

1040

NOTE: THIS BOOKLET DOES NOT CONTAIN TAX FORMS

INSTRUCTIONS

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

2007



Explore all electronic filing and payment options, including Free File.



TAKE THE FREE WAY

If you made \$54,000 or less in 2007, you're one of the 95+ million taxpayers who are eligible to *e-file* for free!

See page 4 or go to: www.irs.gov

MAILING YOUR RETURN

You may be mailing your return to a different address this year. See the back cover.

MORTGAGE INSURANCE PREMIUMS

You may be able to deduct qualified mortgage insurance premiums. See the Instructions for Schedules A&B.





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Department
of the
Treasury

Internal
Revenue
Service

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The IRS Mission

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

IRS Customer Service Standards

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

- Easier filing and payment options.
- Access to information.
- Accuracy.
- Prompt refunds.
- Canceling penalties.
- Resolving problems.
- Simpler forms.

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

Help With Unresolved Tax Issues

Taxpayer Advocate Service

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

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

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

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

You can contact the Taxpayer Advocate Service by:

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

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

Low Income Taxpayer Clinics (LITCs)

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



Make \$54,000 or less? e-file For Free!

If your 2007 adjusted gross income was \$54,000 or less, you're one of the 95+ million taxpayers who are eligible for Free File. Free File, a service offered by the IRS in partnership with the Free File Alliance, a group of tax preparation software companies, is:

- Fast, easy, and safe to use;
- Available in English and Spanish;
- Accessible online 24 hours a day, 7 days a week (You will need Internet access to Free File. Also, **Free File can only be accessed by going through the www.irs.gov website** — even if you used Free File in previous years.); and
- Absolutely **FREE**. No hidden fees

If you don't qualify for Free File, then you may want to check out the Partners Page on www.irs.gov for low-cost e-file options.

Use IRS e-file — there are three ways:

→ Use a computer.

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

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

→ Use a volunteer.

The VITA Program offers free tax help for low to moderate income taxpayers. The Tax Counseling for the Elderly (TCE) Program provides free tax help to people age 60 and older.

→ Use a tax professional.

Many taxpayers rely on tax professionals to handle their returns and most tax professionals can e-file your return. You just have to be sure to ask.

Also, tax professionals can charge a fee for **IRS e-file**. Fees can vary depending on the professional and specific services rendered, so be sure to discuss this upfront.

e-file! It's Never Been Easier.

It's easy to see why more than 60% of taxpayers e-file their tax returns: it's faster, easier, and more convenient than paper filing. E-filing also reduces the chance of making mistakes. Plus, if your 2007 adjusted gross income was \$54,000 or less, you can e-file for **FREE** by using Free File at www.irs.gov!

e-file and Get the Benefits

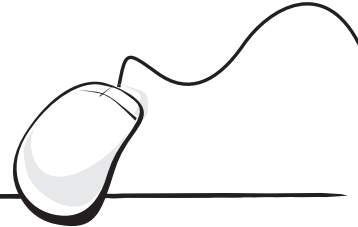
- A **faster refund** than by paper filing — in as little as 10 days with Direct Deposit.
- An **emailed proof of receipt** within 48 hours after the IRS receives your return, which you can't get with paper filing.
- **Reduced chance of making mistakes** since **IRS e-file** software checks your return. In fact, e-filed returns have a 1% or less error rate, compared to 20% with paper returns. (Please note that e-filing your tax return does not impact or change the chance of an audit.)
- **Save time** by preparing and e-filing federal and state returns together.
- You can **electronically sign your return** with a secure, self-selected PIN number.
- If you owe, you can authorize an electronic funds withdrawal or pay by credit card. You can also **file a return early and pay the amount you owe later**.
- **Help the environment, use less paper, and save taxpayer money** — it costs less to process an e-filed return than a paper return.



Totally Safe and Secure

More than half a billion federal tax returns have been e-filed! The IRS uses the most secure technology available to safeguard your personal information. So you can rest assured that when you e-file, your information will be safe.

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



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

What's New

What's New for 2007

Tax benefits extended. The following tax benefits were extended through 2007.

- Deduction for educator expenses in figuring adjusted gross income.
- Tuition and fees deduction.
- District of Columbia first-time homebuyer credit.

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



At the time these instructions went to print, Congress was expected to consider legislation that would increase the amounts above. To find out if legislation was enacted, and for more details, see the Instructions for Form 6251.

IRA deduction expanded. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2007 modified adjusted gross income (AGI) is less than \$62,000 (\$103,000 if married filing jointly or qualifying widow(er)).

You may be able to deduct up to an additional \$3,000 if you were a participant in a 401(k) plan and your employer was in bankruptcy in an earlier year. See the instructions for line 32 on page 27.

Standard mileage rates. The 2007 rate for business use of your vehicle is 48½ cents a mile. The 2007 rate for use of your vehicle to get medical care or to move is 20 cents a mile.

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

- A child lived with you and you earned less than \$37,783 (\$39,783 if married filing jointly), or
- A child did not live with you and you earned less than \$12,590 (\$14,590 if married filing jointly).

The maximum AGI you can have and still get the credit also has increased. You may be able to take the credit if your AGI is less than the amount in the above list that applies to you. The maximum investment income you can have and still get the credit has increased to \$2,900. See the instructions for lines 66a and 66b that begin on page 44.

Elective salary deferrals. The maximum amount you can defer under all plans is generally limited to \$15,500 (\$10,500 if you only have SIMPLE plans; \$18,500 for section 403(b) plans if you qualify for the 15-year rule). See the instructions for line 7 on page 18.

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

Domestic production activities deduction. The deduction rate for 2007 is increased to 6%.

Unreported social security and Medicare tax on wages. If you are an employee and your employer did not withhold social security and Medicare tax, see Form 8919 to figure and report this tax.

