some of the ways the IRS is providing the same ease and convenience you have come to expect from firms in the private sector."

**Robert E. Barr, Assistant Commissioner,  
Electronic Tax Administration, IRS**

# Quick and Easy Access to Tax Help and Forms



## PERSONAL COMPUTER

Access the IRS's Internet Web Site at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) to do the following:

- Download Forms, Instructions, and Publications
- See Answers to Frequently Asked Tax Questions
- Search Publications On-Line by Topic or Keyword
- Figure Your Withholding Allowances Using our W-4 Calculator
- Send Us Comments or Request Help via E-Mail
- Sign up to Receive Hot Tax Issues and News by E-Mail From the IRS Digital Dispatch

### You can also reach us using:

- Telnet at [iris.irs.ustreas.gov](http://iris.irs.ustreas.gov)
- File Transfer Protocol at [ftp.irs.ustreas.gov](http://ftp.irs.ustreas.gov)
- Direct Dial (by modem) **703-321-8020**



## FAX

Just call **703-368-9694** from the telephone connected to the fax machine to get over 100 of the most requested forms and instructions. (See pages 7 and 8 for a list of the items.)



## MAIL

You can order forms, instructions, and publications by completing the order blank on page 49. You should receive your order within 10 days after we receive your request.



## PHONE

You can get forms, publications, and 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 and prior year forms, instructions, and publications. You should receive your order within 10 days.

### TeleTax Topics

You can listen to pre-recorded messages covering about 150 tax topics. (See pages 9 and 10 for the number to call and a list of the topics.)

### Refund Information

You can check on the status of your 1998 refund using TeleTax's Refund Information service. (See page 9.)



## WALK-IN

You can pick up some of the most requested forms, instructions, and publications at many post offices, libraries, and IRS offices. Some IRS offices and libraries have an

extensive collection of products available to photocopy or print from a CD-ROM.



## CD-ROM

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

- Current Year Forms, Instructions, and Publications
- Prior Year Forms and Instructions
- Popular Forms That May Be Filled in Electronically, Printed out for Submission, and Saved for Recordkeeping

Buy the CD-ROM on the Internet at [www.irs.ustreas.gov/cdorders](http://www.irs.ustreas.gov/cdorders) from the National Technical Information Service (NTIS) for \$13 (plus a \$5 handling fee), and save 35% or call **1-877-CDFORMS** (1-877-233-6767) toll-free to buy the CD-ROM for \$20 (plus a \$5 handling fee).

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You can also get help in other ways—See page 47 for information.

# Forms by Fax

The following forms and instructions are available through our **Tax Fax** service by calling **703-368-9694** from the telephone connected to the fax machine. When you call, you will hear instructions on how to use the service. Select the option for getting forms. Then, enter the **Fax Order 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	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	4	Form 990EZ	Short Form Return of Organization Exempt From Income Tax	10642	2
Form SS-8	Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	4	Instr. 990EZ	Specific Instructions for Form 990-EZ	50003	8
Form W-2c	Corrected Wage and Tax Statement	61437	7	Form 1040	U.S. Individual Income Tax Return	11320	2
Form W-3c	Transmittal of Corrected Wage and Tax Statements	10164	1	Instr. 1040	Line Instructions for Form 1040	11325	28
Instr. W-2c and W-3c		25978	4	Instr. 1040	General Information for Form 1040	24811	26
Form W-4	Employee's Withholding Allowance Certificate	10220	2	Tax Table and Tax Rate Schedules (Form 1040)	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	4	Schedules A&B (Form 1040)	Itemized Deductions & Interest and Ordinary Dividends	11330	2
Form W-5	Earned Income Credit Advance Payment Certificate	10227	3	Instr. Sch. A&B		24328	8
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	3	Schedule C (Form 1040)	Profit or Loss From Business (Sole Proprietorship)	11334	2
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	2	Instr. Sch. C		24329	9
Form W-9	Request for Taxpayer Identification Number and Certification	10231	2	Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	2
Instr. W-9	Instructions for Requester of Form W-9	20479	2	Schedule D (Form 1040)	Capital Gains and Losses	11338	2
Form W-9S	Request for Student's or Borrower's Taxpayer Identification Number and Certification	25240	2	Instr. Sch. D		24331	7
Form W-10	Dependent Care Provider's Identification and Certification	10437	1	Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	10424	2
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4	Schedule E (Form 1040)	Supplemental Income and Loss	11344	2
Instr. 709		16784	8	Instr. Sch. E		24332	6
Form 709A	U.S. Short Form Gift Tax Return	10171	2	Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	2
Form 843	Claim for Refund and Request for Abatement	10180	1	Schedule F (Form 1040)	Profit or Loss From Farming	11346	2
Instr. 843		11200	2	Instr. Sch. F		24333	7
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	2	Schedule H (Form 1040)	Household Employment Taxes	12187	2
Instr. 940		13660	6	Instr. Sch. H		21451	8
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	2	Schedule J (Form 1040)	Farm Income Averaging	25513	2
Instr. 940-EZ		25947	4	Instr. Sch. J		25514	4
Form 941	Employer's Quarterly Federal Tax Return	17001	2	Schedule R (Form 1040)	Credit for the Elderly or the Disabled	11359	2
Form 941c	Supporting Statement To Correct Information	11242	4	Instr. Sch. R		11357	4
Form 990	Return of Organization Exempt From Income Tax	11282	6	Schedule SE (Form 1040)	Self-Employment Tax	11358	2
Instr. 990	General Instructions for Forms 990 and 990-EZ	22386	10	Instr. Sch. SE		24334	4
Instr. 990	Specific Instructions for Form 990	50002	16	Form 1040A	U.S. Individual Income Tax Return	11327	2
Schedule A (Form 990)	Organization Exempt Under Section 501(c)(3)	11285	6	Schedule 1 (Form 1040A)	Interest and Ordinary Dividends for Form 1040A Filers	12075	1
Instr. Sch. A		11294	8	Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	10749	2
				Schedule 3 (Form 1040A)	Credit for the Elderly or the Disabled for Form 1040A Filers	12064	2
				Instr. Sch. 3		12059	4
				Form 1040-ES	Estimated Tax for Individuals	11340	7
				Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	11329	2
				Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5

Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages	Name of Form or Instructions	Title of Form or Instructions	Fax Order No.	No. of Pages
Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	2	Form 6251	Alternative Minimum Tax—Individuals	13600	2
Instr. 1040NR-EZ		21718	12	Instr. 6251		64277	8
Form 1040X	Amended U.S. Individual Income Tax Return	11360	2	Form 6252	Installment Sale Income	13601	1
Instr. 1040X		11362	6	Instr. 6252		64262	2
Form 1116	Foreign Tax Credit	11440	2	Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	3
Instr. 1116		11441	10	Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2	Form 8283	Noncash Charitable Contributions	62299	2
Form 2106	Employee Business Expenses	11700	2	Instr. 8283		62730	4
Instr. 2106		64188	4	Form 8300	Report of Cash Payments Over \$10,000 Received in a Trade or Business	62133	4
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2	Form 8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	13910	1
Form 2120	Multiple Support Declaration	11712	1	Form 8379	Injured Spouse Claim and Allocation	62474	2
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	3	Form 8582	Passive Activity Loss Limitations	63704	3
Instr. 2210		63610	5	Instr. 8582		64294	12
Form 2290	Heavy Vehicle Use Tax Return	11250	10	Form 8586	Low-Income Housing Credit	63987	2
Form 2441	Child and Dependent Care Expenses	11862	2	Form 8606	Nondeductible IRAs	63966	2
Instr. 2441		10842	3	Instr. 8606		25399	8
Form 2553	Election by a Small Business Corporation	18629	2	Form 8615	Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,400	64113	2
Instr. 2553		49978	2	Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Form 2555	Foreign Earned Income	11900	3	Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	4
Instr. 2555		11901	4	Form 8809	Request for Extension of Time To File Information Returns	10322	2
Form 2555-EZ	Foreign Earned Income Exclusion	13272	2	Form 8812	Additional Child Tax Credit	10644	2
Instr. 2555-EZ		14623	3	Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Form 2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return	11958	2	Form 8815	Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989	10822	2
Form 2848	Power of Attorney and Declaration of Representative	11980	2	Form 8822	Change of Address	12081	2
Instr. 2848		11981	3	Form 8824	Like-Kind Exchanges	12311	2
Form 3903	Moving Expenses	12490	2	Instr. 8824		12597	2
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4	Form 8829	Expenses for Business Use of Your Home	13232	1
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2	Instr. 8829		15683	3
Form 4506	Request for Copy or Transcript of Tax Form	41721	2	Form 8839	Qualified Adoption Expenses	22843	2
Form 4562	Depreciation and Amortization	12906	2	Instr. 8839		23077	4
Instr. 4562		12907	12	Form 8850	Pre-Screening Notice and Certification Request for the Work Opportunity Credit and Welfare-to-Work Credits	22851	2
Form 4684	Casualties and Thefts	12997	2	Instr. 8850		24833	2
Instr. 4684		12998	4	Form 8853	Medical Savings Accounts and Long-Term Care Insurance Contracts	24091	2
Form 4797	Sales of Business Property	13086	2	Instr. 8853		24188	8
Instr. 4797		13087	4	Form 8857	Request for Innocent Spouse Relief	24647	4
Form 4835	Farm Rental Income and Expenses	13117	2	Form 8859	District of Columbia First-Time Homebuyer Credit	24779	2
Form 4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141	4	Form 8862	Information To Claim Earned Income Credit After Disallowance	25145	2
Form 4952	Investment Interest Expense Deduction	13177	2	Instr. 8862		25343	2
Form 4972	Tax on Lump-Sum Distributions	13187	2	Form 8863	Education Credits	25379	3
Instr. 4972		13188	4	Form 9465	Installment Agreement Request	14842	2
Form 5329	Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329	2				
Instr. 5329		13330	4				
Form 6198	At-Risk Limitations	50012	1				
Instr. 6198		50013	7				

# What Is TeleTax?

Call TeleTax at **1-800-829-4477** and you can get:

**Refund Information.** Check the status of your **1998** refund.

**Recorded Tax Information.** There are about 150 topics that answer many Federal tax questions. You can listen to up to three topics on each call you make.

## How Do I Use TeleTax?

### Refund Information

**Note:** Refund information is not available until at least 4 weeks after you file your return (3 weeks if you file electronically), and sometimes is not available for up to 6 weeks. Please wait at least 4 weeks before calling to check on the status of your refund. If it has been more than 6 weeks and TeleTax does not give you the date your refund will be issued, please call us. See page 11.

Be sure to have a copy of your 1998 tax return available because you will need to know the first social security number shown on your return, the filing status, and the **exact** whole-dollar amount of your refund. Then, call **1-800-829-4477** and follow the recorded instructions.



*The IRS updates refund information every 7 days, over the weekend. 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.*

### Recorded Tax Information

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

### Topics by Personal Computer

TeleTax topics are also available using a personal computer and modem (connect to [www.irs.ustreas.gov](http://www.irs.ustreas.gov)).

## TeleTax Topics

Topic No.	Subject
	<b>IRS Help Available</b>
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	Small Business Tax Education Program (STEP)—Tax help for small businesses
104	Problem Resolution Program—Help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
	<b>IRS Procedures</b>
151	Your appeal rights
152	Refunds—How long they should take
153	What to do if you haven't filed your tax return
154	Form W-2—What to do if not received
155	Forms and Publications—How to order
156	Copy of your tax return—How to get one
157	Change of address—How to notify the IRS
158	Ensuring proper credit of payments
159	Hardship assistance applications

Topic No.	Subject
	<b>Collection</b>
201	The collection process
202	What to do if you can't pay your tax
203	Failure to pay child support and other Federal obligations
204	Offers in compromise
205	Innocent spouse relief
	<b>Alternative Filing Methods</b>
251	Form 1040PC format return
252	Electronic filing
253	Substitute tax forms
254	How to choose a tax preparer
255	TeleFile
	<b>General Information</b>
301	When, where, and how to file
302	Highlights of tax changes
303	Checklist of common errors when preparing your tax return
304	Extensions of time to file your tax return
305	Recordkeeping
306	Penalty for underpayment of estimated tax
307	Backup withholding
308	Amended returns
309	Roth IRA contributions
310	Education IRA contributions
311	Power of attorney information

Topic No.	Subject
	<b>Filing Requirements, Filing Status, and Exemptions</b>
351	Who must file?
352	Which form—1040, 1040A, or 1040EZ?
353	What is your filing status?
354	Dependents
355	Estimated tax
356	Decedents
	<b>Types of Income</b>
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 general rule
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

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# TeleTax Topics

(Continued)

Topic No.	Subject
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
<b>Adjustments to Income</b>	
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
454	Tax shelters
455	Moving expenses
456	Student loan interest deduction
<b>Itemized Deductions</b>	
501	Should I itemize?
502	Medical and dental expenses
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty 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	Disaster area losses
<b>Tax Computation</b>	
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
555	Five- or ten-year tax options for lump-sum distributions
556	Alternative minimum tax
557	Tax on early distributions from traditional IRAs
558	Tax on early distributions from retirement plans

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Topic No.	Subject
<b>Tax Credits</b>	
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
<b>IRS Notices</b>	
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills, penalties, and interest charges
<b>Basis of Assets, Depreciation, and Sale of Assets</b>	
701	Sale of your home after May 6, 1997
702	Sale of your home before May 7, 1997
703	Basis of assets
704	Depreciation
705	Installment sales
<b>Employer Tax Information</b>	
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
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 940/940-EZ—Deposit requirements
760	Form 940/940-EZ—Employer's Annual Federal Unemployment Tax Return
761	Tips—Withholding and reporting
762	Independent contractor vs. employee
<b>Magnetic Media Filers—1099 Series and Related Information Returns</b>	
801	Who must file magnetically
802	Applications, forms, and information

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Topic No.	Subject
803	Waivers and extensions
804	Test files and combined Federal and state filing
805	Electronic filing of information returns
<b>Tax Information for Aliens and U.S. Citizens Living Abroad</b>	
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	IRS Individual Taxpayer Identification Number—Form W-7
858	Alien tax clearance
<b>Tax Information for Puerto Rico Residents (in Spanish)</b>	
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
<b>Other Topics in Spanish</b>	
951	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
952	Refunds—How long they should take
953	Forms and publications—How to order
954	Highlights of tax changes
955	Who must file?
956	Which form to use?
957	What is your filing status?
958	Social security and equivalent railroad retirement benefits
959	Earned income credit (EIC)
960	Advance earned income credit
961	Alien tax clearance

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Topic numbers are effective January 1, 1999.

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# Calling the IRS

If you cannot answer your question by using one of the methods listed on page 6, please call us for assistance at **1-800-829-1040**. You will not be charged for the call unless your phone company charges you for local calls. This service is available 24 hours a day, 7 days a week.



If you want to check on the status of your **1998 refund**, call **TeleTax**. See page 9 for the number.

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## Before You Call

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

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

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

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

- Your date of birth.
- The numbers in your street address.
- Your ZIP code.

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

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

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## Making the Call

Call **1-800-829-1040** (for TTY/TDD help, call 1-800-829-4059). If you have a pulse or rotary dial phone, stay on the line and one of our assisters will answer.

If you have a touch-tone phone, press **1** to enter our automated system. You can press the number for your topic as soon as you hear it. The system will direct you to the appropriate assistance.

You may not need to speak to a representative to get your answer. You can do the following within the automated system.

- Order tax forms and publications.
- Find out the status of your refund or the current amount you owe.
- Determine if we have adjusted your account or received payments you made.
- Request a transcript of your account.

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## Before You Hang Up

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

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

# Before You Fill In Form 1040

See *How To Avoid Common Mistakes* on page 45.

If you were a participant in Operation Joint Guard or Operation Joint Forge, or you were in the Persian Gulf area combat zone, see **Pub. 3**.



For details on these and other changes, see **Pub. 553** or see *What's Hot* at [www.irs.ustreas.gov](http://www.irs.ustreas.gov).

## What's New for 1998?

### Put Your Social Security Number on Form 1040!

To protect your privacy, your social security number (SSN) is not printed on the peel-off label that came in the mail with this booklet. This means that you must now enter your SSN in the space provided on page 1 of Form 1040. If you are married filing a joint return, also enter your spouse's SSN. Be sure to list the SSNs in the same order as the first names.



If you are married filing a joint return, make sure you list the names and SSNs in the same order each year.

### New Child Tax Credits

Do you have a child who was under age 17 at the end of 1998?

If so, you may be able to claim either or both of these new credits:

- The Child Tax Credit
- The Additional Child Tax Credit

The total of these credits cannot be more than \$400 for each qualifying child. Figure the child tax credit first. If you have three or more qualifying children and you are not able to claim the full \$400 child tax credit for each child, you may be able to claim the additional credit.

The **additional child tax credit** is refundable; that is, it may give you a refund even if you do not owe any tax.

These credits are in addition to the child and dependent care credit and the earned income credit that you may be able to claim.

**Who Is a Qualifying Child?** The child must be your dependent and must meet certain other requirements. See **Qualifying Child for Child Tax Credit** in the instructions for line 6c, column (4), on page 19.

**Caution:** If the child meets those requirements, check the box in column (4) on line 6c of your return.

### Where Do You Claim These Credits?

**Child Tax Credit.** If you have at least one qualifying child, follow the instructions on page 31 and figure the credit on the **Child Tax Credit Worksheet**. Do not attach this worksheet to your return. Enter the credit on Form 1040, line 43.

**Additional Child Tax Credit.** Use **Form 8812** to figure this credit and attach it to your return. Enter the additional child tax credit on Form 1040, line 60.

### Student Loan Interest Deduction

If you paid interest on a qualified student loan, you may be able to deduct up to \$1,000 of the interest on line 24. See the instructions for line 24 on page 27 for details.

### Education Credits

You may be able to take the Hope credit for tuition and related expenses paid for yourself, your spouse, or dependents to enroll at or attend an eligible educational institution. For qualified expenses paid after June 30, 1998, you may be able to take the lifetime learning credit. These credits are reported on line 44. The Hope credit only applies to the first 2 years of postsecondary education. Use **Form 8863** to figure the credits.

### Foreign Tax Credit

If you paid income tax to a foreign country, you may not have to file **Form 1116** to claim the foreign tax credit on line 46. See the instructions for line 46 on page 33 for details.

### Sale of Your Home

If you sold your main home in 1998 and **all four** of the following apply, you do not have to report the sale on your tax return.

1. No part of the home was used for business or rental purposes.
2. You (or your spouse if filing a joint return) owned and lived in the home as your main home for at least 2 years

within the 5-year period ending on the date of sale.

3. You (and your spouse if filing a joint return) have not sold or exchanged another main home after May 6, 1997.

4. The selling price of the home is not over \$250,000 (\$500,000 if married filing a joint return and both you and your spouse lived in the home for periods adding up to at least 2 years within the 5-year period ending on the date of sale).