Refundable credit for prior-year minimum tax. If you have an unused minimum tax credit carryforward from 2004, see Form 8801 to find if you can take this credit.

Health savings account (HSA) funding distributions. You may be able to elect to exclude from income a distribution made from your IRA to your HSA. See the instructions for lines 15a and 15b on page 21.

Insurance premiums for retired public safety officers. If you are a retired safety officer, you can elect to exclude from income distributions made directly from your eligible retirement plans to pay premiums for certain insurance. See the instructions for lines 16a and 16b on page 22.

Exemption for housing a person displaced by Hurricane Katrina expires. The additional exemption amount for housing a person displaced by Hurricane Katrina does not apply for 2007 or later years.

Telephone excise tax credit. This credit was available only on your 2006 return. If you filed but did not request it on your 2006 return, file Form 1040X using a simplified procedure explained in its instructions to amend your 2006 return. If you were not required to file a 2006 return, see the 2006 Form 1040EZ-T.

What's New for 2008

IRA deduction expanded. You and your spouse, if filing jointly, each may be able to deduct up to \$5,000 (\$6,000 if age 50 or older at the end of the year). You may be able to take an IRA deduction if you were covered by a retirement plan and your 2008 modified AGI is less than \$63,000 (\$105,000 if married filing jointly or qualifying widow(er)).

You may be able to deduct up to an additional \$3,000 if you were a participant in a 401(k) plan and your employer was in bankruptcy in an earlier year. See the instructions for line 32 on page 27.

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

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

The maximum AGI you can have and still get the credit also has increased. You may be able to take the credit if your AGI is less than the amount in the above list that applies to you. The maximum investment income you can have and still get the credit has increased to \$2,950.

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

Capital gain tax rate reduced. The 5% capital gain tax rate is reduced to zero.

Tax on children's income. Form 8615 will be required to figure the tax for the following children with investment income of more than \$1,800.

1. Children under age 18 at the end of 2008.
2. The following children if their earned income is not more than half their support.
 - a. Children age 18 at the end of 2008.
 - b. Children over age 18 and under age 24 at the end of 2008 who are full-time students.

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

Expiring tax benefits. The following benefits are scheduled to expire and will not apply for 2008.

- Deduction for educator expenses in figuring adjusted gross income.
- Tuition and fees deduction.
- The exclusion from income of qualified charitable distributions.
- Credit for nonbusiness energy property.
- District of Columbia first-time homebuyer credit (for homes purchased after 2007).
- The election to include nontaxable combat pay in earned income for the EIC.

Filing Requirements

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



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

Do You Have To File?

Use Chart A, B, or C to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see Pub. 570. Residents of Puerto Rico can use TeleTax topic 901 (see page 79) to see if they must file.



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

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

Exception for children under age 18. If you are planning to file a tax return for your child who was under age 18 at the end of 2007 and certain other conditions apply, you can elect to include your child's income on your return. But you must use Form 8814 to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 79) or see Form 8814.

A child born on January 1, 1990, is considered to be age 18 at the end of 2007. Do not use Form 8814 for such a child.

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

Nonresident aliens and dual-status aliens. These rules also apply if you were a nonres-

ident alien or a dual-status alien and both of the following apply.

- You were married to a U.S. citizen or resident alien at the end of 2007.
- You elected to be taxed as a resident alien.

See Pub. 519 for details.



Specific rules apply to determine if you are a resident alien, nonresident alien, or dual-status alien. Most nonresident aliens

and dual-status aliens have different filing requirements and may have to file Form 1040NR or Form 1040NR-EZ. Pub. 519 discusses these requirements and other information to help aliens comply with U.S. tax law, including tax treaty benefits and special rules for students and scholars.

When and Where Should You File?

File Form 1040 by **April 15, 2008**. If you file after this date, you may have to pay interest and penalties. See page 78.

If you were serving in, or in support of, the U.S. Armed Forces in a designated combat zone, qualified hazardous duty area, or a contingency operation, see Pub. 3.

See the back cover for filing instructions and addresses. For details on using a private delivery service, see page 9.

What if You Cannot File on Time?

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



An automatic 6-month extension to file does not extend the time to pay your tax. See Form 4868.

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

- You live outside the United States and Puerto Rico and your main place of business or post of duty is outside the United States and Puerto Rico.
- You are in military or naval service on duty outside the United States and Puerto Rico.

This extension gives you an extra 2 months to file and pay the tax, but interest will be charged from the original due date of the return on any unpaid tax. You must attach a statement to your return showing that you meet the requirements. If you are still unable to file your return by the end of the 2-month period, you can get an additional 4 months if, no later than June 16, 2008, you file Form 4868. This 4-month extension of time to file does not extend the time to pay your tax. See Form 4868.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 2007 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65	\$8,750
	65 or older	10,050
Married filing jointly***	under 65 (both spouses)	\$17,500
	65 or older (one spouse)	18,550
	65 or older (both spouses)	19,600
Married filing separately (see page 13)	any age	\$3,400
Head of household (see page 13)	under 65	\$11,250
	65 or older	12,550
Qualifying widow(er) with dependent child (see page 14)	under 65	\$14,100
	65 or older	15,150

* If you were born on January 1, 1943, you are considered to be age 65 at the end of 2007.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States (even if you can exclude part or all of it). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 2007.

*** If you did not live with your spouse at the end of 2007 (or on the date your spouse died) and your gross income was at least \$3,400, you must file a return regardless of your age.

Chart B—For Children and Other Dependents (See the instructions for line 6c that begin on page 15 to find out if someone can claim you as a dependent.)

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

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 \$850.
- Your earned income was over \$5,350.
- Your gross income was more than the **larger** of—
 - \$850, or
 - Your earned income (up to \$5,050) plus \$300.

Yes. You must file a return if **any** of the following apply.

- Your unearned income was over \$2,150 (\$3,450 if 65 or older **and** blind).
- Your earned income was over \$6,650 (\$7,950 if 65 or older **and** blind).
- Your gross income was more than—

The larger of:

- \$850, or
- Your earned income (up to \$5,050) plus \$300

Plus

}

This amount:

\$1,300 (\$2,600 if 65 or older **and** blind)

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

No. You must file a return if **any** of the following apply.

- Your unearned income was over \$850.
- Your earned income was over \$5,350.
- 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—
 - \$850, or
 - Your earned income (up to \$5,050) plus \$300.

Yes. You must file a return if **any** of the following apply.

- Your unearned income was over \$1,900 (\$2,950 if 65 or older **and** blind).
- Your earned income was over \$6,400 (\$7,450 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:

- \$850, or
- Your earned income (up to \$5,050) plus \$300

Plus

}

This amount:

\$1,050 (\$2,100 if 65 or older **and** blind)

Chart C—Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2007.

1. You owe any special taxes, including any of the following.

- a.** Alternative minimum tax.
- b.** Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
- c.** Household employment taxes. But if you are filing a return only because you owe this tax, you can file **Schedule H** by itself.
- d.** Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
- e.** Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional tax on health savings account distributions. See the instructions for line 63 on page 42.
- f.** Recapture taxes. See the instructions for line 44, that begin on page 33, and line 63, on page 42.
- g.** Additional tax on a health savings account from Form 8889, Part III.

2. You received any advance earned income credit (EIC) payments from your employer. These payments are shown in Form W-2, box 9.

3. You had net earnings from self-employment of at least \$400.

4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

Where To Report Certain Items From 2007 Forms W-2, 1098, and 1099



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

If any federal income tax withheld is shown on these forms, include the tax withheld on Form 1040, line 64. If you itemize your deductions and any state or local income tax withheld is shown on these forms, include the tax withheld on Schedule A, line 5, if you do not elect to deduct state and local general sales taxes.

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
W-2	Wages, tips, other compensation (box 1) Allocated tips (box 8) Advance EIC payment (box 9) Dependent care benefits (box 10) Adoption benefits (box 12, code T) Employer contributions to an Archer MSA (box 12, code R) Employer contributions to a health savings account (box 12, code W)	Form 1040, line 7 See <i>Wages, Salaries, Tips, etc.</i> on page 18 Form 1040, line 61 Form 2441, Part III Form 8839, line 22 Form 8853, line 3 Form 8889, line 9
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1) Points (box 2) Refund of overpaid interest (box 3) Mortgage insurance premiums (box 4)	Schedule A, line 10* Form 1040, line 21, but first see the instructions on Form 1098* See the instructions for Schedule A, line 13*
1098-C	Contributions of motor vehicles, boats, and airplanes	Schedule A, line 17
1098-E	Student loan interest (box 1)	See the instructions for Form 1040, line 33, on page 30*
1098-T	Qualified tuition and related expenses (box 1)	See the instructions for Form 1040, line 34, on page 31, or Form 1040, line 49, on page 37, but first see the instructions on Form 1098-T*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2) Bartering (box 3) Aggregate profit or (loss) (box 11)	See the instructions on Form 1099-B See Pub. 525 Form 6781, line 1
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Total ordinary dividends (box 1a) Qualified dividends (box 1b) Total capital gain distributions (box 2a) Unrecaptured section 1250 gain (box 2b) Section 1202 gain (box 2c) Collectibles (28%) gain (box 2d) Nondividend distributions (box 3) Investment expenses (box 5) Foreign tax paid (box 6)	Form 1040, line 9a See the instructions for Form 1040, line 9b, on page 19 Form 1040, line 13, or, if required, Schedule D, line 13 See the instructions for Schedule D, line 19, that begin on page D-8 See <i>Exclusion of Gain on Qualified Small Business (QSB) Stock</i> in the instructions for Schedule D on page D-4 See the instructions for Schedule D, line 18, on page D-8 See the instructions for Form 1040, line 9a, on page 19 Schedule A, line 23 Form 1040, line 51, or Schedule A, line 8. But first see the instructions for line 51 that begin on page 37.
1099-G	Unemployment compensation (box 1) State or local income tax refunds, credits, or offsets (box 2) ATAA payments (box 5) Taxable grants (box 6) Agriculture payments (box 7)	Form 1040, line 19. But if you repaid any unemployment compensation in 2007, see the instructions for line 19 on page 24. See the instructions for Form 1040, line 10, that begin on page 20. If box 8 on Form 1099-G is checked, see the box 8 instructions. Form 1040, line 21 Form 1040, line 21* See the Instructions for Schedule F or Pub. 225*