If all four of the conditions do not apply, see **Pub. 523** to find out if you have to report the sale on your return and, if you do, how to do so.

### Self-Employed Health Insurance Deduction

You may be able to deduct up to 45% of your health insurance. See the instructions for line 28 on page 28 for details.

### Earned Income Credit (EIC)

You may be able to take this credit if you earned less than \$30,095 (less than \$10,030 if you do not have any qualifying children). See the instructions for lines 59a and 59b that begin on page 36.

### IRA Deduction Restored for Some People Covered by Retirement Plans

You may be able to take an IRA deduction if you were covered by a retirement plan and your modified AGI (adjusted gross income) is less than: \$40,000 if single, head of household, or married filing separately and you lived apart from your spouse for all of 1998; \$60,000 if married filing jointly or qualifying widow(er). If you are married filing jointly and you were not covered by a plan but your spouse was, you may be able to take a deduction if the modified AGI on the joint return is less than \$160,000. See the instructions for line 23 that begin on page 25.

### Roth Conversion IRAs

If you converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 1998, you may have to file **Form**

**8606.** See Form 8606 and its instructions for details.

## **Penalty-Free IRA Distributions**

The additional tax on an early distribution from an IRA may not apply if you paid higher education expenses for yourself, your spouse, or your children or grandchildren. The tax also may not apply if you paid expenses related to the purchase of a home by a first-time homebuyer. See **Form 5329** and its instructions for details.

## **Estimated Tax Penalty**

You generally will not owe an estimated tax penalty if the amount you owe on line 68 is less than \$1,000. See the instructions for line 69 on page 45.

## **Credit for Federal Tax Paid on Kerosene**

If you bought undyed kerosene after June 30, 1998, for heating or certain other nonhighway uses, you may be able to take a credit of 24.4 cents for each gallon. You can get a refund even if you do not owe tax. See **Form 4136** for details.

## **Payment of Tax**

If you owe tax, make your check or money order payable to the **"United States Treasury."** See the instructions for line 68 on page 44 for more details.

## **Standard Mileage Rates**

The rate for business use of a vehicle has increased to 32.5 cents a mile. Starting this year, you can use the business mileage rate even if you lease your vehicle. For charitable contributions, the rate has increased to 14 cents a mile.

## **Daytime Phone Number on Form 1040**

We have added a space on page 2 of Form 1040 for your daytime phone number. Providing your phone number may help speed the processing of your return if we have a question that can be answered over the phone. However, you do not have to enter your number. If you are filing a joint return, you may enter either your or your spouse's daytime phone number.

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# **What To Look for in 1999**

## **Child Tax Credits**

The total of the child tax credit and the additional child tax credit can be as much as \$500 for each qualifying child.

## **Student Loan Interest Deduction**

You may be able to deduct up to \$1,500 of the interest you pay on a qualified student loan.

## **Self-Employed Health Insurance Deduction**

You may be able to deduct up to 60% of your health insurance.

## **IRA Deduction Allowed to More People Covered by Retirement Plans**

You may be able to take an IRA deduction if you are covered by a retirement plan and your 1999 modified adjusted gross income is less than: \$41,000 if single, head of household, or married filing separately and you lived apart from your spouse for all of 1999; \$61,000 if married filing jointly or qualifying widow(er).

# Filing Requirements

**Note:** 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 9) to see if they must file.



*Even if you do not otherwise have to file a return, you should file one to get a refund of any Federal income tax withheld. You should also file if you are eligible for the earned income credit or the additional child tax credit.*

### Exception for Children Under Age 14

If you are planning to file a return for your child who was under age 14 on January 1, 1999, and certain other conditions apply, you may elect to report your child's income on your return. But you must use **Form 8814** to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 9) or see **Form 8814**.

### 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 1998 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, 1999**. If you file after this date, you may have to pay penalties and interest. See page 48.

**Chart A—For Most People**

IF your filing status is . . .	AND at the end of 1998 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65 65 or older	\$6,950 8,000
Married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$12,500 13,350 14,200
Married filing separately	any age	\$2,700
Head of household (see page 18)	under 65 65 or older	\$8,950 10,000
Qualifying widow(er) with dependent child (see page 18)	under 65 65 or older	\$9,800 10,650

\* If you turned age 65 on January 1, 1999, you are considered to be age 65 at the end of 1998.

\*\* **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 1998.

\*\*\* If you did not live with your spouse at the end of 1998 (or on the date your spouse died) and your gross income was at least \$2,700, you must file a return regardless of your age.

## What if You Cannot File on Time?

You can get an automatic 4-month extension by filing **Form 4868** with the IRS by April 15, 1999.

**Caution:** *Form 4868 does not extend the time to pay your income tax. See Form 4868.*

But if you are a U.S. citizen or resident, you may qualify for an automatic extension of time to file without filing **Form 4868**, 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 17.

**Chart B—For Children and Other Dependents** (See the instructions for line 6c that begin on page 19 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 and dividends. **Earned income** includes wages, tips, and taxable scholarship and fellowship grants.

**Caution:** If your gross income was \$2,700 or more, you usually cannot be claimed as a dependent unless you were under age 19 or a student under age 24. For details, see **Pub. 501**.

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

- No.** You must file a return if **any** of the following apply.
- Your **unearned income** was over \$700.
  - Your **earned income** was over \$4,250.
  - The total of your unearned and earned income was more than the **larger** of—
    - \$700, **or**
    - Your earned income (up to \$4,000) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your earned income was over \$5,300 (\$6,350 if 65 or older **and** blind).
  - Your unearned income was over \$1,750 (\$2,800 if 65 or older **and** blind).
  - Your gross income was more than—
- | The larger of:  | PLUS | This amount:                                      |
|---|------|---|
| <ul style="list-style-type: none"> <li>• \$700, <b>or</b></li> <li>• Your earned income (up to \$4,000) plus \$250</li> </ul> | }    | \$1,050 (\$2,100 if 65 or older <b>and</b> 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 gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
  - Your unearned income was over \$700.
  - Your earned income was over \$3,550.
  - The total of your unearned and earned income was more than the **larger** of—
    - \$700, **or**
    - Your earned income (up to \$3,300) plus \$250.
- Yes.** You must file a return if **any** of the following apply.
- Your earned income was over \$4,400 (\$5,250 if 65 or older **and** blind).
  - Your unearned income was over \$1,550 (\$2,400 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"> <li>• \$700, <b>or</b></li> <li>• Your earned income (up to \$3,300) plus \$250</li> </ul> | }    | \$850 (\$1,700 if 65 or older <b>and</b> blind) |

**Chart C—Other Situations When You Must File**

If any of the four conditions below applied to you for 1998, you must file a return.

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,
  - Tax on a qualified retirement plan, including an individual retirement arrangement (IRA), or on a medical savings account (MSA), or
  - Recapture taxes. (See the instructions for line 56 on page 35.)
2. You received any advance earned income credit (EIC) payments from your employer. These payments should be shown in box 9 of your W-2 form.
3. You had net earnings from self-employment of at least \$400.
4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

# Where To Report Certain Items From 1998 Forms W-2, 1098, and 1099

Report on Form 1040, line 57, any amounts shown on these forms as **Federal income tax withheld**. If you itemize your deductions, report on Schedule A, line 5, any amounts shown on these forms as **state or local income tax withheld**.

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1) Allocated tips (box 8) Advance EIC payments (box 9) Dependent care benefits (box 10) Adoption benefits (box 13, code T) Employer contributions to an MSA (box 13, code R)	Form 1040, line 7 See <b>Tip income</b> on page 20 Form 1040, line 54 Form 2441, line 10 Form 8839, line 20 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 24 on page 27*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2) Bartering (box 3) Futures contracts (box 9)	Schedule D See Pub. 525 Form 6781
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Ordinary dividends (box 1) Total capital gain distributions (box 2a) 28% rate gain (box 2b) Unrecaptured section 1250 gain (box 2c) Section 1202 gain (box 2d) Nontaxable distributions (box 3) Investment expenses (box 5) Foreign tax paid (box 6)	Form 1040, line 9 Schedule D, line 13, column (f) Schedule D, line 13, column (g) See the worksheet for Schedule D, line 25, on page D-7 See the instructions for Schedule D See the instructions for Form 1040, line 9, on page 21 Schedule A, line 22 Form 1040, line 46, or Schedule A, line 8
1099-G	Unemployment compensation (box 1)  State or local income tax refund (box 2) Taxable grants (box 6) Agriculture payments (box 7)	Form 1040, line 19. But if you repaid any unemployment compensation in 1998, see the instructions for line 19 on page 24 See the instructions for Form 1040, line 10, on page 21* Form 1040, line 21* See the Schedule F instructions or Pub. 225

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

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1)	Form 1040, line 8a
	Early withdrawal penalty (box 2)	Form 1040, line 30
	Interest on U.S. savings bonds and Treasury obligations (box 3)	See the instructions for Form 1040, line 8a, on page 20
	Foreign tax paid (box 5)	Form 1040, line 46, or Schedule A, line 8
1099-LTC	Long-term care and accelerated death benefits	See the instructions for Form 8853
1099-MISC	Rents (box 1)	See the instructions for Schedule E
	Royalties (box 2)	Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544)
	Other income (box 3)	Form 1040, line 21*
	Nonemployee compensation (box 7)	Schedule C, C-EZ, or F (Form 1040, line 7, if you were not self-employed)
	Other (boxes 5, 6, 8, 9, and 10)	See the instructions on Form 1099-MISC
1099-MSA	Distributions from medical savings accounts	Form 8853
1099-OID	Original issue discount (box 1)	See the instructions on Form 1099-OID
	Other periodic interest (box 2)	
	Early withdrawal penalty (box 3)	Form 1040, line 30
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5)	Schedule C, C-EZ, or F, or Form 4835, but first see the instructions on Form 1099-PATR
	Credits (boxes 7 and 8)	Form 3468 or Form 5884
	Patron's AMT adjustment (box 9)	Form 6251, line 14j
1099-R	Distributions from IRAs**	See the instructions for Form 1040, lines 15a and 15b, on page 22
	Distributions from pensions, annuities, etc.	See the instructions for Form 1040, lines 16a and 16b, on page 22
	Capital gain (box 3)	See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2)	Form 4797 or Schedule D. But if the property was your home, see <b>What's New for 1998?</b> on page 12
	Buyer's part of real estate tax (box 5)	See the instructions for Schedule A, line 6, on page A-2*

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

\*\* This includes distributions from Roth, SEP, SIMPLE, and education IRAs.

## 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 IRS publishes a list of the designated private delivery services in September of each year. The list published in September 1998 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, and FedEx 2Day.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver,

UPS 2nd Day Air, and UPS 2nd Day Air A.M.

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

**Caution:** *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

## Name and Address

### Use the Peel-Off Label

Using your peel-off name and address label in this booklet will speed the processing of your return. It also prevents common errors that can delay refunds or result in unnecessary notices. Attach the label to your return **after** you have finished it. Cross out any errors 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 46.

### Name Change

If you changed your name, be sure to report the change to your local Social Security Administration office **before** filing your return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. 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 1997 and you are filing a joint return for 1998 with the same spouse, be sure to enter your names and SSNs in the same order as on your 1997 return.*

### P.O. Box

Enter your box number instead of your street address **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. Please **do not** abbreviate the country name.

## Death of a Taxpayer

See page 46.

## Social Security Number (SSN)

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

Check that your SSN is correct on your Forms W-2 and 1099. See page 46 for more details.

## IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

The IRS will issue you an ITIN if you are a nonresident or resident alien and you do not have and are not eligible to get an SSN. **To apply for an ITIN**, file **Form W-7** with the IRS. It usually takes about 30 days to get an ITIN. **Enter your ITIN wherever your SSN is requested on your tax return.**

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

## Nonresident Alien Spouse

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

## Presidential Election Campaign Fund

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

## Filing Status

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

- Married filing separately.
- Single.

• **Head of household.** This status is for unmarried people who paid over half the cost of keeping up a home for a qualifying person, such as a child or parent. Certain married people who lived apart from their spouse for the last 6 months of 1998 may also be able to use this status.

• **Married filing jointly or Qualifying widow(er) with dependent child.** The **Qualifying widow(er)** status is for certain people whose spouse died in 1996 or 1997 and who had a child living with them whom they can claim as a dependent.

**Joint and Several Tax Liability.** If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, see **Innocent Spouse Relief** on page 46.



*More than one filing status may apply to you. Choose the one that will give you the lowest tax. If you are not sure about your filing status, use TeleTax topic 353 (see page 9) or see **Pub. 501**.*



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

## Exemptions

You usually can deduct \$2,700 on line 38 for each exemption you can take.

### Line 6b

#### Spouse

Check the box on line 6b if you file either (1) a joint return, or (2) 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 six** dependents, attach a statement to your return with the required information.

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

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

**Citizen or Resident Test.** The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children. To find out who is a **resident alien**, use TeleTax topic 851 (see page 9) or see **Pub. 519**.

**Income Test.** The person's gross income must be less than \$2,700. But your child's gross income can be \$2,700 or more if he or she was either **under age 19** at the end of 1998 or **under age 24** at the end of 1998 and was a **student**.

**Support Test.** You must have provided over half of the person's total support in 1998. 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). If you do not enter the correct SSN, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit and the earned income credit) based on the dependent.



*For details on how your dependent can get an SSN, see page 18. If your dependent will not have an SSN by April 15, 1999, see **What if You Cannot File on Time?** on page 14.*

If your dependent child was born and died in 1998 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. 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 at least one qualifying child, you may be able to take the child tax credit on line 43.

**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 1998, **and**
- Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**

- Is a United States citizen or resident alien.

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

A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final.

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

A **foster child** is any child you cared for as your own child and who lived with you for all of 1998. A child who was born or died in 1998 is considered to have lived with you for all of 1998 if your home was the child's home for the entire time he or she was alive during 1998.

#### 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 in **Pub. 501** for children of divorced or separated parents, attach **Form 8332** or similar statement to your return. But see **Exception** below. If your divorce decree or separation agreement went into effect after 1984 and it states you can claim the child as your dependent without regard to any condition, such as payment of support, you may attach a copy of the following pages from the decree or agreement instead.

1. Cover page (put the other parent's SSN on that page),
2. The page that states you can claim the child as your dependent, and
3. Signature page with the other parent's signature and date of agreement.

**Note:** *You must attach the required information even if you filed it 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 1998.

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# 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**.

## Community Property States

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

## Rounding Off to Whole Dollars

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

---

## Line 7

### Wages, Salaries, Tips, etc.

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

- Wages received as a **household employee** for which you did not receive a W-2 form because your employer paid you less than \$1,100 in 1998.

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

**Caution:** You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 52 on page 35.

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

- **Employer-provided adoption benefits**, which should be shown in box 13 of your W-2 form(s) with code T. But first complete **Form 8839** to see if you may exclude part or all of the benefits.

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

- **Excess salary deferrals.** The amount deferred should be shown in box 13 of your W-2 form and the "Deferred compensation" box in box 15 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 1998 under **all** plans was more than \$10,000, include the excess on line 7. But a different limit may apply if amounts were deferred under a tax-sheltered annuity plan or an eligible plan of a state or local government or tax-exempt organization. See **Pub. 575** for details.

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

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

- **Corrective distributions** shown on **Form 1099-R** of (1) excess salary deferrals and (2) excess contributions to a retirement plan. But do not include distributions from an IRA\* on line 7. Instead, report them on lines 15a and 15b.

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

## Were You a Statutory Employee?

If you were, the "statutory employee" box in box 15 of your W-2 form should be checked. Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain homeworkers. If you have related business expenses to deduct, report the amount shown in box 1 of your W-2 form on **Schedule C** or **C-EZ** along with your expenses.

## Missing or Incorrect Form W-2?

If you do not get a W-2 form from your employer by February 1, 1999, use Tele-Tax topic 154 (see page 9) to find out what to do. Even if you do not get a 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.

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## Line 8a

### Taxable Interest

Each payer should send you a **Form 1099-INT** or **Form 1099-OID**. Report **all** of your taxable interest income on line 8a. But you must fill in and attach **Schedule B** if the total is over \$400 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 1998 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 1998 income. For details, see **Pub. 550**.

 If you get a 1998 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 1998, see **Pub. 550**.

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## 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.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

## Line 9

### Ordinary Dividends

Each payer should send you a **Form 1099-DIV**. You must fill in and attach **Schedule B** if your total ordinary dividends are over \$400 or you received, as a nominee, dividends that actually belong to someone else. If you do not have to fill in Schedule B, include on line 9 only ordinary dividends.

### Capital Gain Distributions

If you received any capital gain distributions, report them on **Schedule D**, line 13.

### Nontaxable Distributions

Some distributions are nontaxable because they are a return of your cost. They will not be taxed until you recover your cost. 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. For details, see **Pub. 550**.



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

## Line 10

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



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

If you received a refund, credit, or offset of state or local income taxes in 1998, you may receive a **Form 1099-G**. If you chose to apply part or all of the refund to your 1998 estimated state or local income tax, the amount applied is treated as received in 1998. If the refund was for a tax you paid in 1997 and you itemized deductions for 1997, use the worksheet on this page to see if any of your refund is taxable.

### Exceptions

See **Recoveries** in **Pub. 525** instead of using the worksheet if **any** of the following applies:

- You received a refund in 1998 that is for a tax year other than 1997.
- You received a refund other than an income tax refund, such as a real property tax refund, in 1998 of an amount deducted or credit claimed in an earlier year.
- Your 1997 taxable income was less than zero.
- You made your last payment of 1997 estimated state or local income tax in 1998.
- You owed alternative minimum tax in 1997.
- You could not deduct the full amount of credits you were entitled to in 1997 because the total credits exceeded the tax shown on your 1997 Form 1040, line 39.

- You could be claimed as a dependent by someone else in 1997.

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

1. You had to use the Itemized Deductions Worksheet in the 1997 Schedule A instructions because your 1997 adjusted gross income was over \$121,200 (over \$60,600 if married filing separately).
2. You could not deduct all of the amount on line 1 of the 1997 Itemized Deductions Worksheet.
3. The amount on line 8 of that 1997 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 1998.

### State and Local Income Tax Refund Worksheet—Line 10 (keep for your records)



1. Enter the income tax refund from <b>Form(s) 1099-G</b> (or similar statement). But <b>do not</b> enter more than the amount on your 1997 Schedule A (Form 1040), line 5 . . . . .	1.	<input type="text"/>
2. Enter your total allowable itemized deductions from your 1997 Schedule A (Form 1040), line 28 . . . . .	2.	<input type="text"/>
<b>Note:</b> If the filing status on your 1997 Form 1040 was married filing separately and your spouse itemized deductions in 1997, skip lines 3, 4, and 5 and enter the amount from line 2 on line 6.		
3. Enter on line 3 the amount shown below for the filing status claimed on your <b>1997</b> Form 1040:	3.	<input type="text"/>
• Single, enter \$4,150	}	
• Married filing jointly or Qualifying widow(er), enter \$6,900		
• Married filing separately, enter \$3,450		
• Head of household, enter \$6,050		
4. Did you fill in line 34a on your 1997 Form 1040? <b>No.</b> Enter -0-. <b>Yes.</b> Multiply the number on line 34a of your 1997 Form 1040 by: \$800 if your 1997 filing status was married filing jointly or separately or qualifying widow(er); \$1,000 if your 1997 filing status was single or head of household. . . . .		4.
5. Add lines 3 and 4 . . . . .	5.	<input type="text"/>
6. Subtract line 5 from line 2. If zero or less, enter -0- . . . . .	6.	<input type="text"/>
7. <b>Taxable part of your refund.</b> Enter the <b>smaller</b> of line 1 or line 6 here and on Form 1040, line 10 . . . . .	7.	<input type="text"/>

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## 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 9) or see **Pub. 504**.

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## 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**.

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## Line 13

### Capital Gain or (Loss)

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

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## Line 14

### Other Gains or (Losses)

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

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## Lines 15a and 15b

### IRA Distributions

You should receive a **Form 1099-R** showing the amount of the 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, education (Ed) IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Leave line 15a blank and enter the total distribution on line 15b.

**Exception. Do not** enter your total IRA distribution on line 15b if **any** of the following applies.

1. You made nondeductible contributions to any of your traditional or SEP IRAs for 1998 or an earlier year. Instead, use **Form 8606** to figure the amount to enter on line 15b; enter the total distribution on line 15a. If you made nonde-

ductible contributions to these IRAs for 1998, also see **Pub. 590**.

2. You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA. Instead, use Form 8606 to figure the amount to enter on line 15b; enter the total distribution on line 15a.

3. You made an excess contribution in 1998 to your IRA and withdrew it during the period of January 1, 1999, through April 15, 1999. Enter the total distribution on line 15a and the taxable part (the earnings) on line 15b.

4. You received a distribution from an Ed or Roth IRA and the total distribution was not rolled over into another IRA of the same type. Instead, use Form 8606 to figure the amount to enter on line 15b; enter the total distribution on line 15a.

5. You rolled your IRA distribution over into another IRA of the same type (for example, from one traditional IRA to another traditional IRA). Enter the total distribution on line 15a and write "Roll-over" next to line 15b. If the total on line 15a was rolled over, enter zero on line 15b. If the total was not rolled over, enter the part not rolled over on line 15b. But if 1 above also applies, use Form 8606 to figure the taxable part.

If you rolled over the distribution (a) in 1999 or (b) from a conduit IRA into a qualified plan, attach a statement explaining what you did.

**Caution:** You may have to pay an additional tax if (1) you received an early distribution from your IRA and the total distribution was not rolled over, or (2) you were born before July 1, 1927, and received less than the minimum required distribution. See the instructions for line 53 on page 35 for details.

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## 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 24 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 1099-R to Form 1040 if any Federal income tax was withheld.

### Fully Taxable Pensions and Annuities

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

1. You did not contribute to the cost (see page 23) of your pension or annuity, or

2. You got your entire cost back tax free before 1998.

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

If your pension or annuity is partially taxable and your Form 1099-R does not show the taxable part, you must use the General Rule to figure the taxable part. The General Rule is explained in **Pub. 939**. However, if your annuity starting date (defined below) was **after** July 1, 1986, you may be able to use the Simplified Method explained below. But if your annuity starting date was **after** November 18, 1996, and items 1, 2, and 3 under **Simplified Method** apply, you **must** use the Simplified Method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$80 fee. For details, see **Pub. 939**.

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.

Once you have figured the taxable part of your pension or annuity, enter that amount on line 16b and the total on line 16a.

### 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

If your annuity starting date (defined above) was **after** July 1, 1986, and **all three** of the following apply, you can use this simpler method. But if your an-



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

nuity starting date was **after** November 18, 1996, and **all three** of the following apply, you **must** use the Simplified Method.

1. The payments are for **(a)** your life or **(b)** your life and that of your beneficiary.

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

3. At the time the pension or annuity payments began, either you were under age 75 or the number of years of guaranteed payments was fewer than 5. See Pub. 575 for the definition of guaranteed payments.

If all three apply, use the worksheet on this page 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.

**Caution:** If you received U.S. Civil Service retirement benefits and you chose the lump-sum credit option, use the worksheet in Pub. 721. **Do not** use the worksheet on this page.

**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.

**Changing Methods**

If your annuity starting date was **after** July 1, 1986, and **before** November 19, 1996, you may be able to change from the General Rule to the Simplified Method (or the other way around). For details, see Pub. 575 or Pub. 721.

**Cost**

Your cost is generally your net investment in the plan as of the annuity starting date. It should be shown in box 9b of Form 1099-R for the first year you received payments from the plan.

**Simplified Method Worksheet—Lines 16a and 16b**  
(keep for your records)



**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 1998 on Form 1040, line 16a.

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

**TABLE 1 FOR LINE 3 ABOVE**

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

**Death Benefit Exclusion.** If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, amounts paid to you by, or on behalf of, an employer because of the death of the employee may qualify for a death benefit exclusion of up to \$5,000. If you are entitled to this exclusion, add it to the amount you enter on line 2 of the worksheet on the previous page. Do this even if the Form 1099-R shows a taxable amount. The payer of the annuity cannot add the death benefit exclusion to your cost when figuring the taxable amount. Special rules apply if you are the survivor under a joint and survivor's annuity. For details, see Pub. 575.

### 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 either directly or within 60 days of receiving the distribution. 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 53 on page 35.

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 at least age 59½ on the date of the distribution, 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 either age 59½ or older on the date of death or was born before 1936. For details, see **Form 4972**.*

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## Line 19

### Unemployment Compensation

You should receive a **Form 1099-G** showing the total unemployment compensation paid to you in 1998.

If you received an overpayment of unemployment compensation in 1998 and you repaid any of it in 1998, 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 1998, 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.

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## 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 1998. If you received railroad retirement benefits treated as social security, you should receive a **Form RRB-1099**.

To find out if any of your benefits are taxable, you will first need to complete Form 1040, lines 21, 23, and 25 through 31a, and figure any amount to be entered on the dotted line next to line 32. Then, complete the worksheet on the next page. However, **do not** use the worksheet if any of the following apply.

- You made contributions to a traditional IRA for 1998 and you were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in **Pub. 590** to see if any of your social security benefits are taxable and to figure your IRA deduction.

- You repaid any benefits in 1998 and your total repayments (box 4) were more than your total benefits for 1998 (box 3). **None** of your benefits are taxable for 1998. 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**.

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## Line 21

### Other Income

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



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

**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.

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

- Prizes and awards.
- Gambling winnings, including lotteries, raffles, 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 32 on page 28.
- Alaska Permanent Fund dividends.
- 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 32 on page 28.
- Income from an activity not engaged in for profit. See **Pub. 535**.
- Loss on certain corrective distributions of excess deferrals. See **Pub. 575**.

**Social Security Benefits Worksheet—Lines 20a and 20b**  
(keep for your records)



If you are married filing separately and you **lived apart** from your spouse for all of 1998, enter "D" to the left of line 20a.

1. Enter the total amount from **box 5** of all your **Forms SSA-1099** and **RRB-1099** . . . . . 1.
- Note:** If line 1 is zero or less, **stop**; none of your social security benefits are taxable. Otherwise, go to line 2.
2. Enter one-half of line 1 . . . . . 2.
3. Add the amounts on Form 1040, lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . . 3.
4. Enter the amount, if any, from Form 1040, line 8b . . . . . 4.
5. Add lines 2, 3, and 4 . . . . . 5.
6. Add the amounts on Form 1040, lines 23, and 25 through 31a, and any amount you entered on the dotted line next to line 32 . . . . . 6.
7. Subtract line 6 from line 5 . . . . . 7.
8. Enter: \$25,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 1998; \$32,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 1998 . . . . . 8.
9. Subtract line 8 from line 7. If zero or less, enter -0- . . . . . 9.
- Is line 9 more than zero?**  
**No. Stop;** none of your social security benefits are taxable. You do not have to enter any amounts on lines 20a or 20b of Form 1040. **But** if you are married filing separately and you **lived apart** from your spouse for all of 1998, enter -0- on line 20b. Be sure to enter "D" to the left of line 20a.  
**Yes.** Go to line 10.
10. Enter: \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 1998; \$12,000 if married filing jointly; -0- if married filing separately and you lived with your spouse at any time in 1998 . . . . . 10.
11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . . 11.
12. Enter the **smaller** of line 9 or line 10 . . . . . 12.
13. Enter one-half of line 12 . . . . . 13.
14. Enter the **smaller** of line 2 or line 13 . . . . . 14.
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . . 15.
16. Add lines 14 and 15 . . . . . 16.
17. Multiply line 1 by 85% (.85) . . . . . 17.
18. **Taxable social security benefits.** Enter the **smaller** of line 16 or line 17 . . . . . 18.
- Enter the amount from line 1 on Form 1040, line 20a.
- Enter the amount from line 18 on Form 1040, line 20b.

**TIP** If part of your benefits are taxable for 1998 **and** they include benefits paid in 1998 that were for an earlier year, you may be able to reduce the taxable amount shown on the worksheet. See Pub. 915 for details.

**Adjusted Gross Income**

**Line 23**

**IRA Deduction**

**TIP** If you make any nondeductible contributions to a traditional IRA for 1998, you must report them on **Form 8606**.

If you made contributions to a traditional individual retirement arrangement (IRA) for 1998, you may be able to take an IRA deduction. But you must have had earned income to do so. For IRA purposes, earned income includes certain alimony received. See **Pub. 590** for details. You should receive a statement by June 1, 1999, that shows all contributions to your traditional IRA for 1998.

Use the worksheet on the next page 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 1998, you **cannot** deduct any contributions made to your traditional IRA for 1998 or treat them as nondeductible contributions.
- You **cannot** deduct contributions to a Roth IRA or an education IRA.

**Caution:** If you made contributions to both a traditional IRA and a Roth IRA for 1998, **do not** use the worksheet on the next page. Instead, use the worksheet in **Pub. 590** to figure the amount, if any, of your IRA deduction.

- You **cannot** deduct contributions to a 401(k) plan, SIMPLE plan, or the Federal Thrift Savings Plan. These amounts are not included as income in box 1 of your W-2 form.
- You will first need to complete Form 1040, lines 25 through 31a, and figure any amount to be entered on the dotted line next to line 32.
- If you made contributions to your IRA in 1998 that you deducted for 1997, **do not** include them in the worksheet.
- If you received a distribution from a nonqualified deferred compensation plan or section 457 plan that is included in box 1 of your W-2 form, do not include that distribution on line 8 of the

worksheet. The distribution should be shown in box 11 of your W-2 form.

- 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 23.

- Do not include rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b on page 22.

- Do not include trustee's 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 Form 1040 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 1998, 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.

(continued)

## IRA Deduction Worksheet—Line 23

(keep for your records)



Before you begin, read the list that begins on page 25.

	Your IRA	Spouse's IRA
1a. Were you covered by a retirement plan (see the next page)? . . . . .	1a. <input type="checkbox"/> Yes <input type="checkbox"/> No	
1b. If married filing jointly, was your spouse covered by a retirement plan? . . . . .		1b. <input type="checkbox"/> Yes <input type="checkbox"/> No
<p><b>Next:</b> If you checked "No" on line 1a, and, if married filing jointly, "No" on line 1b, skip lines 2–6, enter \$2,000 on line 7a (and 7b if applicable), and go to line 8. Otherwise, go to line 2.</p>		
2. Enter the amount shown below for your filing status:		
<ul style="list-style-type: none"> <li>Single, head of household, or married filing separately and you <b>lived apart</b> from your spouse for all of 1998, enter \$40,000</li> <li>Qualifying widow(er), enter \$60,000</li> <li>Married filing jointly, enter \$60,000 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</li> <li>Married filing separately and you lived with your spouse at any time in 1998, enter \$10,000</li> </ul>	2a. <input style="width: 100px;" type="text"/>	2b. <input style="width: 100px;" type="text"/>
3. Enter the amount from Form 1040, line 22 . . . . . 3.	<input style="width: 100px;" type="text"/>	
4. Add amounts on Form 1040, lines 25 through 31a, and any amount you entered on the dotted line next to line 32 . . . . . 4.	<input style="width: 100px;" type="text"/>	
5. Subtract line 4 from line 3. Enter the result in both columns. If this amount is equal to or more than the amount on line 2, none of your IRA contributions are deductible. <b>Stop here.</b> For details on nondeductible IRA contributions, see Form 8606 . . . . .	5a. <input style="width: 100px;" type="text"/>	5b. <input style="width: 100px;" type="text"/>
6. Subtract line 5 from line 2 in each column. <b>If the result is \$10,000 or more, enter \$2,000 on line 7 and go to line 8 for that column</b> . . . . .	6a. <input style="width: 100px;" type="text"/>	6b. <input style="width: 100px;" type="text"/>
7. Multiply lines 6a and 6b by 20% (.20). If the result is not a multiple of \$10, round it up to the next multiple of \$10 (for example, round \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200 . . . . .	7a. <input style="width: 100px;" type="text"/>	7b. <input style="width: 100px;" type="text"/>
8. Enter your wages, and your spouse's if filing jointly, and other earned income from Form 1040, minus any deductions on Form 1040, lines 27 and 29. Do not reduce wages by any loss from self-employment . . . . . 8.	<input style="width: 100px;" type="text"/>	
<b>Caution:</b> If married filing jointly and line 8 is less than \$4,000, <b>stop here</b> and see <b>Pub. 590</b> to figure your IRA deduction.		
9. Enter traditional IRA contributions made, or that will be made by April 15, 1999, for 1998 to your IRA on line 9a and to your spouse's IRA on line 9b . . . . .	9a. <input style="width: 100px;" type="text"/>	9b. <input style="width: 100px;" type="text"/>
10. On line 10a, enter the <b>smallest</b> of line 7a, line 8, or line 9a. On line 10b, enter the <b>smallest</b> of line 7b, line 8, or line 9b. This is the most you can deduct. Add the amounts on lines 10a and 10b and enter the total on Form 1040, line 23. Or, if you want, you may deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606) . . . . .	10a. <input style="width: 100px;" type="text"/>	10b. <input style="width: 100px;" type="text"/>



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

### Were You Covered by a Retirement Plan?

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

The "Pension plan" box in box 15 of your W-2 form should be checked if you were covered by a plan at work even if you were not vested in the plan. You are also covered by a plan if you were self-employed and had a Keogh, SEP, or SIMPLE 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 1998.

## Line 24

### Student Loan Interest Deduction

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

1. You paid interest in 1998 on a qualified student loan (see this page).
2. At least part of the interest paid in 1998 was paid during the first 60 months that payments were required to be made. See **Example** on this page.
3. Your filing status is any status **except** married filing separately.
4. Your modified adjusted gross income (AGI) is less than: \$55,000 if single, head of household, or qualifying widow(er); \$75,000 if married filing jointly. Most people can use lines 3 through 5 of the worksheet on this page to figure their modified AGI.
5. You are not claimed as a dependent on someone's (such as your parent's) 1998 tax return.

If all five apply, use the worksheet on this page to figure your deduction. But first you will need to complete Form 1040, lines 25 through 31a, and figure any amount to be entered on the dotted line next to line 32.

**Example.** You took out a qualified student loan in 1991 while in college. You had 6 years to repay the loan and your first monthly payment was due July 1993, after you graduated. You made a payment every month as required. If you meet items 3 through 5 listed earlier, you may use only the interest you paid for January through June 1998 to figure your deduction. June is the end of the 60-month period (July 1993–June 1998).

**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 (see the next page). However, a loan is not a qualified student loan if **(1)** any of the proceeds were used for other purposes or **(2)** 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 nontaxable benefits:

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

(continued)

### Student Loan Interest Deduction Worksheet—Line 24 (keep for your records)



**Caution:** If you file **Form 2555, 2555-EZ, or 4563**, or you are excluding income from sources within Puerto Rico, skip lines 3 and 4 below and see Pub. 970 to figure your modified AGI to enter on line 5 below.

1. Enter the total interest you paid in 1998 on qualified student loans (defined on this page). Do not include interest that was required to be paid after the first 60 months . . . . .	1.	<input type="text"/>
2. Enter the <b>smaller</b> of line 1 or \$1,000 . . . . .	2.	<input type="text"/>
3. Enter the amount from Form 1040, line 22 . . . . .	3.	<input type="text"/>
4. Enter the total of the amounts from Form 1040, line 23, lines 25 through 31a, plus any amount you entered on the dotted line next to line 32 . . . . .	4.	<input type="text"/>
5. Modified AGI. Subtract line 4 from line 3 . . . . .	5.	<input type="text"/>
<b>Note:</b> If line 5 is \$55,000 or more if single, head of household, or qualifying widow(er) or \$75,000 or more if married filing jointly, <b>stop here</b> . You <b>cannot</b> take the deduction.		
6. Enter: \$40,000 if single, head of household, or qualifying widow(er); \$60,000 if married filing jointly . . . . .	6.	<input type="text"/>
7. Subtract line 6 from line 5. If zero or less, enter -0- here and on line 9, skip line 8, and go to line 10 . . . . .	7.	<input type="text"/>
8. Divide line 7 by \$15,000. Enter the result as a decimal (rounded to at least three places) . . . . .	8.	<input type="text"/>
9. Multiply line 2 by line 8 . . . . .	9.	<input type="text"/>
10. <b>Student loan interest deduction.</b> Subtract line 9 from line 2. Enter the result here and on Form 1040, line 24. <b>Do not</b> include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.) . . . . .	10.	<input type="text"/>

- Excludable U.S. series EE savings bond interest from **Form 8815**.
- Qualified distributions from an education IRA.
- 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 work load for the course of study he or she was pursuing.

## Line 25

### Medical Savings Account Deduction

If you made contributions to a medical savings account for 1998, you may be able to take this deduction. See **Form 8853**.

## Line 26

### Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50

miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 50 miles from your old home. Use TeleTax topic 455 (see page 9) or see **Form 3903**.

## Line 27

### One-Half of Self-Employment Tax

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

## Line 28

### Self-Employed Health Insurance Deduction

If you were self-employed and had a net profit for the year, or if you received wages in 1998 from an S corporation in which you were a more-than-2% shareholder, you may be able to deduct part of the amount paid for health insurance for yourself, your spouse, and dependents. 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 1998, 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 cov-

erage for September through December to figure your deduction. For more details, see **Pub. 535**.

If you qualify to take the deduction, use the worksheet on this page to figure the amount you can deduct. But if any of the following apply, **do not** use the worksheet. Instead, see Pub. 535 to find out how to figure your deduction.