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

Form	Item and Box in Which It Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1) Early withdrawal penalty (box 2) Interest on U.S. savings bonds and Treasury obligations (box 3) Investment expenses (box 5) Foreign tax paid (box 6) Tax-exempt interest (box 8) Specified private activity bond interest (box 9)	See the instructions for Form 1040, line 8a, on page 19 Form 1040, line 30 See the instructions for Form 1040, line 8a, on page 19 Schedule A, line 23 Form 1040, line 51, or Schedule A, line 8. But first see the instructions for line 51 that begin on page 37. Form 1040, line 8b Form 6251, line 11
1099-LTC	Long-term care and accelerated death benefits	See Pub. 525 and the Instructions for Form 8853
1099-MISC	Rents (box 1) Royalties (box 2) Other income (box 3) Nonemployee compensation (box 7) Excess golden parachute payments (box 13) Other (boxes 5, 6, 8, 9, 10, and 15b)	See the Instructions for Schedule E* Schedule E, line 4 (for timber, coal, and iron ore royalties, see Pub. 544)* Form 1040, line 21* Schedule C, C-EZ, or F. But if you were not self-employed, see the instructions on Form 1099-MISC. See the instructions for Form 1040, line 63, on page 42 See the instructions on Form 1099-MISC
1099-OID	Original issue discount (box 1) Other periodic interest (box 2) } Early withdrawal penalty (box 3) Original issue discount on U.S. Treasury obligations (box 6) Investment expenses (box 7)	See the instructions on Form 1099-OID Form 1040, line 30 See the instructions on Form 1099-OID Schedule A, line 23
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5) Domestic production activities deduction (box 6) Credits (boxes 7, 8, and 10) Patron's AMT adjustment (box 9) Deduction for small refiner capital costs or qualified refinery property (box 10)	Schedule C, C-EZ, or F or Form 4835, but first see the instructions on Form 1099-PATR Form 8903, line 21 Form 3468, 3800, 5884, 6478, 8835, 8844, 8845, 8861, 8864, 8896, or 8909 Form 6251, line 26 Schedule C, C-EZ, or F
1099-Q	Qualified education program payments	See the instructions for Form 1040, line 21, on page 24
1099-R	Distributions from IRAs** Distributions from pensions, annuities, etc. Capital gain (box 3)	See the instructions for Form 1040, lines 15a and 15b, that begin on page 21 See the instructions for Form 1040, lines 16a and 16b, that begin on page 22 See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2) Buyer's part of real estate tax (box 5)	Form 4797, Form 6252, or Schedule D. But if the property was your home, see the Instructions for Schedule D to find out if you must report the sale or exchange. Report an exchange of like-kind property on Form 8824 even if no gross proceeds are reported on Form 1099-S. See the instructions for Schedule A, line 6, on page A-5*
1099-SA	Distributions from health savings accounts (HSAs) Distributions from MSAs***	Form 8889, line 14a Form 8853

* 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, and SIMPLE IRAs.
*** This includes distributions from Archer and Medicare Advantage MSAs.

Private Delivery Services

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

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

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

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

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



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

Tax Return Page Reference

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

Label (12) (See instructions on page 12.) **Use the IRS label.** Otherwise, please print or type.

LABEL HERE

For the year Jan. 1–Dec. 31, 2007, or other tax year beginning _____, 2007, ending _____, 20

Your first name and initial _____ Last name _____

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

Home address (number and street). If you have a P.O. box, see page 12. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12. _____

OMB No. 1545-0074

Your social security number _____ (12)

Spouse's social security number _____ (12)

▲ You must enter your SSN(s) above. ▲

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

Presidential Election Campaign (12) Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 12) ▶ You Spouse

Filing Status

1 Single (12)

2 Married filing jointly (even if only one had income) (13)

3 Married filing separately. Enter spouse's SSN above and full name here. ▶ (13)

4 Head of household (with qualifying person). (See page 13.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ (14)

5 Qualifying widow(er) with dependent child (see page 14)

Exemptions (14)

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

6b Spouse

Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 15)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see page 15. (15)

Boxes checked on 6a and 6b: No. of children on 6c who: lived with you; did not live with you due to divorce or separation (see page 16)

Dependents on 6c not entered above (16)

Add numbers on lines above ▶

d Total number of exemptions claimed

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	(18)
8a	Taxable interest. Attach Schedule B if required	8a	(19)
b	Tax-exempt interest. Do not include on line 8a	8b	(19)
9a	Ordinary dividends. Attach Schedule B if required	9a	(19)
b	Qualified dividends (see page 19)	9b	(19)
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 20)	10	(20)
11	Alimony received	11	(21)
12	Business income or (loss). Attach Schedule C or C-EZ	12	(21)
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	13	(21)
14	Other gains or (losses). Attach Form 4797	14	(21)
15a	IRA distributions	15a	(21)
b	Taxable amount (see page 21)	15b	(21)
16a	Pensions and annuities	16a	(22)
b	Taxable amount (see page 22)	16b	(22)
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	(24)
20a	Social security benefits	20a	(24)
b	Taxable amount (see page 24)	20b	(24)
21	Other income. List type and amount (see page 24)	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	

Adjusted Gross Income

23	Educator expenses (see page 26)	23	(26)
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	(26)
25	Health savings account deduction. Attach Form 8889	25	(26)
26	Moving expenses. Attach Form 3903	26	(26)
27	One-half of self-employment tax. Attach Schedule SE	27	(26)
28	Self-employed SEP, SIMPLE, and qualified plans	28	(26)
29	Self-employed health insurance deduction (see page 26)	29	(26)
30	Penalty on early withdrawal of savings	30	(27)
31a	Alimony paid	31a	(27)
b	Recipient's SSN ▶		
32	IRA deduction (see page 27)	32	(27)
33	Student loan interest deduction (see page 30)	33	(30)
34	Tuition and fees deduction. Attach Form 8917	34	(31)
35	Domestic production activities deduction. Attach Form 8903	35	(31)
36	Add lines 23 through 31a and 32 through 35	36	(31)
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	(31)

Tax Return Page Reference

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

Tax and Credits	38 Amount from line 37 (adjusted gross income) 38 39a Check <input type="checkbox"/> You were born before January 2, 1943, <input type="checkbox"/> Blind. } Total boxes if: <input type="checkbox"/> Spouse was born before January 2, 1943, <input type="checkbox"/> Blind. } checked ▶ 39a 31 b If your spouse itemizes on a separate return or you were a dual-status alien, (A-1) page 31 and check here ▶ 39b <input type="checkbox"/> 31			
Standard Deduction for— • People who checked any box on line 39a or 39b or who can be claimed as a dependent, see page 31. • All others: Single or Married filing separately, \$5,350 Married filing jointly or Qualifying widow(er), \$10,700 Head of household, \$7,850	40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 40 31 41 Subtract line 40 from line 38. 41 42 If line 38 is \$117,300 or less, multiply \$3,400 by the total number of exemptions claimed on line 6d. If line 38 is over \$117,300, see the worksheet on page 33 42 33 43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43 44 Tax (see page 33). Check if any tax is from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> Form(s) 8889 44 33 45 Alternative minimum tax (see page 36). Attach Form 6251 45 36 NEW 46 Add lines 44 and 45 46 47 Credit for child and dependent care expenses. Attach Form 2441 47 37 48 Credit for the elderly or the disabled. Attach Schedule R 48 37 49 Education credits. Attach Form 8863 49 37 50 Residential energy credits. Attach Form 5695 50 37 51 Foreign tax credit. Attach Form 1116 if required 51 37 52 Child tax credit (see page 39). Attach Form 8901 if required 52 39 53 Retirement savings contributions credit. Attach Form 8880 53 41 54 Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859 c <input type="checkbox"/> Form 8839 54 41 55 Other credits: a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Form 55 41 56 Add lines 47 through 55. These are your total credits 56 NEW 57 Subtract line 56 from line 46. If line 56 is more than line 46, enter -0- 57			
	Other Taxes	58 Self-employment tax. Attach Schedule SE 58 59 Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 8919 59 41 60 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 60 41 61 Advance earned income credit payments from Form(s) W-2, box 9 61 62 Household employment taxes. Attach Schedule H 62 42 63 Add lines 57 through 62. This is your total tax 63 42		
	Payments	64 Federal income tax withheld from Forms W-2 and 1099 64 42 65 2007 estimated tax payments and amount applied from 2006 return 65 42 66a Earned income credit (EIC) 66a 44 b Nontaxable combat pay election. ▶ 66b 66b 46 67 Excess social security and tier 1 RRTA tax withheld (see page 59) 67 59 68 Additional child tax credit. Attach Form 8812 68 59 69 Amount paid with request for extension to file (see page 59) 69 59 70 Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885 70 59 71 Refundable credit for prior year minimum tax from Form 8801, line 27 71 59 NEW 72 Add lines 64, 65, 66a, and 67 through 71. These are your total payments 72		
	Refund	73 If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid 73 59 74a Amount of line 73 you want refunded to you . If Form 8888 is attached, check here ▶ <input type="checkbox"/> 74a 59 ▶ b Routing number <input type="text"/> ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings ▶ d Account number <input type="text"/> 60 75 Amount of line 73 you want applied to your 2008 estimated tax ▶ 75 60 76 Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 60 ▶ 76 60 77 Estimated tax penalty (see page 61) 77 61		
	Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see page 61)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No Designee's name ▶ 61 Phone no. ▶ () Personal identification number (PIN) ▶ <input type="text"/>		
	Sign Here	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Your signature ▶ 62 Date Your occupation Daytime phone number ▶ () 62 Spouse's signature. If a joint return, both must sign. Date Spouse's occupation		
	Paid Preparer's Use Only	Preparer's signature ▶ 62 Date Check if self-employed <input type="checkbox"/> Preparer's SSN or PTIN Firm's name (or yours if self-employed), address, and ZIP code ▶ EIN ; Phone no. ()		

Line Instructions for Form 1040



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

Section references are to the Internal Revenue Code.

Name and Address

Use the Peel-Off Label

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

Address Change

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

Name Change

If you changed your name because of marriage, divorce, etc., be sure to report the change to your local Social Security Administration office before filing your return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. See page 76 for more details. If you received a peel-off label, cross out your former name and print your new name.

What if You Do Not Have a Label?

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



If you filed a joint return for 2006 and you are filing a joint return for 2007 with the same spouse, be sure to enter your names and SSNs in the same order as on your 2006 return.

P.O. Box

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

Foreign Address

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

Death of a Taxpayer

See page 77.

Social Security Number (SSN)

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

Check that your SSN on your Forms W-2 and 1099 agrees with your social security card. If not, see page 76 for more details.

IRS Individual Taxpayer Identification Numbers (ITINs) for Aliens

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

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

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

Nonresident Alien Spouse

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

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

- Your spouse is filing a separate return.

Presidential Election Campaign Fund

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

Filing Status

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

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



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

Line 1 Single

You can check the box on line 1 if any of the following was true on December 31, 2007.

- You were never married.
- You were legally separated, according to your state law, under a decree of divorce or separate maintenance.
- You were widowed before January 1, 2007, and did not remarry before the end of 2007. But if you have a dependent child, you may be able to use the qualifying widow(er) filing status. See the instructions for line 5 on page 14.

Line 2

Married Filing Jointly

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

- You were married at the end of 2007, even if you did not live with your spouse at the end of 2007.
- Your spouse died in 2007 and you did not remarry in 2007.
- You were married at the end of 2007, and your spouse died in 2008 before filing a 2007 return.

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

Joint and several tax liability. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to. However, see *Innocent Spouse Relief* on page 76.

Nonresident aliens and dual-status aliens. Generally, a husband and wife cannot file a joint return if either spouse is a nonresident alien at any time during the year. However, if you were a nonresident alien or a dual-status alien and were married to a U.S. citizen or resident alien at the end of 2007, you may elect to be treated as a resident alien and file a joint return. See Pub. 519 for details.

Line 3

Married Filing Separately

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

Generally, you report only your own income, exemptions, deductions, and credits. Different rules apply to people in community property states. See page 18.

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



You may be able to file as head of household if you had a child living with you and you lived apart from your spouse during the last 6 months of 2007. See Married persons who live apart on this page.

Line 4

Head of Household

This filing status is for unmarried individuals who provide a home for certain other persons. (Some married persons who live apart are considered unmarried. See *Married persons who live apart* on this page. If you are married to a nonresident alien, you may also be considered unmarried. See *Nonresident alien spouse* on this page.) You can check the box on line 4 only if you were unmarried or legally separated (according to your state law) under a decree of divorce or separate maintenance at the end of 2007 and either *Test 1* or *Test 2* below applies.

Test 1. You paid over half the cost of keeping up a home that was the main home for all of 2007 of your parent whom you can claim as a dependent, except under a multiple support agreement (see page 17). Your parent did not have to live with you.