- 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 29

### Keogh and Self-Employed SEP and SIMPLE Plans

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

## Line 30

### Penalty on Early Withdrawal of Savings

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

## Lines 31a and 31b

### Alimony Paid

If you made payments to or for your spouse or former spouse under a divorce or separation instrument, you may be able to take this deduction. Use TeleTax topic 452 (see page 9) or see **Pub. 504**.

## Line 32

Include in the total on line 32 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 32, enter the amount of your deduction and identify it as indicated.

- 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 personal property engaged in for profit. Identify as "PPR."

## Self-Employed Health Insurance Deduction Worksheet— Line 28 (keep for your records)



1. Enter the total amount paid in 1998 for health insurance coverage established under your business for 1998 for you, your spouse, and dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan . . . . .	1.	
2. Multiply line 1 by 45% (.45) . . . . .	2.	
3. Enter your net profit and any other earned income* from the business under which the insurance plan is established, minus any deductions you claim on Form 1040, lines 27 and 29. . . . .	3.	
4. <b>Self-employed health insurance deduction.</b> Enter the smaller of line 2 or line 3 here and on Form 1040, line 28. DO NOT include this amount in figuring any medical expense deduction on Schedule A (Form 1040) . . . . .	4.	

\* **Earned income** includes net earnings and gains from the sale, transfer, or licensing of property you created. It does not include capital gain income. If 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.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

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

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

- Contributions to section 501(c)(18) pension plans (see **Pub. 575**). Identify as "501(c)(18)."

- Deduction for clean-fuel vehicles (see **Pub. 535**). Identify as "Clean-Fuel."

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

### Line 33

If line 33 is less than zero, you may have a net operating loss that you can carry to another tax year. See **Pub. 536**.

## Tax and Credits

### Line 35a

If you were age 65 or older or blind, check the appropriate boxes on line 35a. If you were married and checked the box on line 6b of Form 1040 and your spouse was age 65 or older or blind, also check the appropriate boxes for your spouse. Be sure to enter the total number of boxes checked.

### Age

If you were age 65 or older on January 1, 1999, check the "65 or older" box on your 1998 return.

### Blindness

If you were partially blind as of December 31, 1998, 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 must also get a statement certified by your eye doctor or registered optometrist to this effect. You must keep the statement for your records.

### Line 35b

If your spouse itemizes deductions on a separate return or if you were a dual-status alien, check the box on line 35b. 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 1998 and you and your spouse agree to be taxed on your combined worldwide income, **do not** check the box.

### Standard Deduction Chart for People Age 65 or Older or Blind—Line 36

If someone can claim you (or your spouse if married filing jointly) as a dependent, use the worksheet below instead.

Enter the number from the box on line 35a of Form 1040 . . .  **Caution:** 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	\$5,300
	2	6,350
Married filing jointly or Qualifying widow(er)	1	\$7,950
	2	8,800
	3	9,650
	4	10,500
Married filing separately	1	\$4,400
	2	5,250
	3	6,100
	4	6,950
Head of household	1	\$7,300
	2	8,350

### Standard Deduction Worksheet for Dependents—Line 36

(keep for your records)



Use this worksheet **only** if someone can claim you (or your spouse if married filing jointly) as a dependent.

1. Add \$250 to your <b>earned income</b> (defined below). Enter the total . . . . .	1.	<input type="text"/>
2. Minimum standard deduction . . . . .	2.	700.00
3. Enter the <b>larger</b> of line 1 or line 2 . . . . .	3.	<input type="text"/>
4. Enter: \$4,250 if single; \$3,550 if married filing separately; \$7,100 if married filing jointly or qualifying widow(er); \$6,250 if head of household . . . . .	4.	<input type="text"/>
5. <b>Standard deduction.</b>		
a. Enter the <b>smaller</b> of line 3 or line 4. If under 65 and not blind, stop here and enter this amount on Form 1040, line 36. Otherwise, go to line 5b . . . . .	5a.	<input type="text"/>
b. If 65 or older or blind, multiply the number on Form 1040, line 35a, by: \$1,050 if single or head of household; \$850 if married filing jointly or separately or qualifying widow(er)	5b.	<input type="text"/>
c. Add lines 5a and 5b. Enter the total here and on Form 1040, line 36 . . . . .	5c.	<input type="text"/>

**Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form 1040, lines 7, 12, and 18, minus the amount, if any, on line 27.

## Line 36

### Itemized Deductions or Standard Deduction

Your Federal income tax will be less if you take the **larger** of:

- Your itemized deductions, or
- Your standard deduction.

**Caution:** If you checked the box on **line 35b**, 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 line 36 of Form 1040. But if you checked **any** box on **line 35a** OR you (or your spouse if filing

jointly) can be claimed as a dependent, use the chart or worksheet on page 29 that applies to you to figure your standard deduction. Also, if you checked the box on **line 35b**, your standard deduction is zero, even if you were age 65 or older or blind.

### Electing To Itemize for State Tax or Other Purposes

If you itemize even though your itemized deductions are less than your standard deduction, enter "IE" next to line 36.

## Line 39

### Taxable Income

#### If You Want, the IRS Will Figure Your Tax and Some of Your Credits

**Tax.** If you have paid too much, we will send you a refund. If you did not pay

enough, we will send you a bill. For details, including who is eligible and what to do, see **Pub. 967**.

**Credit for the Elderly or the Disabled.** If you can take this credit and you want us to figure it for you, see the instructions for **Schedule R**.

**Earned Income Credit (EIC).** Answer the questions on page 37 to see if you can take this credit. If you can take the EIC and you want us to figure it for you, follow the instructions for question 4 or 9, whichever applies.

## Line 40

### Tax

Use one of the following methods to figure your tax. Also include in the total on line 40 any tax from **Form 4972** or **Form 8814**. Be sure to check the appropriate box.

#### Tax Table or Tax Rate Schedules

You must use the Tax Table or Tax Rate Schedules to figure your tax unless you are required to use **Form 8615** or **Schedule D**, or you use **Schedule J** (for farm income). If your taxable income is less than \$100,000, you **must** use the Tax Table, which starts on page 52. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Rate Schedules on page 64.

#### Schedule D

If you had a net capital gain on Schedule D (both lines 16 and 17 of Schedule D are gains) and the amount on Form 1040, line 39, is more than zero, use Part IV of Schedule D to figure your tax.

#### Form 8615

Form 8615 must generally be used to figure the tax for any child who was under age 14 on January 1, 1999, and who had more than \$1,400 of investment income, such as taxable interest or dividends. But if neither of the child's parents was alive on December 31, 1998, do not use Form 8615 to figure the child's 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.

## Deduction for Exemptions Worksheet—Line 38

(keep for your records)



1. Is the amount on Form 1040, line 34, more than the amount shown on line 4 below for your filing status? <b>No. Stop.</b> Multiply \$2,700 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on line 38. <b>Yes.</b> Go to line 2.		
2. Multiply \$2,700 by the total number of exemptions claimed on Form 1040, line 6d . . . . .	2.	<input type="text"/>
3. Enter the amount from Form 1040, line 34 . . . . .	3.	<input type="text"/>
4. Enter the amount shown below for your filing status: • Single, enter \$124,500 • Married filing jointly or Qualifying widow(er), enter \$186,800 • Married filing separately, enter \$93,400 • Head of household, enter \$155,650	4.	<input type="text"/>
5. Subtract line 4 from line 3. If zero or less, <b>stop</b> ; enter the amount from line 2 above on Form 1040, line 38 . . . . . <b>Note:</b> If line 5 is more than: \$122,500 if single, married filing jointly, head of household, or qualifying widow(er); \$61,250 if married filing separately, <b>stop</b> ; you <b>cannot</b> take a deduction for exemptions. Enter -0- on Form 1040, line 38.	5.	<input type="text"/>
6. Divide line 5 by: \$2,500 if single, married filing jointly, head of household, or qualifying widow(er); \$1,250 if married filing separately. If the result is not a whole number, round it up to the next higher whole number (for example, round 0.0004 to 1). . . . .	6.	<input type="text"/>
7. Multiply line 6 by 2% (.02) and enter the result as a decimal amount . . . . .	7.	<input type="text"/>
8. Multiply line 2 by line 7 . . . . .	8.	<input type="text"/>
9. <b>Deduction for exemptions.</b> Subtract line 8 from line 2. Enter the result here and on Form 1040, line 38 . . . . .	9.	<input type="text"/>



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

## Line 41

### 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 9) or see **Form 2441**.

## Line 42

### Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 1998 (1) you were age 65 or older, or (2) 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 34, is \$17,500 or more (\$20,000 if married filing jointly and only one spouse is eligible for the credit; \$25,000 if married filing jointly and both spouses are eligible; \$12,500 if married filing separately). See **Schedule R**.

## Line 43

### Child Tax Credit



*This credit is in addition to the child and dependent care credit and the earned income credit that you may be able to claim.*

#### What Is the Child Tax Credit?

The child tax credit is a credit for people who have a qualifying child; it reduces tax people owe. The credit can be as much as \$400 for each qualifying child.

**Note:** *If the amount on Form 1040, line 40, is zero, you **cannot** take this credit because there is no tax to reduce. But if you have three or more qualifying children, you may be able to take the additional child tax credit on Form 1040, line 60. To find out if you can, you will need to complete the **Child Tax Credit Worksheet** on page 32 even though you cannot take the credit.*

#### How Do You Figure the Credit?

Use the **Child Tax Credit Worksheet** on page 32 to figure the amount of your credit. If you are going to claim an education credit on Form 1040, line 44, you need to know the amount of that credit to figure your child tax credit. Complete **Form 8863** and enter your education credit(s) on Form 1040, line 44.

You may also need to know the following information.

**Modified adjusted gross income** is the amount from Form 1040, line 34, increased by the total of any:

- Exclusion of income from Puerto Rico, **and**
- Amount from **Form 2555**, lines 43 and 48; **Form 2555-EZ**, line 18; and **Form 4563**, line 15.

#### Who Is a Qualifying Child?

A qualifying child is a child who:

- Is claimed as your dependent on Form 1040, line 6c, **and**
- Was **under age 17** at the end of 1998, **and**
- Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
- Is a United States citizen or resident alien.

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

A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final.

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

A **foster child** is any child you cared for as your own child and who lived with you for all of 1998. A child who was born or died in 1998 is considered to have lived with you for all of 1998 if your home was the child's home for the entire time he or she was alive in 1998.

To find out who is a **resident alien**, use TeleTax topic 851 (see page 9) or see **Pub. 519**.

**Caution:** *Make sure you checked the box in column (4) of line 6c for each qualifying child.*

#### Additional Child Tax Credit

You may be able to take the additional child tax credit on Form 1040, line 60, if **both 1 and 2** below apply.

1. The amount on line 1 of the **Child Tax Credit Worksheet** is more than \$800.
2. The amount on line 7 of the Child Tax Credit Worksheet is more than the amount on line 11 of that worksheet.

But first complete your return through line 59b. Then, complete **Form 8812** to figure any additional child tax credit.



# Child Tax Credit Worksheet—Line 43

Do Not File



► Keep for your records.

1. \$400.00 × _____ . Multiply and enter the result . . . . .	1.		
▲ Enter number of qualifying children (see page 31)			
2. Are you filing <b>Form 2555, 2555-EZ, or 4563</b> , or are you excluding income from Puerto Rico?			
<input type="checkbox"/> <b>No.</b> Enter the amount from Form 1040, line 34.	}	2.	
<input type="checkbox"/> <b>Yes.</b> Enter your <b>modified adjusted gross income</b> (see page 31).			
3. Enter the amount shown below for your filing status:			
• Married filing jointly, enter \$110,000	}	3.	
• Single, head of household, or qualifying widow(er), enter \$75,000			
• Married filing separately, enter \$55,000			
4. Is line 2 more than line 3?			
<input type="checkbox"/> <b>No.</b> Skip lines 4 and 5, enter -0- on line 6, and go to line 7.	}	4.	
<input type="checkbox"/> <b>Yes.</b> Subtract line 3 from line 2 . . . . .			
5. Divide line 4 by \$1,000. If the result is not a whole number, round it up to the next higher whole number (for example, round 0.01 to 1) . . . . .		5.	
6. Multiply \$50 by the number on line 5. . . . .		6.	
7. Subtract line 6 from line 1. If zero or less, <b>stop here</b> ; you <b>cannot</b> take this credit . . . . .		7.	
8. Enter the amount from Form 1040, line 40 . . . . .		8.	
9. Is line 1 above more than \$800?			
<input type="checkbox"/> <b>No.</b> Add the amounts from Form 1040, lines 41, 42, and 44. Enter the total.	}	9.	
<input type="checkbox"/> <b>Yes.</b> Enter the amount from the worksheet on page 33.			
10. Subtract line 9 above from line 8 . . . . .		10.	
11. <b>Child tax credit.</b> Enter the <b>smaller</b> of line 7 or line 10 here and on Form 1040, line 43		11.	



*If line 1 above is more than \$800, you may be able to take the **Additional Child Tax Credit**. See page 31.*



**Line 9 of Child Tax Credit Worksheet on Page 32** (keep for your records)

Use this worksheet **only** if you checked "Yes" on line 9 of the worksheet on page 32.

1. Add the amounts from Form 1040, lines 41, 42, and 44. Enter the total . . . . .	1.	<input type="text"/>	<input type="text"/>
2. Are you claiming any of the following credits: the adoption credit ( <b>Form 8839</b> ), the mortgage interest credit ( <b>Form 8396</b> ), or the District of Columbia first-time homebuyer credit ( <b>Form 8859</b> )?			
<input type="checkbox"/> <b>No.</b> <b>Stop here;</b> enter the amount from line 1 above on line 9 of the worksheet on page 32.			
<input type="checkbox"/> <b>Yes.</b> Enter the amount from line 7 of the worksheet on page 32 . . . . .			
<b>Next,</b> complete Form 1040, lines 52, 59a, 59b, and 62 if they apply to you. Then, go to line 3 below.			
3. Enter the total social security and Medicare taxes withheld from your pay (and your spouse's if filing a joint return). These taxes should be shown in boxes 4 and 6 of your W-2 form(s). If you worked for a railroad, see below . . . . .	3.	<input type="text"/>	<input type="text"/>
4. Enter the total of the amounts from Form 1040, line 27 and line 52, plus any uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. This tax should be shown in box 13 of your W-2 form(s) with codes <b>A</b> and <b>B</b> or <b>M</b> and <b>N</b> .	4.	<input type="text"/>	<input type="text"/>
5. Add lines 3 and 4 . . . . .	5.	<input type="text"/>	<input type="text"/>
6. Add the amounts from Form 1040, lines 59a and 62. Enter the total . . . . .	6.	<input type="text"/>	<input type="text"/>
7. Subtract line 6 from line 5. If zero, <b>stop here;</b> enter the amount from line 1 above on line 9 of the worksheet on page 32 . . . . .	7.	<input type="text"/>	<input type="text"/>
8. Subtract line 7 from line 2. If line 7 is more than line 2, enter -0-. This is your child tax credit for purposes of figuring the credits listed on line 2 . . . . .	8.	<input type="text"/>	<input type="text"/>
<b>Next,</b> complete the applicable credit form(s) listed on line 2. Use the amount from line 8 above in place of the amount from Form 1040, line 43. Then, go to line 9 below.			
9. Enter the total of any adoption credit from Form 8839, line 14, mortgage interest credit from Form 8396, line 11, and District of Columbia first-time homebuyer credit from Form 8859, line 11 . . . . .	9.	<input type="text"/>	<input type="text"/>
10. Add lines 1 and 9. Enter the total here and on line 9 of the worksheet on page 32 . . . . .	10.	<input type="text"/>	<input type="text"/>

**Railroad Employees.** Include the following taxes in the total on line 3 above.

- Tier 1 tax withheld from your pay. This tax should be shown in box 14 of your W-2 form(s) and identified as "Tier 1 tax."
- If you were an employee representative, 50% of the total Tier 1 tax and Tier 1 Medicare tax you paid for 1998.

**Line 44**

**Education Credits**

If you (or your dependent) paid expenses in 1998 for yourself, your spouse, or your dependent to enroll in or attend the first 2 years of post-secondary education, you may be able to take the Hope credit. For qualified expenses paid after June 30, 1998, you may be able to take the lifetime learning credit. See **Form 8863** for details. However, if you are married filing separately, you **cannot** take either credit.

**Line 45**

**Adoption Credit**

You may be able to take this credit if you paid expenses in 1997 or 1998 to adopt a child. See **Form 8839** for details.

**Line 46**

**Foreign Tax Credit**

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

**Exception.** You do not have to file 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.

If you meet all five requirements, enter your total foreign tax on line 46. If you do not, see Form 1116 to find out if you can take the credit and, if you can, if you have to file Form 1116. If you need more information about these requirements, see the instructions for Form 1116.

## Line 47

### Other Credits

Include in the total on line 47 any of the following credits and check the appropriate box. If box **d** is checked, also enter the form number. To find out if you can take the credit, see the form or publication indicated.

• Mortgage interest credit. If a state or local government gave you a mortgage credit certificate, see **Form 8396**.

• 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 1998, 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 employment credit. See **Form 8844**.

• District of Columbia first-time homebuyer credit. See **Form 8859**.

## Line 48

If you sold fuel produced from a non-conventional source, see Internal Revenue Code section 29 to find out if you can take the **nonconventional source fuel credit**. If you can, attach a sched-

ule showing how you figured the credit. Include the credit in the total on line 48. Enter the amount and "FNS" on the dotted line next to line 48.

## Other Taxes

### Line 51

#### Alternative Minimum Tax

Use the worksheet on this page to see if you should complete **Form 6251**.

**Exception.** If you claimed or received any of the following items, **do not** use the worksheet. Instead, fill in Form 6251.

1. Accelerated depreciation.
2. Income from incentive stock options.
3. Tax-exempt interest from private activity bonds.

4. Intangible drilling, circulation, research, experimental, or mining costs.

5. Amortization of pollution-control facilities or depletion.

6. Income or (loss) from tax-shelter farm activities or passive activities.

7. Percentage-of-completion income from long-term contracts.

8. Interest paid on a home mortgage **not** used to buy, build, or substantially improve your home.

9. Investment interest expense reported on **Form 4952**.

10. Foreign tax credit.

11. Net operating loss deduction.

12. Alternative minimum tax adjustments from an estate, trust, electing large partnership, or a cooperative.

13. Section 1202 exclusion.

**Caution:** *Form 6251 should be filled in for a child under age 14 if the child's adjusted gross income from Form 1040, line 34, exceeds the child's earned income by more than \$5,000.*

### Worksheet To See If You Should Fill In Form 6251—Line 51 (keep for your records)



1. Enter the amount from Form 1040, line 37 . . . . .	1.	
2. If you itemized deductions on Schedule A, go to line 3. Otherwise, enter your standard deduction from Form 1040, line 36, and go to line 5 . . . . .	2.	
3. Enter the <b>smaller</b> of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 34 . . . . .	3.	
4. Add lines 9 and 26 of Schedule A and enter the total . . . . .	4.	
5. Add lines 1 through 4 above . . . . .	5.	
6. Enter: \$45,000 if married filing jointly or qualifying widow(er); \$22,500 if married filing separately; \$33,750 if single or head of household . . . . .	6.	
7. Subtract line 6 from line 5. If zero or less, <b>stop</b> ; you do not need to fill in Form 6251 . . . . .	7.	
8. Enter: \$150,000 if married filing jointly or qualifying widow(er); \$75,000 if married filing separately; \$112,500 if single or head of household . . . . .	8.	
9. Subtract line 8 from line 5. If zero or less, enter -0- here and on line 10 and go to line 11 . . . . .	9.	
10. Multiply line 9 by 25% (.25) and enter the result but do not enter more than line 6 above . . . . .	10.	
11. Add lines 7 and 10. If the total is over: \$175,000 if single, married filing jointly, head of household, or qualifying widow(er); \$87,500 if married filing separately, <b>stop</b> and fill in Form 6251 to see if you owe the alternative minimum tax . . . . .	11.	
12. Multiply line 11 by 26% (.26) . . . . .	12.	

**Next:** If line 12 is more than the amount on Form 1040, line 40 (excluding any amount from Form 4972), fill in Form 6251 to see if you owe the alternative minimum tax. If line 12 is equal to or less than that amount, **do not** fill in Form 6251.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

## Line 52

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

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

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

**Caution:** *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 53

### Tax on IRAs, Other Retirement Plans, and MSAs

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. You made excess contributions to your IRA or MSA.

3. You were born before July 1, 1927, 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 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 53. 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, enter "No" next to line 53 to indicate that you do not have to file Form 5329. **But** if distribution code 1 is incorrectly shown in box 7, you must file Form 5329.

## Line 54

### Advance Earned Income Credit Payments

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

## Line 55

### 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 \$1,100 or more in 1998.

2. You withheld Federal income tax during 1998 at the request of any household employee.

3. You paid **total** cash wages of \$1,000 or more in **any** calendar **quarter** of 1997 or 1998 to household employees.



*For item 1, do not count amounts paid to an employee who was under age 18 at any time in 1998 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 56

### Total Tax

Include in the total on line 56 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 56, 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. Identify as "IECR."

**Recapture of Federal Mortgage Subsidy.** If you sold your home in 1998 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 13 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 13 of your W-2 form with code **K**. If you received a **Form 1099-MISC**, the tax is 20% of the EPP shown in box 13. Identify as "EPP."

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

## Payments

## Line 57

### 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 57. 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 57 includes amounts withheld as shown on Form 1099-R, attach the Form 1099-R.

If you received a 1998 Form 1099 showing Federal income tax withheld on dividends, interest income, unemployment compensation, or other income you received, include the amount with-

held in the total on line 57. This should be shown in box 4 of the 1099 form.

---

## Line 58

### 1998 Estimated Tax Payments

Enter any payments you made on your estimated Federal income tax (**Form 1040-ES**) for 1998. Include any overpayment from your 1997 return that you applied to your 1998 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid. Or you can each claim part of it. See **Pub. 505** for details on how to report your payments. 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 1998 or in 1999 before filing a 1998 return.

### Divorced Taxpayers

If you got divorced in 1998 and you made joint estimated tax payments with your former spouse, enter your former spouse's SSN in the space provided on the front of Form 1040. If you were divorced and remarried in 1998, enter your present spouse's SSN in the space provided on the front of Form 1040. Also, under the heading "Payments" to the left of line 58, enter your former spouse's SSN, followed by "DIV."

### Name Change

If you changed your name because of marriage, divorce, etc., and you made estimated tax payments using your former name, attach a statement to the front of Form 1040. On the statement, explain all the payments you and your spouse made in 1998 and the name(s) and SSN(s) under which you made them.

---

## Lines 59a and 59b

### Earned Income Credit (EIC)

The EIC reduces tax you owe and may give you a refund even if you do not owe any tax. The credit can be as much as—

- \$341 if you do not have a qualifying child (defined on this page),
- \$2,271 if you have one qualifying child, or

- \$3,756 if you have more than one qualifying child.

### Who Can Take the EIC

Answer the questions on the next page to see if you can take this credit. **But you cannot** take the credit if **any** of the following apply.

- Your filing status is married filing separately.
- You are filing **Form 2555** or **2555-EZ**, relating to foreign earned income.
- You were a nonresident alien for any part of 1998 and your filing status is any status **except** married filing jointly.
- You, or your spouse if filing a joint return, **(1)** were the qualifying child of another person in 1998, or **(2)** do not have a social security number (defined below). If you cannot take the credit for either of these reasons, enter "No" directly to the right of line 59a.

**Caution:** *If it is determined that you are not entitled to the earned income credit due to reckless or intentional disregard of the rules, you cannot claim the credit for the next 2 years. If you fraudulently claimed the credit, you cannot claim it for the next 10 years. If your 1997 earned income credit was disallowed as the result of deficiency procedures, you must complete and attach **Form 8862** to claim the credit this year.*

**Social Security Number (SSN).** For purposes of the EIC, an SSN means a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States.

### Qualifying Child

A qualifying child is a child who:

1. Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
2. Was (at the end of 1998)—
  - under age 19,
  - under age 24 and a student (see this page), or
  - any age and permanently and totally disabled (see this page), **and**
3. Lived with you in the United States for more than half of 1998 (for all of 1998 if a foster child). If the child did not live with you for the required time, see the **Exception** on this page.

**Caution:** *The child must have an SSN (defined earlier) unless the child was born and died in 1998.*

A child does not always have to be your dependent to qualify. But if the child was married or is also a qualifying child of another person (other than your spouse if filing a joint return), special rules apply. See **Married Child and Qualifying Child of More Than One Person** on the next page.

**Example.** You are divorced and have a 7-year-old son. Although you had custody of your son, he is claimed as a dependent on his other parent's 1998 tax return. Your son is **your** qualifying child because he meets each of the three requirements listed earlier. Your son is not a qualifying child of his other parent because he did not live with the other parent for more than half of 1998 and the **Exception** does not apply.

The following explains some of the terms used earlier.

- A **foster child** is any child you cared for as your own child. For example, if you acted as the parent of your niece or nephew, this child is considered your foster child.

- A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final.

- A **grandchild** is any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

- A **student** is a child who during any 5 months of 1998—

1. Was enrolled as a full-time student at a school, or
2. Took a full-time, on-farm training course. The course had to be 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.

- A child is **permanently and totally disabled** if **both** of the following apply.

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition.
2. A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

**Exception.** The child, including a foster child, is considered to have lived with you for all of 1998 if **both** of the following apply.

1. The child was born or died in 1998.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

2. Your home was the child's home for the entire time he or she was alive during 1998.

Temporary absences, such as for school, vacation, or medical care, count as time lived at home.

### Married Child

If your child was married at the end of 1998, that child is a qualifying child only if you can claim him or her as your dependent on Form 1040, line 6c. But if this child's other parent claimed him or her as a dependent under the rules in **Pub. 501** for children of divorced or separated parents, this child is your qualifying child.

### Qualifying Child of More Than One Person

If a child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** modified AGI (adjusted gross income) for 1998 may treat that child as a qualifying child. The other person(s) **cannot** claim the credit for people who do not have a qualifying child. If the other person is your spouse and you are filing a joint return, this rule does not apply. If you cannot take the credit because of this rule, enter "No" directly to the right of line 59a.

**Example.** You and your 5-year-old daughter moved in with your mother in April 1998. 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. Your modified AGI for 1998 was \$8,000 and your mother's was \$14,000. Because your mother's modified AGI was higher, your daughter is your mother's qualifying child. You **cannot** take any EIC, even if your mother does not claim the credit.

### Investment Income

For most people, investment income is the total of the amounts on Form 1040, lines 8a, 8b, 9, and, if more than zero, line 13. But if you are filing **Schedule E**, you may have to include amounts reported on that schedule. See **Pub. 596** for details. Also see **Pub. 596** to figure your investment income if you are reporting income from the rental of personal property on Form 1040, line 21.

## Questions To See If You Can Take the Earned Income Credit

**Before you begin**, if you were in the military stationed outside the United States, see **Special Rules** on page 39.

### All filers:

1. Is your **investment income** (see this page) more than \$2,300?
  - No.** Go to question 2.
  - Yes. Stop.** You **cannot** take the credit.
2. Do you have at least one qualifying child (defined on page 36)?
  - No.** Skip to question 5.
  - Yes.** Go to question 3.

### If you have at least one qualifying child:

3. Is your **modified AGI** (see page 38) less than \$26,473 (less than \$30,095 if you have more than one qualifying child)?
  - No. Stop.** You **cannot** take the credit.
  - Yes.** Go to question 4.
4. Is the total of your **taxable and nontaxable earned income** (see pages 38 and 39) less than \$26,473 (less than \$30,095 if you have more than one qualifying child)? (Nontaxable earned income includes military housing and subsistence, and contributions to a 401(k) plan.)
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 59a.
  - Yes.** You can take the credit. **If you want the IRS to figure it for you**, complete and attach **Schedule EIC** and enter "EIC" directly to the right of line 59a. Also, enter the amount and type of any nontaxable earned income on line 59b. **If you want to figure the credit yourself, stop** and complete the worksheet on the next page now.

### If you do not have a qualifying child:

5. Is your **modified AGI** (see page 38) less than \$10,030?
  - No. Stop.** You **cannot** take the credit.
  - Yes.** Go to question 6.
6. Were you (or your spouse if filing a joint return) at least age 25 but under age 65 at the end of 1998?
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 59a.
  - Yes.** Go to question 7.
7. Can you (or your spouse if filing a joint return) be claimed as a dependent on someone else's 1998 tax return?
  - Yes. Stop.** You **cannot** take the credit.
  - No.** Go to question 8.
8. Was your home (and your spouse's if filing a joint return) in the United States for more than half of 1998?
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 59a.
  - Yes.** Go to question 9.
9. Is the total of your **taxable and nontaxable earned income** (see pages 38 and 39) less than \$10,030? (Nontaxable earned income includes military housing and subsistence, and contributions to a 401(k) plan.)
  - No. Stop.** You **cannot** take the credit. Enter "No" directly to the right of line 59a.
  - Yes.** You can take the credit. **If you want the IRS to figure it for you**, enter "EIC" directly to the right of line 59a. Also, enter the amount and type of any nontaxable earned income on line 59b. **If you want to figure the credit yourself**, complete the worksheet on the next page.

**Caution:** Make sure you include all required amounts when figuring your investment income. If you do not and that income is more than \$2,300, at the time we process your return, we may disallow the credit.

**Modified AGI (Adjusted Gross Income)**

Modified AGI is the total of the amounts on Form 1040, lines 8b and 33, increased by the amount of (1) any loss claimed on Form 1040, line 13, (2) three-fourths of any losses on Form 1040, lines 12 and 18, and (3) any nontaxable distributions from a pension, annuity, or individual retirement arrangement (IRA). But modified AGI does not include any distribution that is not taxable because it (a) was a trustee-to-trustee transfer or (b) was rolled over into a similar type of plan during the period allowed for rollovers. If you converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA, see Pub. 596 to figure your modified AGI. Also see Pub. 596 to figure your modified AGI if you are filing Schedule E or you are claiming a loss from the rental of personal property not used in a trade or business.

**Taxable Earned Income**

This usually is the amount reported on Form 1040, line 7, plus your earnings from self-employment. (Use the worksheet on page 39 to figure your earnings from self-employment.) But if line 7 of Form 1040 includes any of the following amounts, subtract them from the total on line 7. The result plus your earnings from self-employment is your taxable earned income for purposes of the EIC.

- A taxable scholarship or fellowship grant that was not reported on a W-2 form.
- An amount paid to an inmate in a penal institution. Enter "PRI" and the amount subtracted on the dotted line next to line 7 of Form 1040.
- **Workfare payments.** These are cash payments certain families receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families program in return for (1) work experience activities (including work associated with remodeling or repairing publicly assisted housing) if sufficient private sector employment is not available, or (2) community service program activities. Enter "WP" and the amount subtracted on the dotted line next to line 7 of Form 1040.

**Earned Income Credit Worksheet—Line 59a**  
(keep for your records)



**Before you begin,** if you were a household employee who did not receive a Form W-2 because your employer paid you less than \$1,100 in 1998 or you were a minister or member of a religious order, see **Special Rules** on page 39 before completing this worksheet. Also, see Special Rules if Form 1040, line 7, includes workfare payments or any amount paid to an inmate in a penal institution.

**Caution:** Be sure to include all your income on lines 1, 2, 4, 5, and 8 below. An incorrect amount may increase your tax or reduce your refund.

1. Enter the amount from Form 1040, line 7 . . . . .	1.	<input type="text"/>
2. If you received a taxable scholarship or fellowship grant that was not reported on a W-2 form, enter that amount here . . . . .	2.	<input type="text"/>
3. Subtract line 2 from line 1 . . . . .	3.	<input type="text"/>
4. Enter any <b>nontaxable earned income</b> (see the next page). Types of nontaxable earned income include contributions to a 401(k) plan, and military housing and subsistence. These should be shown in box 13 of your W-2 form . . . . .	4.	<input type="text"/>
5. If you were self-employed or used Schedule C or C-EZ as a statutory employee, enter the amount from the worksheet on the next page . . . . .	5.	<input type="text"/>
6. Add lines 3, 4, and 5 . . . . .	6.	<input type="text"/>
7. Look up the amount on <b>line 6</b> above in the <b>EIC Table</b> on pages <b>40–42</b> to find your credit. Enter the credit here . . . . .	7.	<input type="text"/>
If line 7 is zero, <b>stop</b> . You <b>cannot</b> take the credit. Enter "No" directly to the right of Form 1040, line 59a.		
8. Enter your <b>modified AGI</b> (see this page) . . . . .	8.	<input type="text"/>
9. <b>Is line 8 less than—</b>		
• \$5,600 if you do not have a qualifying child?		
• \$12,300 if you have at least one qualifying child?		
<input type="checkbox"/> <b>Yes.</b> Go to line 10 now.		
<input type="checkbox"/> <b>No.</b> Look up the amount on <b>line 8</b> above in the <b>EIC Table</b> on pages <b>40–42</b> to find your credit. Enter the credit here . . . . .	9.	<input type="text"/>
10. <b>Earned income credit.</b>		
• If you checked "Yes" on line 9, enter the amount from line 7.		
• If you checked "No" on line 9, enter the <b>smaller</b> of line 7 or line 9 . . . . .	10.	<input type="text"/>

**Next:** Take the amount from line 10 above and enter it on Form 1040, line 59a.

**AND**

If you had any nontaxable earned income (see line 4 above), enter the amount and type of that income in the spaces provided on line 59b.

**AND**

Complete **Schedule EIC** and attach it to your return **ONLY** if you have a qualifying child.

**Note:** If you owe the alternative minimum tax (Form 1040, line 51), subtract it from the amount on line 10 above. Then, enter the result (if more than zero) on Form 1040, line 59a. Also, replace the amount on line 10 above with the amount entered on Form 1040, line 59a.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

Also, if line 7 of Form 1040 includes any amount paid to a household employee who did not receive a W-2 form, see **Special Rules** on this page.



**TIP** *Nontaxable earned income does not include welfare benefits, such as those listed below.*

- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

**Caution:** *If you include self-employment income in your earned income for purposes of figuring the credit, but you have not paid the self-employment tax on that income, we may reduce your credit by the amount of the self-employment tax not paid.*

**Nontaxable Earned Income**

**Caution:** *Be sure to include all your nontaxable earned income on line 59b of Form 1040.*

Certain earned income is not taxable, but it must be included to see if you can take the earned income credit. It is also used to figure the credit. Nontaxable earned income includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. But it does not include workfare payments (defined on page 38). Some examples of nontaxable earned income are listed below.

- Basic quarters and subsistence allowances, the value of in-kind quarters and subsistence, and combat zone excluded pay received from the U.S. military. These amounts should be shown in box 13 of your W-2 form with code **Q**.

- Housing allowances or rental value of a parsonage for clergy members. But if you are filing **Schedule SE**, see **Clergy** on this page.

- Meals and lodging provided for the convenience of your employer.

- Salary deferrals. If you chose to have your employer contribute part of your pay to certain retirement plans (such as a 401(k) plan, or the Federal Thrift Savings Plan) instead of having it paid to you, the "Deferred compensation" box in box 15 of your W-2 form should be checked. The amount deferred should be shown in box 13 of your W-2 form.

- Excludable dependent care benefits from **Form 2441**, line 18.

- Excludable employer-provided adoption benefits from **Form 8839**, line 29.

- Salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form(s). For details, see **Pub. 596**.

**Effect on Certain Welfare Benefits**

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

- Temporary Assistance for Needy Families (formerly Aid to Families With Dependent Children (AFDC)).

**Special Rules**

**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. See **Pub. 596** for the definition of extended active duty.

*(Continued on page 43)*

**Line 5 of EIC Worksheet on Page 38**  
(keep for your records)



If filing a joint return and your spouse was also self-employed or reported income and expenses on Schedule C or C-EZ as a statutory employee, combine your spouse's amounts with yours to figure the amounts to enter below.

**1. If you are filing Schedule SE:**

- a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies. . . . . **1a.**
- b. Enter the amount, if any, from Schedule SE, Section B, line 4b . . . . . **1b.**
- c. Add lines 1a and 1b . . . . . **1c.**
- d. Enter the amount from Form 1040, line 27. . . . . **1d.**
- e. Subtract line 1d from line 1c. . . . . **1e.**

**2. If you are NOT required to file Schedule SE** (for example, because your net earnings from self-employment were less than \$400), complete lines 2a through 2c. But **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 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. Add lines 2a and 2b. Enter the total even if a loss . . . . . **2c.**

**3. If you are filing Schedule C or C-EZ as a statutory employee**, enter the amount from line 1 of that Schedule C or C-EZ . . . . . **3.**

- 4. Add lines 1e, 2c, and 3. Enter the total here and on line 5 of the worksheet on page 38 even if a loss. If the result is a loss, enter it in parentheses and read the **Caution** below . . . . . **4.**

**Caution:** *If line 5 of the **Earned Income Credit Worksheet** is a loss, subtract it from the total of lines 3 and 4 of that worksheet and enter the result on line 6 of that worksheet. If the result is zero or less, you **cannot** take the earned income credit.*

# 1998 Earned Income Credit (EIC) Table

To find your credit: First, read down the "At least — But less than" columns and find the line that includes the amount you entered on line 6 or line 8 of the **Earned Income Credit Worksheet** on page 38. Next, read across to the column that includes the number of qualifying children you have. Then, enter the credit from that column on line 7 or line 9 of that worksheet, whichever applies.