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

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

a. Your qualifying child (as defined in Step 1 on page 15) whom you claim as your dependent based on the rule for *Children of divorced or separated parents* that begins on page 16,

b. Any person who is your dependent only because he or she lived with you for all of 2007, or

c. Any person you claimed as a dependent under a multiple support agreement. See page 17.

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

3. Your married qualifying child who is not your dependent only because you can be claimed as a dependent on someone else's 2007 return.

4. Your child who is neither your dependent nor your qualifying child because of the rule for *Children of divorced or separated parents* that begins on page 16.

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

Dependent. To find out if someone is your dependent, see the instructions for line 6c that begin on page 15.

Exception to time lived with you. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, and detention in a juvenile facility, count as time lived in the home. If the person for whom you kept up a home was born or died in 2007, you can still file as head of household as long as the home was that person's main home for the part of the year he or she was alive. Also see *Kidnapped child* on page 17, if applicable.

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

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

Married persons who live apart. Even if you were not divorced or legally separated at the end of 2007, you are considered unmarried if all of the following apply.

- You lived apart from your spouse for the last 6 months of 2007. Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.

- You file a separate return from your spouse.

- You paid over half the cost of keeping up your home for 2007.

- Your home was the main home of your child, stepchild, or foster child for more than half of 2007 (if half or less, see *Exception to time lived with you* above).

- You can claim this child as your dependent or could claim the child except that the child's other parent can claim him or her under the rule for *Children of divorced or separated parents* that begins on page 16.

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

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

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

Line 5

Qualifying Widow(er) With Dependent Child

You can check the box on line 5 and use joint return tax rates for 2007 if all of the following apply.

- Your spouse died in 2005 or 2006 and you did not remarry before the end of 2007.
- You have a child or stepchild whom you claim as a dependent. This does not include a foster child.
- This child lived in your home for all of 2007. If the child did not live with you for the required time, see *Exception to time lived with you* on this page.
- You paid over half the cost of keeping up your home.
- You could have filed a joint return with your spouse the year he or she died, even if you did not actually do so.

If your spouse died in 2007, you cannot file as qualifying widow(er) with dependent child. Instead, see the instructions for line 2 on page 13.

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

Dependent. To find out if someone is your dependent, see the instructions for line 6c that begin on page 15.

Exception to time lived with you. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, and detention in a juvenile facility, count as time lived in the home. A child is considered to have lived with you for all of 2007 if the child was born or died in 2007 and your home was the child's home for the entire time he or she was alive. Also see *Kidnapped child* on page 17, if applicable.

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

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

Exemptions

You usually can deduct \$3,400 on line 42 for each exemption you can take.

Line 6b

Spouse

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

1. Your filing status is married filing jointly and your spouse cannot be claimed as a dependent on another person's return.
2. You were married at the end of 2007, your filing status is married filing separately or head of household, and both of the following apply.
 - a. Your spouse had no income and is not filing a return.
 - b. Your spouse cannot be claimed as a dependent on another person's return.

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

Line 6c—Dependents

Dependents and Qualifying Child for Child Tax Credit

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

Step 1 Do You Have a Qualifying Child?

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

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

AND

was ...

Under age 19 at the end of 2007

or

Under age 24 at the end of 2007 and a student (see page 17)

or

Any age and permanently and totally disabled (see page 17)

AND

who...

Did not provide over half of his or her own support for 2007 (see Pub. 501)

AND

who...

Lived with you for more than half of 2007. If the child did not live with you for the required time, see *Exception to time lived with you* on page 17.



If the child meets the conditions to be a qualifying child of any other person (other than your spouse if filing jointly) for 2007, see *Qualifying child of more than one person* on page 17.

- Do you have a child who meets the conditions to be your qualifying child?
 - Yes.** Go to Step 2.
 - No.** Go to Step 4 on page 16.

Step 2 Is Your Qualifying Child Your Dependent?

- Was the child a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico? If the child was adopted, see *Exception to citizen test* on page 17.
 - Yes.** Continue
 - No.** You cannot claim this child as a dependent. Go to Form 1040, line 7.
- Was the child married?
 - Yes.** See *Married person* on page 17.
 - No.** Continue
- Could you, or your spouse if filing jointly, be claimed as a dependent on someone else's 2007 tax return? See Steps 1, 2, and 4.
 - Yes.** You cannot claim any dependents. Go to Step 3.
 - No.** You can claim this child as a dependent. Complete Form 1040, line 6c, columns (1) through (3) for this child. Then, go to Step 3.

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

- Was the child under age 17 at the end of 2007?
 - Yes.** Continue
 - No.** This child is not a qualifying child for the child tax credit. Go to Form 1040, line 7.
- Was the child a U.S. citizen, U.S. national, or U.S. resident alien? If the child was adopted, see *Exception to citizen test* on page 17.
 - Yes.** This child is a qualifying child for the child tax credit. If this child is your dependent, check the box on Form 1040, line 6c, column (4). Otherwise, you must complete and attach Form 8901.
 - No.** This child is not a qualifying child for the child tax credit. Go to Form 1040, line 7.

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

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

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

or

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

or

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

or

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

or

Any other person (other than your spouse) who lived with you all year as a member of your household if your relationship did not violate local law. If the person did not live with you for the required time, see *Exception to time lived with you* on page 17

AND

who was not...

A qualifying child (see Step 1) of any taxpayer for 2007 (see Pub. 501 if the child lived in Canada or Mexico)

AND

who...

Had gross income of less than \$3,400 in 2007. If the person was permanently and totally disabled, see *Exception to gross income test* on page 17

AND

For whom you provided...

Over half of his or her support in 2007. But see the special rule for *Children of divorced or separated parents* that begins on this page, *Multiple support agreements* on page 17, and *Kidnapped child* on page 17.

1. Does any person meet the conditions to be your qualifying relative?
 - Yes.** Continue
 - No.** Go to Form 1040, line 7.