Caution: *This is not a tax table.*

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—									
At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children	At least	But less than	No children	One child	Two children		
		Your credit is—					Your credit is—					Your credit is—					Your credit is—					Your credit is—				
\$1	\$50	\$2	\$9	\$10	2,400	2,450	186	825	970	4,800	4,850	341	1,641	1,930	7,200	7,250	215	2,271	2,890							
50	100	6	26	30	2,450	2,500	189	842	990	4,850	4,900	341	1,658	1,950	7,250	7,300	211	2,271	2,910							
100	150	10	43	50	2,500	2,550	193	859	1,010	4,900	4,950	341	1,675	1,970	7,300	7,350	207	2,271	2,930							
150	200	13	60	70	2,550	2,600	197	876	1,030	4,950	5,000	341	1,692	1,990	7,350	7,400	203	2,271	2,950							
200	250	17	77	90	2,600	2,650	201	893	1,050	5,000	5,050	341	1,709	2,010	7,400	7,450	199	2,271	2,970							
250	300	21	94	110	2,650	2,700	205	910	1,070	5,050	5,100	341	1,726	2,030	7,450	7,500	195	2,271	2,990							
300	350	25	111	130	2,700	2,750	208	927	1,090	5,100	5,150	341	1,743	2,050	7,500	7,550	192	2,271	3,010							
350	400	29	128	150	2,750	2,800	212	944	1,110	5,150	5,200	341	1,760	2,070	7,550	7,600	188	2,271	3,030							
400	450	33	145	170	2,800	2,850	216	961	1,130	5,200	5,250	341	1,777	2,090	7,600	7,650	184	2,271	3,050							
450	500	36	162	190	2,850	2,900	220	978	1,150	5,250	5,300	341	1,794	2,110	7,650	7,700	180	2,271	3,070							
500	550	40	179	210	2,900	2,950	224	995	1,170	5,300	5,350	341	1,811	2,130	7,700	7,750	176	2,271	3,090							
550	600	44	196	230	2,950	3,000	228	1,012	1,190	5,350	5,400	341	1,828	2,150	7,750	7,800	173	2,271	3,110							
600	650	48	213	250	3,000	3,050	231	1,029	1,210	5,400	5,450	341	1,845	2,170	7,800	7,850	169	2,271	3,130							
650	700	52	230	270	3,050	3,100	235	1,046	1,230	5,450	5,500	341	1,862	2,190	7,850	7,900	165	2,271	3,150							
700	750	55	247	290	3,100	3,150	239	1,063	1,250	5,500	5,550	341	1,879	2,210	7,900	7,950	161	2,271	3,170							
750	800	59	264	310	3,150	3,200	243	1,080	1,270	5,550	5,600	341	1,896	2,230	7,950	8,000	157	2,271	3,190							
800	850	63	281	330	3,200	3,250	247	1,097	1,290	5,600	5,650	337	1,913	2,250	8,000	8,050	153	2,271	3,210							
850	900	67	298	350	3,250	3,300	251	1,114	1,310	5,650	5,700	333	1,930	2,270	8,050	8,100	150	2,271	3,230							
900	950	71	315	370	3,300	3,350	254	1,131	1,330	5,700	5,750	329	1,947	2,290	8,100	8,150	146	2,271	3,250							
950	1,000	75	332	390	3,350	3,400	258	1,148	1,350	5,750	5,800	326	1,964	2,310	8,150	8,200	142	2,271	3,270							
1,000	1,050	78	349	410	3,400	3,450	262	1,165	1,370	5,800	5,850	322	1,981	2,330	8,200	8,250	138	2,271	3,290							
1,050	1,100	82	366	430	3,450	3,500	266	1,182	1,390	5,850	5,900	318	1,998	2,350	8,250	8,300	134	2,271	3,310							
1,100	1,150	86	383	450	3,500	3,550	270	1,199	1,410	5,900	5,950	314	2,015	2,370	8,300	8,350	130	2,271	3,330							
1,150	1,200	90	400	470	3,550	3,600	273	1,216	1,430	5,950	6,000	310	2,032	2,390	8,350	8,400	127	2,271	3,350							
1,200	1,250	94	417	490	3,600	3,650	277	1,233	1,450	6,000	6,050	306	2,049	2,410	8,400	8,450	123	2,271	3,370							
1,250	1,300	98	434	510	3,650	3,700	281	1,250	1,470	6,050	6,100	303	2,066	2,430	8,450	8,500	119	2,271	3,390							
1,300	1,350	101	451	530	3,700	3,750	285	1,267	1,490	6,100	6,150	299	2,083	2,450	8,500	8,550	115	2,271	3,410							
1,350	1,400	105	468	550	3,750	3,800	289	1,284	1,510	6,150	6,200	295	2,100	2,470	8,550	8,600	111	2,271	3,430							
1,400	1,450	109	485	570	3,800	3,850	293	1,301	1,530	6,200	6,250	291	2,117	2,490	8,600	8,650	107	2,271	3,450							
1,450	1,500	113	502	590	3,850	3,900	296	1,318	1,550	6,250	6,300	287	2,134	2,510	8,650	8,700	104	2,271	3,470							
1,500	1,550	117	519	610	3,900	3,950	300	1,335	1,570	6,300	6,350	283	2,151	2,530	8,700	8,750	100	2,271	3,490							
1,550	1,600	120	536	630	3,950	4,000	304	1,352	1,590	6,350	6,400	280	2,168	2,550	8,750	8,800	96	2,271	3,510							
1,600	1,650	124	553	650	4,000	4,050	308	1,369	1,610	6,400	6,450	276	2,185	2,570	8,800	8,850	92	2,271	3,530							
1,650	1,700	128	570	670	4,050	4,100	312	1,386	1,630	6,450	6,500	272	2,202	2,590	8,850	8,900	88	2,271	3,550							
1,700	1,750	132	587	690	4,100	4,150	316	1,403	1,650	6,500	6,550	268	2,219	2,610	8,900	8,950	85	2,271	3,570							
1,750	1,800	136	604	710	4,150	4,200	319	1,420	1,670	6,550	6,600	264	2,236	2,630	8,950	9,000	81	2,271	3,590							
1,800	1,850	140	621	730	4,200	4,250	323	1,437	1,690	6,600	6,650	260	2,253	2,650	9,000	9,050	77	2,271	3,610							
1,850	1,900	143	638	750	4,250	4,300	327	1,454	1,710	6,650	6,700	257	2,271	2,670	9,050	9,100	73	2,271	3,630							
1,900	1,950	147	655	770	4,300	4,350	331	1,471	1,730	6,700	6,750	253	2,271	2,690	9,100	9,150	69	2,271	3,650							
1,950	2,000	151	672	790	4,350	4,400	335	1,488	1,750	6,750	6,800	249	2,271	2,710	9,150	9,200	65	2,271	3,670							
2,000	2,050	155	689	810	4,400	4,450	339	1,505	1,770	6,800	6,850	245	2,271	2,730	9,200	9,250	62	2,271	3,690							
2,050	2,100	159	706	830	4,450	4,500	341	1,522	1,790	6,850	6,900	241	2,271	2,750	9,250	9,300	58	2,271	3,710							
2,100	2,150	163	723	850	4,500	4,550	341	1,539	1,810	6,900	6,950	238	2,271	2,770	9,300	9,350	54	2,271	3,730							
2,150	2,200	166	740	870	4,550	4,600	341	1,556	1,830	6,950	7,000	234	2,271	2,790	9,350	9,400	50	2,271	3,756							
2,200	2,250	170	757	890	4,600	4,650	341	1,573	1,850	7,000	7,050	230	2,271	2,810	9,400	9,450	46	2,271	3,756							
2,250	2,300	174	774	910	4,650	4,700	341	1,590	1,870	7,050	7,100	226	2,271	2,830	9,450	9,500	42	2,271	3,756							
2,300	2,350	178	791	930	4,700	4,750	341	1,607	1,890	7,100	7,150	222	2,271	2,850	9,500	9,550	39	2,271	3,756							
2,350	2,400	182	808	950	4,750	4,800	341	1,624	1,910	7,150	7,200	218	2,271	2,870	9,550	9,600	35	2,271	3,756							

(Continued)

**1998 Earned Income Credit (EIC) Table** *Continued* (Caution: This is **not** a tax table.)

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		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—			At least	But less than	Your credit is—			At least	But less than	Your credit is—							
9,600	9,650	31	2,271	3,756	12,400	12,450	0	2,245	3,721	15,200	15,250	0	1,797	3,132	18,000	18,050	0	1,350	2,542
9,650	9,700	27	2,271	3,756	12,450	12,500	0	2,237	3,711	15,250	15,300	0	1,789	3,121	18,050	18,100	0	1,342	2,531
9,700	9,750	23	2,271	3,756	12,500	12,550	0	2,229	3,700	15,300	15,350	0	1,781	3,111	18,100	18,150	0	1,334	2,521
9,750	9,800	20	2,271	3,756	12,550	12,600	0	2,221	3,690	15,350	15,400	0	1,773	3,100	18,150	18,200	0	1,326	2,510
9,800	9,850	16	2,271	3,756	12,600	12,650	0	2,213	3,679	15,400	15,450	0	1,765	3,089	18,200	18,250	0	1,318	2,500
9,850	9,900	12	2,271	3,756	12,650	12,700	0	2,205	3,669	15,450	15,500	0	1,757	3,079	18,250	18,300	0	1,310	2,489
9,900	9,950	8	2,271	3,756	12,700	12,750	0	2,197	3,658	15,500	15,550	0	1,749	3,068	18,300	18,350	0	1,302	2,479
9,950	10,000	4	2,271	3,756	12,750	12,800	0	2,189	3,648	15,550	15,600	0	1,741	3,058	18,350	18,400	0	1,294	2,468
10,000	10,050	*	2,271	3,756	12,800	12,850	0	2,181	3,637	15,600	15,650	0	1,733	3,047	18,400	18,450	0	1,286	2,458
10,050	10,100	0	2,271	3,756	12,850	12,900	0	2,173	3,626	15,650	15,700	0	1,725	3,037	18,450	18,500	0	1,278	2,447
10,100	10,150	0	2,271	3,756	12,900	12,950	0	2,165	3,616	15,700	15,750	0	1,717	3,026	18,500	18,550	0	1,270	2,437
10,150	10,200	0	2,271	3,756	12,950	13,000	0	2,157	3,605	15,750	15,800	0	1,710	3,016	18,550	18,600	0	1,262	2,426
10,200	10,250	0	2,271	3,756	13,000	13,050	0	2,149	3,595	15,800	15,850	0	1,702	3,005	18,600	18,650	0	1,254	2,416
10,250	10,300	0	2,271	3,756	13,050	13,100	0	2,141	3,584	15,850	15,900	0	1,694	2,995	18,650	18,700	0	1,246	2,405
10,300	10,350	0	2,271	3,756	13,100	13,150	0	2,133	3,574	15,900	15,950	0	1,686	2,984	18,700	18,750	0	1,238	2,394
10,350	10,400	0	2,271	3,756	13,150	13,200	0	2,125	3,563	15,950	16,000	0	1,678	2,974	18,750	18,800	0	1,230	2,384
10,400	10,450	0	2,271	3,756	13,200	13,250	0	2,117	3,553	16,000	16,050	0	1,670	2,963	18,800	18,850	0	1,222	2,373
10,450	10,500	0	2,271	3,756	13,250	13,300	0	2,109	3,542	16,050	16,100	0	1,662	2,953	18,850	18,900	0	1,214	2,363
10,500	10,550	0	2,271	3,756	13,300	13,350	0	2,101	3,532	16,100	16,150	0	1,654	2,942	18,900	18,950	0	1,206	2,352
10,550	10,600	0	2,271	3,756	13,350	13,400	0	2,093	3,521	16,150	16,200	0	1,646	2,932	18,950	19,000	0	1,198	2,342
10,600	10,650	0	2,271	3,756	13,400	13,450	0	2,085	3,511	16,200	16,250	0	1,638	2,921	19,000	19,050	0	1,190	2,331
10,650	10,700	0	2,271	3,756	13,450	13,500	0	2,077	3,500	16,250	16,300	0	1,630	2,910	19,050	19,100	0	1,182	2,321
10,700	10,750	0	2,271	3,756	13,500	13,550	0	2,069	3,490	16,300	16,350	0	1,622	2,900	19,100	19,150	0	1,174	2,310
10,750	10,800	0	2,271	3,756	13,550	13,600	0	2,061	3,479	16,350	16,400	0	1,614	2,889	19,150	19,200	0	1,166	2,300
10,800	10,850	0	2,271	3,756	13,600	13,650	0	2,053	3,469	16,400	16,450	0	1,606	2,879	19,200	19,250	0	1,158	2,289
10,850	10,900	0	2,271	3,756	13,650	13,700	0	2,045	3,458	16,450	16,500	0	1,598	2,868	19,250	19,300	0	1,150	2,279
10,900	10,950	0	2,271	3,756	13,700	13,750	0	2,037	3,447	16,500	16,550	0	1,590	2,858	19,300	19,350	0	1,142	2,268
10,950	11,000	0	2,271	3,756	13,750	13,800	0	2,029	3,437	16,550	16,600	0	1,582	2,847	19,350	19,400	0	1,134	2,258
11,000	11,050	0	2,271	3,756	13,800	13,850	0	2,021	3,426	16,600	16,650	0	1,574	2,837	19,400	19,450	0	1,126	2,247
11,050	11,100	0	2,271	3,756	13,850	13,900	0	2,013	3,416	16,650	16,700	0	1,566	2,826	19,450	19,500	0	1,118	2,237
11,100	11,150	0	2,271	3,756	13,900	13,950	0	2,005	3,405	16,700	16,750	0	1,558	2,816	19,500	19,550	0	1,110	2,226
11,150	11,200	0	2,271	3,756	13,950	14,000	0	1,997	3,395	16,750	16,800	0	1,550	2,805	19,550	19,600	0	1,102	2,215
11,200	11,250	0	2,271	3,756	14,000	14,050	0	1,989	3,384	16,800	16,850	0	1,542	2,795	19,600	19,650	0	1,094	2,205
11,250	11,300	0	2,271	3,756	14,050	14,100	0	1,981	3,374	16,850	16,900	0	1,534	2,784	19,650	19,700	0	1,086	2,194
11,300	11,350	0	2,271	3,756	14,100	14,150	0	1,973	3,363	16,900	16,950	0	1,526	2,774	19,700	19,750	0	1,078	2,184
11,350	11,400	0	2,271	3,756	14,150	14,200	0	1,965	3,353	16,950	17,000	0	1,518	2,763	19,750	19,800	0	1,070	2,173
11,400	11,450	0	2,271	3,756	14,200	14,250	0	1,957	3,342	17,000	17,050	0	1,510	2,752	19,800	19,850	0	1,062	2,163
11,450	11,500	0	2,271	3,756	14,250	14,300	0	1,949	3,332	17,050	17,100	0	1,502	2,742	19,850	19,900	0	1,054	2,152
11,500	11,550	0	2,271	3,756	14,300	14,350	0	1,941	3,321	17,100	17,150	0	1,494	2,731	19,900	19,950	0	1,046	2,142
11,550	11,600	0	2,271	3,756	14,350	14,400	0	1,933	3,311	17,150	17,200	0	1,486	2,721	19,950	20,000	0	1,038	2,131
11,600	11,650	0	2,271	3,756	14,400	14,450	0	1,925	3,300	17,200	17,250	0	1,478	2,710	20,000	20,050	0	1,030	2,121
11,650	11,700	0	2,271	3,756	14,450	14,500	0	1,917	3,290	17,250	17,300	0	1,470	2,700	20,050	20,100	0	1,022	2,110
11,700	11,750	0	2,271	3,756	14,500	14,550	0	1,909	3,279	17,300	17,350	0	1,462	2,689	20,100	20,150	0	1,014	2,100
11,750	11,800	0	2,271	3,756	14,550	14,600	0	1,901	3,268	17,350	17,400	0	1,454	2,679	20,150	20,200	0	1,006	2,089
11,800	11,850	0	2,271	3,756	14,600	14,650	0	1,893	3,258	17,400	17,450	0	1,446	2,668	20,200	20,250	0	998	2,079
11,850	11,900	0	2,271	3,756	14,650	14,700	0	1,885	3,247	17,450	17,500	0	1,438	2,658	20,250	20,300	0	990	2,068
11,900	11,950	0	2,271	3,756	14,700	14,750	0	1,877	3,237	17,500	17,550	0	1,430	2,647	20,300	20,350	0	982	2,058
11,950	12,000	0	2,271	3,756	14,750	14,800	0	1,869	3,226	17,550	17,600	0	1,422	2,637	20,350	20,400	0	974	2,047
12,000	12,050	0	2,271	3,756	14,800	14,850	0	1,861	3,216	17,600	17,650	0	1,414	2,626	20,400	20,450	0	966	2,036
12,050	12,100	0	2,271	3,756	14,850	14,900	0	1,853	3,205	17,650	17,700	0	1,406	2,616	20,450	20,500	0	958	2,026
12,100	12,150	0	2,271	3,756	14,900	14,950	0	1,845	3,195	17,700	17,750	0	1,398	2,605	20,500	20,550	0	950	2,015
12,150	12,200	0	2,271	3,756	14,950	15,000	0	1,837	3,184	17,750	17,800	0	1,390	2,595	20,550	20,600	0	942	2,005
12,200	12,250	0	2,271	3,756	15,000	15,050	0	1,829	3,174	17,800	17,850	0	1,382	2,584	20,600	20,650	0	934	1,994
12,250	12,300	0	2,271	3,756	15,050	15,100	0	1,821	3,163	17,850	17,900	0	1,374	2,573	20,650	20,700	0	926	1,984
12,300	12,350	0	2,261	3,742	15,100	15,150	0	1,813	3,153	17,900	17,950	0	1,366	2,563	20,700	20,750	0	918	1,973
12,350	12,400	0	2,253	3,732	15,150	15,200	0	1,805	3,142	17,950	18,000	0	1,358	2,552	20,750	20,800	0	911	1,963

\*If the amount on line 6 or line 8 of the worksheet is at least \$10,000 but less than \$10,030, your credit is \$1. Otherwise, you cannot take the credit. (Continued)

**1998 Earned Income Credit (EIC) Table** *Continued* (Caution: This is **not** a tax table.)

If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		And you have—			If the amount on line 6 or line 8 of the worksheet on page 38 is—		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—			At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—		
20,800	20,850	0	903	1,952	23,200	23,250	0	519	1,447	25,600	25,650	0	135	941	28,000	28,050	0	0	436
20,850	20,900	0	895	1,942	23,250	23,300	0	511	1,436	25,650	25,700	0	127	931	28,050	28,100	0	0	425
20,900	20,950	0	887	1,931	23,300	23,350	0	503	1,426	25,700	25,750	0	119	920	28,100	28,150	0	0	415
20,950	21,000	0	879	1,921	23,350	23,400	0	495	1,415	25,750	25,800	0	112	910	28,150	28,200	0	0	404
21,000	21,050	0	871	1,910	23,400	23,450	0	487	1,405	25,800	25,850	0	104	899	28,200	28,250	0	0	394
21,050	21,100	0	863	1,900	23,450	23,500	0	479	1,394	25,850	25,900	0	96	889	28,250	28,300	0	0	383
21,100	21,150	0	855	1,889	23,500	23,550	0	471	1,384	25,900	25,950	0	88	878	28,300	28,350	0	0	373
21,150	21,200	0	847	1,879	23,550	23,600	0	463	1,373	25,950	26,000	0	80	868	28,350	28,400	0	0	362
21,200	21,250	0	839	1,868	23,600	23,650	0	455	1,363	26,000	26,050	0	72	857	28,400	28,450	0	0	352
21,250	21,300	0	831	1,857	23,650	23,700	0	447	1,352	26,050	26,100	0	64	847	28,450	28,500	0	0	341
21,300	21,350	0	823	1,847	23,700	23,750	0	439	1,341	26,100	26,150	0	56	836	28,500	28,550	0	0	331
21,350	21,400	0	815	1,836	23,750	23,800	0	431	1,331	26,150	26,200	0	48	826	28,550	28,600	0	0	320
21,400	21,450	0	807	1,826	23,800	23,850	0	423	1,320	26,200	26,250	0	40	815	28,600	28,650	0	0	310
21,450	21,500	0	799	1,815	23,850	23,900	0	415	1,310	26,250	26,300	0	32	804	28,650	28,700	0	0	299
21,500	21,550	0	791	1,805	23,900	23,950	0	407	1,299	26,300	26,350	0	24	794	28,700	28,750	0	0	288
21,550	21,600	0	783	1,794	23,950	24,000	0	399	1,289	26,350	26,400	0	16	783	28,750	28,800	0	0	278
21,600	21,650	0	775	1,784	24,000	24,050	0	391	1,278	26,400	26,450	0	8	773	28,800	28,850	0	0	267
21,650	21,700	0	767	1,773	24,050	24,100	0	383	1,268	26,450	26,500	0	**	762	28,850	28,900	0	0	257
21,700	21,750	0	759	1,763	24,100	24,150	0	375	1,257	26,500	26,550	0	0	752	28,900	28,950	0	0	246
21,750	21,800	0	751	1,752	24,150	24,200	0	367	1,247	26,550	26,600	0	0	741	28,950	29,000	0	0	236
21,800	21,850	0	743	1,742	24,200	24,250	0	359	1,236	26,600	26,650	0	0	731	29,000	29,050	0	0	225
21,850	21,900	0	735	1,731	24,250	24,300	0	351	1,226	26,650	26,700	0	0	720	29,050	29,100	0	0	215
21,900	21,950	0	727	1,721	24,300	24,350	0	343	1,215	26,700	26,750	0	0	710	29,100	29,150	0	0	204
21,950	22,000	0	719	1,710	24,350	24,400	0	335	1,205	26,750	26,800	0	0	699	29,150	29,200	0	0	194
22,000	22,050	0	711	1,699	24,400	24,450	0	327	1,194	26,800	26,850	0	0	689	29,200	29,250	0	0	183
22,050	22,100	0	703	1,689	24,450	24,500	0	319	1,184	26,850	26,900	0	0	678	29,250	29,300	0	0	173
22,100	22,150	0	695	1,678	24,500	24,550	0	311	1,173	26,900	26,950	0	0	668	29,300	29,350	0	0	162
22,150	22,200	0	687	1,668	24,550	24,600	0	303	1,162	26,950	27,000	0	0	657	29,350	29,400	0	0	152
22,200	22,250	0	679	1,657	24,600	24,650	0	295	1,152	27,000	27,050	0	0	646	29,400	29,450	0	0	141
22,250	22,300	0	671	1,647	24,650	24,700	0	287	1,141	27,050	27,100	0	0	636	29,450	29,500	0	0	131
22,300	22,350	0	663	1,636	24,700	24,750	0	279	1,131	27,100	27,150	0	0	625	29,500	29,550	0	0	120
22,350	22,400	0	655	1,626	24,750	24,800	0	271	1,120	27,150	27,200	0	0	615	29,550	29,600	0	0	109
22,400	22,450	0	647	1,615	24,800	24,850	0	263	1,110	27,200	27,250	0	0	604	29,600	29,650	0	0	99
22,450	22,500	0	639	1,605	24,850	24,900	0	255	1,099	27,250	27,300	0	0	594	29,650	29,700	0	0	88
22,500	22,550	0	631	1,594	24,900	24,950	0	247	1,089	27,300	27,350	0	0	583	29,700	29,750	0	0	78
22,550	22,600	0	623	1,584	24,950	25,000	0	239	1,078	27,350	27,400	0	0	573	29,750	29,800	0	0	67
22,600	22,650	0	615	1,573	25,000	25,050	0	231	1,068	27,400	27,450	0	0	562	29,800	29,850	0	0	57
22,650	22,700	0	607	1,563	25,050	25,100	0	223	1,057	27,450	27,500	0	0	552	29,850	29,900	0	0	46
22,700	22,750	0	599	1,552	25,100	25,150	0	215	1,047	27,500	27,550	0	0	541	29,900	29,950	0	0	36
22,750	22,800	0	591	1,542	25,150	25,200	0	207	1,036	27,550	27,600	0	0	531	29,950	30,000	0	0	25
22,800	22,850	0	583	1,531	25,200	25,250	0	199	1,026	27,600	27,650	0	0	520	30,000	30,050	0	0	15
22,850	22,900	0	575	1,520	25,250	25,300	0	191	1,015	27,650	27,700	0	0	510	30,050	30,095	0	0	5
22,900	22,950	0	567	1,510	25,300	25,350	0	183	1,005	27,700	27,750	0	0	499	30,095	or more	0	0	0
22,950	23,000	0	559	1,499	25,350	25,400	0	175	994	27,750	27,800	0	0	489					
23,000	23,050	0	551	1,489	25,400	25,450	0	167	983	27,800	27,850	0	0	478					
23,050	23,100	0	543	1,478	25,450	25,500	0	159	973	27,850	27,900	0	0	467					
23,100	23,150	0	535	1,468	25,500	25,550	0	151	962	27,900	27,950	0	0	457					
23,150	23,200	0	527	1,457	25,550	25,600	0	143	952	27,950	28,000	0	0	446					

\*\*If the amount on line 6 or line 8 of the worksheet is at least \$26,450 but less than \$26,473, your credit is \$2. Otherwise, you cannot take the credit.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

## Clergy

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, follow these special rules. First, enter "Clergy" directly to the right of line 59a. If you received a housing allowance or were provided housing, **do not** include the allowance or rental value of the parsonage as nontaxable earned income on line 4 of the worksheet on page 38 (or on line 59b of Form 1040) if it is required to be included on Schedule SE, line 2.

Then, if you are figuring the earned income credit yourself, determine how much of the income reported on Form 1040, line 7, was also reported on Schedule SE, line 2. Next, subtract that income from the amount on Form 1040, line 7. Then, enter only the result on line 1 of the worksheet on page 38. Last, be sure to complete the worksheet on page 39.

## Household Employees

If you were a household employee who did not receive a W-2 form because your employer paid you less than \$1,100 in 1998, be sure to include the amount you were paid on Form 1040, line 7. Enter "HSH" and the amount not reported on a W-2 form on the dotted line next to line 7.

## Workfare Payments

These are not earned income for purposes of the EIC. If the total on Form 1040, line 7, includes such income, subtract that income from the amount on line 7. Enter the result on line 1 of the worksheet on page 38. Also, enter "WP" and the amount subtracted on the dotted line next to line 7 of Form 1040.

## Inmates

Amounts paid to inmates in penal institutions for their work are not earned income for purposes of the EIC. If the total on Form 1040, line 7, includes such income, subtract that income from the amount on line 7. Enter the result on line 1 of the worksheet on page 38. Also, enter "PRI" and the amount subtracted on the dotted line next to line 7.

## Line 60

### Additional Child Tax Credit

You may be able to take this credit if **both 1 and 2** below apply.

1. The amount on line 1 of the **Child Tax Credit Worksheet** on page 32 is more than \$800.

2. The amount on line 7 of the Child Tax Credit Worksheet is more than the amount on line 11 of that worksheet.

The additional child tax credit may give you a refund even if you do not owe any tax. Use **Form 8812** to figure the credit.

## Line 61

### Amount Paid With Form 4868 (Request for Extension)

If you filed **Form 4868** to get an automatic extension of time to file Form 1040, enter the amount, if any, you paid with that form. Also, include any amounts paid with **Form 2688** or **2350**.

## Line 62

### Excess Social Security and RRTA Tax Withheld

If you had more than one employer for 1998 and your total wages were over \$68,400, too much social security tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$4,240.80. But if any one employer withheld more than \$4,240.80, you must ask that employer to refund the excess to you. You cannot claim it on your return.

If you had more than one railroad employer for 1998 and your total compensation was over \$50,700, too much railroad retirement (RRTA) tax may have been withheld.

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

## Line 63

### Other Payments

Check the box(es) on line 63 to report any credit from **Form 2439** or **4136**.

## Refund

## Line 65

### Amount Overpaid

If line 65 is under \$1, we will send a refund only on written request. If you want to check on the status of your refund, please wait at least 4 weeks after you file your return to do so. See page 9 for details.



*If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay.*

See **Income Tax Withholding and Estimated Tax Payments for 1999** on page 46.

### Refund Offset

If you have not paid child support or certain Federal nontax debts, such as student loans, all or part of the overpayment on line 65 may be used (offset) to pay the past-due amount. To find out if you may have an offset, contact the agency(ies) you owe the debt to. **Do not** call the IRS because offsets are now made by the Treasury Department's Financial Management Service (FMS) and the IRS will no longer have nontax debt information. If there is an offset, you will receive a notice from FMS showing the amount of the offset and the agency receiving it.

### Injured Spouse Claim

If you file a joint return and your spouse has not paid tax, child support, or a Federal nontax debt, such as a student loan, part or all of the overpayment on line 65 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 and attach **Form 8379**. For details, use Tele-Tax topic 203 (see page 9) or see Form 8379.

## Sample Check

CHRIS MAPLE  
LAURA MAPLE  
123 Main Street  
Anyplace, CA 90000

PAY TO THE ORDER OF \_\_\_\_\_ \$ 1234  
DOLLARS

ANYPLACE BANK  
Anyplace, CA 90000

For \_\_\_\_\_

⑆250250025⑆ 20202086⑆ 1234

19

15-00000000

1234

Do not include the check number

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

## Lines 66b Through 66d

### Direct Deposit of Refund

Complete lines 66b through 66d if you want us to directly deposit the amount shown on line 66a into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

#### Why Use Direct Deposit?

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

**TIP** You can check with your financial institution to make sure your deposit will be accepted and get the correct routing and account numbers.

#### Line 66b

The routing number **must** be **nine** digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. On the sample check, the routing number is 250250025.

Your check may state that it is payable through a bank different from the financial institution 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 this line.

#### Line 66d

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, the account number is 20202086. Be sure **not** to include the check number.

**Caution:** Some financial institutions will not allow a joint refund to be deposited into an individual account. The IRS is not responsible if a financial institution refuses a direct deposit.

## Line 67

### Applied to 1999 Estimated Tax

Enter on line 67 the amount, if any, of the overpayment on line 65 you want applied to your 1999 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. This election to apply part or all of the amount overpaid to your 1999 estimated tax cannot be changed later.

## Amount You Owe

### Line 68

#### Amount You Owe

**TIP** You do not have to pay if line 68 is under \$1.

Include any estimated tax penalty from line 69 in the amount you enter on line 68.

Make your check or money order payable to the **"United States Treasury"** for the full amount due. **Do not send cash.** Write "1998 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.

Then, please complete **Form 1040-V** following the instructions on that form and enclose it in the envelope with your payment.

**TIP** If you are filing a joint return, make sure that the names and SSNs on Form 1040-V are shown in the same order as they appear on Form 1040, to ensure that your payment is processed correctly.

**Do not** include any estimated tax payment in your check or money order. Mail any estimated tax payment in an envelope separate from the one you use to pay the tax due on Form 1040.

**TIP** You may need to (a) increase the amount of income tax withheld from your pay or (b) make estimated tax payments for 1999. See **Income Tax Withholding and Estimated Tax Payments for 1999** on page 46.

### Installment Payments

If you cannot pay the full amount shown on line 68 when you file, you may ask to make monthly installment payments. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 1999, 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.



**Need More Information or Forms?** You can use a personal computer, fax, or phone to get what you need. See page 6.

## Line 69

### Estimated Tax Penalty

**Caution:** Beginning in 1998, you must include household employment taxes reported on line 55 to see if you owe the penalty if line 57 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 55.

You may owe this penalty if:

- Line 68 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 56 minus the total of any amounts shown on lines 59a and 60 and Forms 8828, 4137, 4136, and 5329 (Parts III, IV, V, VI and VII only).

### Exceptions to the Penalty

You will not owe the penalty if your 1997 tax return was for a tax year of 12 full months AND either of the following applies:

1. You had no tax liability for 1997 and you were a U.S. citizen or resident for all of 1997, or
2. The total of lines 57, 58, and 62 on your 1998 return is at least as much as the tax liability shown on your 1997 return. Your estimated tax payments for 1998 must have been made on time and for the required amount.

### Figuring the Penalty

If the **Exceptions** above do 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 so, you can use the form to figure the amount. In certain situations, you may be able to lower your penalty. For details, see the Instructions for Form 2210 (or 2210-F). Enter the penalty on Form 1040, line 69. Add the penalty to any tax due and enter the total on line 68. If you are due a refund, subtract the penalty from the overpayment you show on line 65. **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 69 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.*

## 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 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 46.

### 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 if we have a question that can be answered over the phone. However, you do not have to enter your number. If you are filing a joint return, you may enter either your or your spouse's daytime phone number.

### Paid Preparers Must Sign Your Return

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

## Assemble Your Return

Assemble any schedules and forms behind Form 1040 in order of the "Attachment Sequence No." shown in the upper right corner of the schedule or form. Put any forms without an attachment sequence number next. If you have supporting statements, arrange them in the same order as the forms or schedules they support and attach

them last. **Do not** attach correspondence or other items unless required to do so. Attach the first copy or Copy B of Form(s) W-2 to the front of Form 1040.

## How To Avoid Common Mistakes

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

1. Be sure to enter your social security number (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.
2. Make sure you entered the correct SSN for each dependent you claim on line 6c.
3. Check your math, especially for the earned income credit, taxable social security benefits, deduction for exemptions, taxable income, total income, total tax, Federal income tax withheld, and refund or amount you owe.
4. Remember to **sign** and date Form 1040 and enter your occupation.
5. Make sure your name and address are correct on the peel-off label. If not, enter the correct information.
6. If you are taking the standard deduction and you checked any box on line 35a or you (or your spouse if filing jointly) can be claimed as a dependent on someone's return, see page 30 to be sure you entered the correct amount on line 36.
7. If you (or your spouse if you check the box on line 6b) were age 65 or older or blind, be sure you checked the appropriate boxes on line 35a.
8. If you are married filing jointly and did not get a peel-off label, enter your and your spouse's name in the same order as shown on your last return.
9. Attach your W-2 form(s) and other required forms and schedules. Put all forms and schedules in the proper order. See **Assemble Your Return** on this page.
10. If you owe tax, be sure to include all the required information on your payment. See the instructions for line 68 on page 44 for details.

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# General Information

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## 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**.

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## Innocent Spouse Relief

You may qualify for relief from liability for tax on a joint return if (1) there is an understatement of tax because your spouse omitted income or claimed false deductions or credits, (2) you are divorced, separated, or no longer living with your spouse, or (3) given all the facts and circumstances, it would be unfair to hold you liable for the tax. See **Form 8857** or **Pub. 971** for more details.

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## Income Tax Withholding and Estimated Tax Payments for 1999

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 1999 pay. In general, you do not have to make estimated tax payments if you expect that your 1999 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 1999 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**.

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

If not, your refund may be delayed or 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.

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## 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, Washington, DC 20239-0601. 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. If you owe tax, make a separate check for that amount payable to the "United States Treasury."



*If you itemize your deductions for 1999, you may be able to deduct this gift.*

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## Address Change

If you move after you file, always notify in writing the Internal Revenue Service Center where you filed your last return, or the Chief, Customer Service Division, at your local IRS district office. You can use **Form 8822** to notify us of your new address. If you are expecting a refund, also notify the post office serving your old address. This will help forward your check to your new address.

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## 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 W-2 and 1099 forms) 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**.

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## 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.

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## Need a Copy of Your Tax Return?

If you need a copy of your tax return, use **Form 4506**. If you have questions about your account, call or write your local IRS office. If you want a printed copy of your account, it will be mailed to you free of charge.

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## Death of a Taxpayer

If a taxpayer died before filing a return for 1998, 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

should enter "DECEASED," the deceased taxpayer's name, and the date of death across the top of the return.

If your spouse died in 1998 and you did not remarry in 1998, you can file a joint return. You can also file a joint return if your spouse died in 1999 before filing a 1998 return. A joint return should show your spouse's 1998 income before death and your income for all of 1998. 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 9) or see **Pub. 559**.



## Explore IRS e-file!

Millions of people **just like you** file their tax returns **electronically** using an IRS *e-file* option because they offer:

- A fast refund in **half the time**—even faster with **Direct Deposit**.
- Faster processing and increased accuracy.
- An acknowledgment of IRS receipt within 48 hours.
- The ability to pay your balance due electronically and specify the date the money is debited from your bank account.

In many cases, IRS *e-file* options allow you to file your state tax return with your Federal return. What's more, with IRS *e-file*, your return is less likely

to have errors therefore lessening your chances of receiving a letter from the IRS. Here's how you can participate with IRS *e-file*:

## Use an Authorized IRS e-file Provider



Many tax professionals file returns electronically for their clients. You can prepare your own return and have a professional transmit it electronically or you can have your return both prepared AND transmitted electronically. Look for the "AUTHORIZED IRS *e-file* PROVIDER" sign. Tax professionals may charge a fee to *e-file* your return and fees may vary depending on the professional and the specific services requested.

This year, if you owe money with your return, you may take advantage of paying your balance due electronically. This option allows you to **file** your return electronically now and authorize the debit of your bank account on the date you select—any time up to April 15th.

## Use a Personal Computer

If you have a modem, personal computer, and tax preparation software, you can *e-file* your tax return from the convenience of your home. Tax preparation software is available at your local computer retailer or through various web sites over the Internet. Through a tax return transmitter, you can file 24 hours a day, 7 days a week. A tax return transmitter may charge a fee for transmitting your return.

Check out the IRS web site at [www.irs.ustreas.gov](http://www.irs.ustreas.gov) for a list of companies who participate in this IRS *e-file* program. You can also find a listing of partnerships that the IRS has entered into with private sector companies to provide low-cost IRS *e-file* options. You may also take advantage of paying your balance due electronically now and authorize the debit of your bank account on the date you select—any time up to April 15th.