2. Was your qualifying relative a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico? If your qualifying relative was adopted, see *Exception to the citizen test* on page 17.
 - Yes.** Continue
 - No.** You cannot claim this person as a dependent. Go to Form 1040, line 7.

3. Was your qualifying relative married?
 - Yes.** See *Married person* on page 17.
 - No.** Continue

4. Could you, or your spouse if filing jointly, be claimed as a dependent on someone else's 2007 tax return? See Steps 1, 2, and 4.
 - Yes.** You cannot claim any dependents. Go to Form 1040, line 7.
 - No.** You can claim this person as a dependent. Complete Form 1040, line 6c, columns (1) through (3). Do not check the box on Form 1040, line 6c, column (4).

Definitions and Special Rules

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

Adoption taxpayer identification numbers (ATINs). If you have a dependent who was placed with you for legal adoption and you do not know his or her SSN, you must get an ATIN for the dependent from the IRS. See Form W-7A for details.

Children of divorced or separated parents. A child will be treated as being the qualifying child or qualifying relative of his or her noncustodial parent (the parent with whom the child lived for the lesser part of 2007) if all of the following conditions apply.

1. The parents are divorced, legally separated, separated under a written separation agreement, or lived apart at all times during the last 6 months of 2007.
2. The child received over half of his or her support for 2007 from the parents (without regard to the rules on *Multiple support agreements* on page 17). Support of a child received from a parent's spouse is treated as provided by the parent.
3. The child is in custody of one or both of the parents for more than half of 2007.
4. Either of the following applies.
 - a. The custodial parent signs Form 8332 or a substantially similar statement that he or she will not claim the child as a dependent for 2007, and the noncustodial parent attaches the form or statement to his or her return. If the divorce decree or separation agreement went into effect after 1984, the noncustodial parent can attach certain pages from the decree or agreement instead of Form 8332. See *Post-1984 decree or agreement* on page 17.
 - b. A pre-1985 decree of divorce or separate maintenance or written separation agreement between the parents provides that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least \$600 for support of the child during 2007.

If conditions (1) through (4) apply, only the noncustodial parent can claim the child for purposes of the dependency exemption (line 6c) and the child tax credits (lines 52 and 68). However, this special rule does not apply to head of household filing status, the credit for child and dependent care expenses, the exclusion for dependent care benefits, or the earned income credit. See Pub. 501 for details.

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

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

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

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



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

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

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

Exception to time lived with you. A person is considered to have lived with you for all of 2007 if the person was born or died in 2007 and your home was this person's home for the entire time he or she was alive. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility, count as time lived with you. Also see *Children of divorced or separated parents* that begins on page 16 or *Kidnapped child* below.

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

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

Married person. If the person is married, you cannot claim that person as your dependent if he or she files a joint return. But this rule does not apply if the return is filed only as a claim for refund and no tax liability would exist for either spouse if they had filed separate returns. If the person meets this exception, go to Step 2, question 3, on page 15 (for a qualifying child) or Step 4, question 4, on page 16 (for a qualifying relative). If the person does not meet this exception, go to Step 3 on page 15 (for a qualifying child) or Form 1040, line 7 (for a qualifying relative).

Multiple support agreements. If no one person contributed over half of the support of your relative (including a person who lived with you all year as a member of your household) but you and another person(s) provided more than half of your relative's support, special rules may apply that would treat you as having provided over half of the support. For details, see Pub. 501.

Permanently and totally disabled. A person is permanently and totally disabled if, at any time in 2007, the person cannot engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition has lasted or can be expected to last continuously for at least a year or can be expected to lead to death.

Qualifying child of more than one person. If the child is the qualifying child of more than one person, only one person can claim the child as a qualifying child for all of the following tax benefits, unless the special rule for *Children of divorced or separated parents* beginning on page 16 applies.

1. Dependency exemption (line 6c).
2. Child tax credits (lines 52 and 68).
3. Head of household filing status (line 4).
4. Credit for child and dependent care expenses (line 47).
5. Exclusion for dependent care benefits (Form 2441, Part III).
6. Earned income credit (lines 66a and 66b).

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

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If two of the persons are the child's parents, the child will be treated as the qualifying child of the parent with whom the child lived for the longer period of time in 2007. If the child lived with each parent for the same amount of time, the child will be treated as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2007.
- If none of the persons are the child's parent, the child will be treated as the qualifying child of the person who had the highest AGI for 2007.

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

If you will be claiming the child as a qualifying child, go to Step 2 on page 15. Otherwise, stop; you cannot claim any benefits based on this child. Go to Form 1040, line 7.

Social security number. You must enter each dependent's social security number (SSN). Be sure the name and SSN entered agree with the dependent's social security card. Otherwise, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit) based on that dependent. If the name or SSN on the dependent's social security card is not correct, call the Social Security Administration at 1-800-772-1213. For details on how your dependent can get an SSN, see page 12. If your dependent will not have a number by the date your return is due, see *What if You Cannot File on Time?* on page 6.

If your dependent child was born and died in 2007 and you do not have an SSN for the child, you can attach a copy of the child's birth certificate instead and enter "Died" in column (2).

Student. A student is a child who during any part of 5 calendar months of 2007 was enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

Income

Foreign-Source Income

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

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

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

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

Chapter 11 Bankruptcy Cases

If you are a debtor in a chapter 11 bankruptcy case that was filed on or after October 17, 2005, income taxable to the bankruptcy estate and reported on the estate's income tax return includes:

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

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

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

Community Property States

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

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

Rounding Off to Whole Dollars

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

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

Line 7

Wages, Salaries, Tips, etc.

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

- Wages received as a household employee for which you did not receive a Form W-2 because your employer paid you less than \$1,500 in 2007. Also, enter "HSH" and the amount not reported on Form W-2 on the dotted line next to line 7.
- Tip income you did not report to your employer. Also include allocated tips shown on your Form(s) W-2 unless you can prove that you received less. Allocated tips should be shown in box 8 of your Form(s) W-2. They are not included as income in box 1. See Pub. 531 for more details.