## Visit a VITA/TCE Site

The IRS offers FREE Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Many of these sites also offer IRS *e-file*. See this page for details on these programs.

## Ask Your Employer or Financial Institution

Some businesses offer IRS *e-file* FREE to their employees as a benefit. Others offer it for a fee to customers. Ask your employer or financial institution if they offer electronic filing. If they don't, why not suggest that they offer it as a benefit or service?

## Use a Phone



For millions of eligible taxpayers, *TeleFile* is the easiest way to file. The call only takes about 10 minutes! It allows taxpayers to file simple Federal tax returns using a touch-tone telephone. It's completely paperless. Eligible taxpayers will automatically receive the *TeleFile Tax Package* in the mail. **Parents!: If your children receive a *TeleFile Tax Package*, please encourage them to use *TeleFile*!**

## Other Ways To Get Help

### Send Your Written Questions to the IRS

You may send your written tax questions to your IRS District Director. You should get an answer in about 30 days. If you do not have the address, call us. See page 11. Do not send questions with your return.

### Assistance With Your Return

IRS offices can help you prepare your return. An assister will explain a Form 1040EZ, 1040A, or 1040 with Schedules A and B to you and other taxpayers in a group setting. You may also be able to file your return electronically by computer free of charge at some IRS offices. To find the IRS office nearest you, look in the phone book under "United States Government, Internal Revenue Service" or call us. See page 11 for the number.

### VITA and TCE

These programs help older, disabled, low-income, and non-English-speaking people fill in their returns. For details, call us. See page 11 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 1997 tax return if you have it. Or to find the nearest American Association of Retired Persons (AARP) Tax-Aide site, visit AARP's Internet Web Site at

www.aarp.org/taxaide/home.htm or call 1-888-AARPNOW.

## On-Line Services

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

## Large-Print Forms and Instructions

**Pub. 1614** has large-print copies of Form 1040, Schedules A, B, D, E, EIC, and R, and Form 1040-V, and their instructions. You can use the large-print forms and schedules as worksheets to figure your tax, but you cannot file on them. You can order Pub. 1614 by phone or mail. See pages 6 and 49.

## Help for People With Disabilities

Telephone help is available using TTY/TDD equipment. See page 11 for the number to call. Braille materials are available at libraries that have special services for people with disabilities.

## Help With Unresolved Tax Issues

Most problems can be solved with one contact either by calling, writing, or visiting an IRS office. But if you have tried unsuccessfully to resolve a problem with the IRS, you should contact the Taxpayer Advocate's **Problem Resolution Program** (PRP). Someone at PRP will assign you a personal advocate who is in the best position to try to resolve your problem. The Taxpayer Advocate can also offer you special help if you have a significant hardship as a result of a tax problem.

You should contact the Taxpayer Advocate if:

- You have tried unsuccessfully to resolve your problem with the IRS and have not been contacted by the date promised, or
- You are on your second attempt to resolve a problem.

You may contact a Taxpayer Advocate by calling a new toll-free assistance number, **1-877-777-4778**. People with access to TTY/TDD equipment may call 1-800-829-4059 and ask for the Taxpayer Advocate. If you prefer, you can write to the Taxpayer Advocate at the IRS office that last contacted you.

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. Taxpay-

er Advocates are working to put service first. For more details, use TeleTax topic 104 (see page 9) or see **Pub. 1546**.

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## 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 with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. Please **do not** include it in the **amount you owe** on line 68.

### 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 cannot usually be more than 25% 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  $\frac{1}{2}$  of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty cannot be more than 25% of the unpaid amount. It applies to any unpaid tax on the return. This penalty is in addition to interest charges on late payments.

#### Frivolous Return

In addition to any other penalties, the law imposes a penalty of \$500 for filing a frivolous return. A frivolous return is

one that does not contain information needed to figure the correct tax or shows a substantially incorrect tax because you take a frivolous position or desire to delay or interfere with the tax laws. This includes altering or striking out the preprinted language above the space where you sign.

### Other

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

# Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. See pages 7 and 8 for the titles of the forms and the next page for the titles of the publications. We will mail you two copies of each form and one copy of each publication you order. To help reduce waste, please order only the items you need to prepare your return.



For faster ways of getting the items you need, such as by computer or fax, see page 6.

## How To Use the Order Blank

Circle the items you need on the order blank below. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper.

Print or type your name and address accurately in the space provided below. Cut the order blank on the dotted line. Enclose the order blank in your own envelope and send it to the IRS address shown on this page 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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*Detach at this line*

### Order Blank

Fill in your name and address.

Name \_\_\_\_\_

Number, street, and apt. number \_\_\_\_\_

City, town or post office, state, and ZIP code \_\_\_\_\_

The items in bold may be picked up at many post offices and libraries. You may also download all these items from the Internet at [www.irs.ustreas.gov](http://www.irs.ustreas.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.

<b>1040</b>	Schedule F (1040)	Schedule 3 (1040A)	2441	8812	Pub. 463	Pub. 527	Pub. 926
Schedules A&B (1040)	Schedule H (1040)	<b>1040EZ</b>	3903	8822	Pub. 501	Pub. 529	Pub. 929
Schedule C (1040)	Schedule J (1040)	1040-ES (1999)	4562	8829	Pub. 502	Pub. 550	Pub. 936
Schedule C-EZ (1040)	Schedule R (1040)	1040-V	4868	8863	Pub. 505	Pub. 554	Pub. 970
Schedule D (1040)	Schedule SE (1040)	1040X	5329	9465	Pub. 508	Pub. 575	
Schedule D-1 (1040)	<b>1040A</b>	2106	8283	Pub. 1	Pub. 521	Pub. 590	
Schedule E (1040)	<b>Schedule 1 (1040A)</b>	2106-EZ	8582	Pub. 17	Pub. 523	Pub. 596	
Schedule EIC (1040A or 1040)	<b>Schedule 2 (1040A)</b>	2210	8606	Pub. 334	Pub. 525	Pub. 910	



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## Publications

See **Pub. 910** for a complete list of available publications.

- 1 Your Rights as a Taxpayer
- 17 Your Federal Income Tax
- 334 Tax Guide for Small Business
- 463 Travel, Entertainment, Gift, and Car Expenses
- 501 Exemptions, Standard Deduction, and Filing Information
- 502 Medical and Dental Expenses
- 505 Tax Withholding and Estimated Tax
- 508 Educational Expenses
- 521 Moving Expenses
- 523 Selling Your Home
- 525 Taxable and Nontaxable Income
- 527 Residential Rental Property (Including Rental of Vacation Homes)
- 529 Miscellaneous Deductions
- 550 Investment Income and Expenses
- 554 Older Americans' Tax Guide
- 575 Pension and Annuity Income
- 590 Individual Retirement Arrangements (IRAs)
- 596 Earned Income Credit
- 910 Guide to Free Tax Services
- 926 Household Employer's Tax Guide
- 929 Tax Rules for Children and Dependents
- 936 Home Mortgage Interest Deduction
- 970 Tax Benefits for Higher Education

## Disclosure, Privacy Act, and Paperwork Reduction Act Notice

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

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

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

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

### The Time It Takes To Prepare Your Return

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

### We Welcome Comments on Forms

If you have comments concerning the accuracy of the time estimates shown below or suggestions for making these forms simpler, we would be happy to hear from you. You can e-mail us your suggestions and comments through the IRS Internet Home Page ([www.irs.ustreas.gov](http://www.irs.ustreas.gov)) or write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send your return to this address. Instead, see the back cover.

### Estimated Preparation Time

The time needed to complete and file Form 1040 and its schedules 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	3 hr., 34 min.	2 hr., 25 min.	4 hr., 55 min.	40 min.	11 hr., 34 min.
Sch. A	2 hr., 32 min.	26 min.	1 hr., 10 min.	20 min.	4 hr., 28 min.
Sch. B	33 min.	8 min.	11 min.	20 min.	1 hr., 12 min.
Sch. C	6 hr., 26 min.	1 hr., 11 min.	2 hr., 6 min.	35 min.	10 hr., 18 min.
Sch. C-EZ	46 min.	4 min.	34 min.	20 min.	1 hr., 44 min.
Sch. D	1 hr., 11 min.	2 hr., 18 min.	2 hr., 37 min.	35 min.	6 hr., 41 min.
Sch. D-1	13 min.	1 min.	11 min.	35 min.	1 hr.
Sch. E	2 hr., 52 min.	1 hr., 7 min.	1 hr., 16 min.	35 min.	5 hr., 50 min.
Sch. EIC	- - - -	2 min.	5 min.	20 min.	27 min.
Sch. F:					
Cash Method	4 hr., 2 min.	36 min.	1 hr., 14 min.	20 min.	6 hr., 12 min.
Accrual Method	4 hr., 22 min.	25 min.	1 hr., 19 min.	20 min.	6 hr., 26 min.
Sch. H	46 min.	30 min.	48 min.	35 min.	2 hr., 39 min.
Sch. J	20 min.	8 min.	1 hr., 8 min.	20 min.	1 hr., 56 min.
Sch. R	20 min.	15 min.	20 min.	35 min.	1 hr., 30 min.
Sch. SE:					
Short	20 min.	13 min.	11 min.	14 min.	58 min.
Long	26 min.	22 min.	34 min.	20 min.	1 hr., 42 min.

## Major Categories of Federal Income and Outlays for Fiscal Year 1997

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 receipt of the President's proposal, the Congress reviews the proposal and makes changes. It first passes a budget resolution setting its own targets for receipts, outlays, and the surplus or deficit. Individual spending and revenue bills are then enacted consistent with the goals of the budget resolution.

In fiscal year 1997 (which began on October 1, 1996, and ended on September 30, 1997), Federal income was 1,579 billion and outlays were \$1,601 billion, leaving a deficit of \$22 billion.

### Federal Income

Income and social insurance taxes are, by far, the largest source of receipts. In 1997, individuals paid \$737 billion in income taxes and corporations paid \$182 billion. Social security and other insurance and retirement contributions were \$539 billion. Excise taxes were \$57 billion. The remaining \$63 billion of receipts were from Federal Reserve deposits, customs duties, estate and gift taxes, and other miscellaneous receipts.

### Federal Outlays

About 99% of total outlays were financed by tax receipts and the remaining 1% was financed by borrowing. Government receipts and borrowing finance a wide range of public services. The following is the breakdown of total Federal outlays for fiscal year 1997\*:

**1. Social security, Medicare, and other retirement:** \$632 billion. These programs were about 38% of total outlays. They provide income support for the retired and disabled and medical care for the elderly.

**2. National defense, veterans, and foreign affairs:** \$325 billion. About 16% of total outlays were to equip, modernize, and pay our armed forces and to fund other national defense activities;

about 2% went for veterans benefits and services; and about 1% went for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

**3. Net interest:** \$244 billion. About 15% of total outlays were for net interest payments on the public debt.

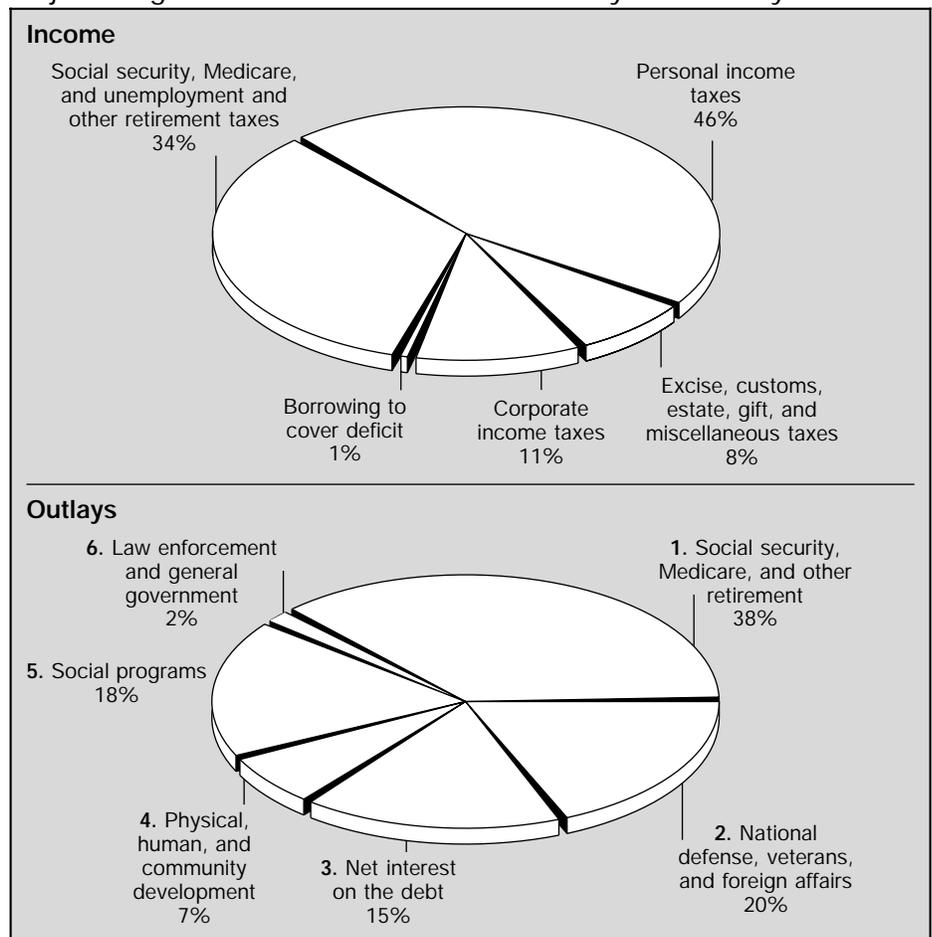
**4. Physical, human, and community development:** \$123 billion. About 7% of total outlays were for agriculture; natural resources and environmental programs; transportation programs; aid for elementary and secondary education and direct assistance to college students; job training programs; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

**5. Social programs:** \$294 billion. The Federal Government spent 12% of total outlays to fund Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs. 6% was spent for health research and public health programs, unemployment compensation, assisted housing, and social services.

**6. Law enforcement and general government:** \$29 billion. About 2% of total outlays were for judicial activities, Federal law enforcement, and prisons; and to provide for the general costs of the Federal Government, including the collection of taxes and legislative activities.

*Note: Detail may not add to total due to rounding.*

**Income and Outlays.** These pie charts show the relative sizes of the major categories of Federal income and outlays for fiscal year 1997.



\* The percentages on this page exclude undistributed offsetting receipts, which were -\$50 billion in fiscal year 1997. 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 spectrum auction.

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\* These items may not be included in this package. To reduce printing costs, we have sent you only the forms you may need based on what you filed last year.



## Where Do You File?

If an envelope addressed to "Internal Revenue Service Center" came with your tax booklet, please use it. If you do not have one or if you moved during the year, mail your return to the **Internal Revenue Service Center** for the place where you live. **No street address is needed.**



*Envelopes without enough postage will be returned to you by the post office. If your envelope contains more than five pages or is oversized, it may need additional postage. Also, include your complete return address.*

**Alabama**—Memphis, TN 37501-0002

**Alaska**—Ogden, UT 84201-0002

**Arizona**—Ogden, UT 84201-0002

**Arkansas**—Memphis, TN 37501-0002

**California**—*Counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba*—Ogden, UT 84201-0002

*All other counties*—Fresno, CA 93888-0002

**Colorado**—Ogden, UT 84201-0002

**Connecticut**—Andover, MA 05501-0002

**Delaware**—Philadelphia, PA 19255-0002

**District of Columbia**—Philadelphia, PA 19255-0002

**Florida**—Atlanta, GA 39901-0002

**Georgia**—Atlanta, GA 39901-0002

**Hawaii**—Fresno, CA 93888-0002

**Idaho**—Ogden, UT 84201-0002

**Illinois**—Kansas City, MO 64999-0002

**Indiana**—Cincinnati, OH 45999-0002

**Iowa**—Kansas City, MO 64999-0002

**Kansas**—Austin, TX 73301-0002

**Kentucky**—Cincinnati, OH 45999-0002

**Louisiana**—Memphis, TN 37501-0002

**Maine**—Andover, MA 05501-0002

**Maryland**—Philadelphia, PA 19255-0002

**Massachusetts**—Andover, MA 05501-0002

**Michigan**—Cincinnati, OH 45999-0002

**Minnesota**—Kansas City, MO 64999-0002

**Mississippi**—Memphis, TN 37501-0002

**Missouri**—Kansas City, MO 64999-0002

**Montana**—Ogden, UT 84201-0002

**Nebraska**—Ogden, UT 84201-0002

**Nevada**—Ogden, UT 84201-0002

**New Hampshire**—Andover, MA 05501-0002

**New Jersey**—Holtsville, NY 00501-0002

**New Mexico**—Austin, TX 73301-0002

**New York**—*New York City and counties of Nassau, Rockland, Suffolk, and Westchester*—Holtsville, NY 00501-0002

*All other counties*—Andover, MA 05501-0002

**North Carolina**—Memphis, TN 37501-0002

**North Dakota**—Ogden, UT 84201-0002

**Ohio**—Cincinnati, OH 45999-0002

**Oklahoma**—Austin, TX 73301-0002

**Oregon**—Ogden, UT 84201-0002

**Pennsylvania**—Philadelphia, PA 19255-0002

**Rhode Island**—Andover, MA 05501-0002

**South Carolina**—Atlanta, GA 39901-0002

**South Dakota**—Ogden, UT 84201-0002

**Tennessee**—Memphis, TN 37501-0002

**Texas**—Austin, TX 73301-0002

**Utah**—Ogden, UT 84201-0002

**Vermont**—Andover, MA 05501-0002

**Virginia**—Philadelphia, PA 19255-0002

**Washington**—Ogden, UT 84201-0002

**West Virginia**—Cincinnati, OH 45999-0002

**Wisconsin**—Kansas City, MO 64999-0002

**Wyoming**—Ogden, UT 84201-0002

**American Samoa**—Philadelphia, PA 19255-0215

**Guam: Permanent residents**—Department of Revenue and Taxation  
Government of Guam  
P.O. Box 23607  
GMF, GU 96921

**Guam: Nonpermanent residents**—Philadelphia, PA 19255-0215

**Puerto Rico** (or if excluding income under *Internal Revenue Code section 933*)—Philadelphia, PA 19255-0215

**Virgin Islands: Permanent residents**—V.I. Bureau of Internal Revenue  
9601 Estate Thomas  
Charlotte Amalie  
St. Thomas, VI 00802

**Virgin Islands: Nonpermanent residents**—Philadelphia, PA 19255-0215

**Foreign country: U.S. citizens and those filing Form 2555, Form 2555-EZ, or Form 4563**—Philadelphia, PA 19255-0207

**All APO and FPO addresses**—Philadelphia, PA 19255-0207

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