You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 59 on

page 41.

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

• Employer-provided adoption benefits, which should be shown in box 12 of your Form(s) W-2 with code T. But see the Instructions for Form 8839 to find out if you can exclude part or all of the benefits. You may also be able to exclude amounts if you adopted a child with special needs and the adoption became final in 2007.

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

• Excess salary deferrals. The amount deferred should be shown in box 12 of your Form W-2, and the "Retirement plan" box in box 13 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 2007 under all plans was more than \$15,500 (excluding catch-up contributions as explained below), include the excess on line 7. This limit is (a) \$10,500 if you only have SIMPLE plans, or (b) \$18,500 for section 403(b) plans if you qualify for the 15-year rule in Pub. 571. Although designated Roth contributions are subject to this limit, do not include the excess attributable to such contributions on line 7. They are already included as income in box 1 of your Form W-2.

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

If you were age 50 or older at the end of 2007, your employer may have allowed an additional deferral (catch-up contributions) of up to \$5,000 (\$2,500 for section 401(k)(11) and SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals.



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

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

• Corrective distributions from a retirement plan shown on Form 1099-R of ex-

cess salary deferrals and excess contributions (plus earnings). But do not include distributions from an IRA* on line 7. Instead, report distributions from an IRA on lines 15a and 15b.

- Wages from Form 8919, line 6.

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

Were You a Statutory Employee?

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

Missing or Incorrect Form W-2?

Your employer is required to provide or send Form W-2 to you no later than January 31, 2008. If you do not receive it by early February, use TeleTax topic 154 (see page 79) to find out what to do. Even if you do not get a Form W-2, you must still report your earnings on line 7. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

Line 8a

Taxable Interest

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

Interest credited in 2007 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 2007 income. For details, see Pub. 550.



If you get a 2007 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2007, see Pub. 550.

Line 8b

Tax-Exempt Interest

If you received any tax-exempt interest, such as from municipal bonds, each payer should send you a Form 1099-INT. Your tax-exempt interest, plus any exempt-interest dividends from a mutual fund or other regulated investment company, should be included in box 8 of Form 1099-INT. Enter

the total on line 8b. Do not include interest earned on your IRA or Coverdell education savings account.

Line 9a

Ordinary Dividends

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

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

Nondividend Distributions

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



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

Line 9b

Qualified Dividends

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

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

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

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

which your risk of loss was diminished. See Pub. 550 for more details.

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

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

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

Example 1. You bought 5,000 shares of XYZ Corp. common stock on June 28, 2007. XYZ Corp. paid a cash dividend of 10 cents per share. The ex-dividend date was July 6, 2007. Your Form 1099-DIV from XYZ Corp. shows \$500 in box 1a (ordinary dividends) and in box 1b (qualified dividends). However, you sold the 5,000 shares on August 1, 2007. You held your shares of XYZ Corp. for only 34 days of the 121-day period (from June 29, 2007, through August 1, 2007). The 121-day period began on May 7, 2007 (60 days before the ex-dividend date), and ended on September 4, 2007. You have no qualified dividends from XYZ Corp. because you held the XYZ stock for less than 61 days.

Example 2. Assume the same facts as in Example 1 except that you bought the stock on July 5, 2007 (the day before the ex-dividend date), and you sold the stock on September 6, 2007. You held the stock for 63 days (from July 6, 2007, through September 6, 2007). The \$500 of qualified dividends shown in box 1b of Form 1099-DIV are all qualified dividends because you held the stock for 61 days of the 121-day period (from July 6, 2007, through September 4, 2007).

Example 3. You bought 10,000 shares of ABC Mutual Fund common stock on June 28, 2007. ABC Mutual Fund paid a cash dividend of 10 cents a share. The ex-dividend date was July 6, 2007. The ABC Mutual Fund advises you that the portion of the dividend eligible to be treated as qualified dividends equals 2 cents per share. Your Form 1099-DIV from ABC Mutual Fund shows total ordinary dividends of \$1,000 and qualified dividends of \$200. However, you sold the 10,000 shares on August 1, 2007. You have no qualified dividends from ABC Mutual Fund because you held the ABC Mutual Fund stock for less than 61 days.



Be sure you use the *Qualified Dividends and Capital Gain Tax Worksheet* or the *Schedule D Tax Worksheet*, whichever applies, to figure your tax. Your tax may be less if you use the worksheet that applies. See the instructions for line 44 that begin on page 33 for details.

Line 10

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



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

If you received a refund, credit, or offset of state or local income taxes in 2007, you may receive a Form 1099-G. If you chose to apply part or all of the refund to your 2007 estimated state or local income tax,

the amount applied is treated as received in 2007. If the refund was for a tax you paid in 2006 and you deducted state and local income taxes on line 5 of your 2006 Schedule A, use the worksheet below to see if any of your refund is taxable.

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

1. You received a refund in 2007 that is for a tax year other than 2006.
2. You received a refund other than an income tax refund, such as a general sales tax or real property tax refund, in 2007 of an amount deducted or credit claimed in an earlier year.
3. The amount on your 2006 Form 1040, line 42, was more than the amount on your 2006 Form 1040, line 41.
4. Your 2006 state and local income tax refund is more than your 2006 state and local income tax deduction minus the amount you could have deducted as your 2006 state and local general sales taxes.

5. You made your last payment of 2006 estimated state or local income tax in 2007.
6. You owed alternative minimum tax in 2006.
7. You could not deduct the full amount of credits you were entitled to in 2006 because the total credits exceeded the amount shown on your 2006 Form 1040, line 46.
8. You could be claimed as a dependent by someone else in 2006.
9. You had to use the *Itemized Deductions Worksheet* in the 2006 Instructions for Schedules A&B because your 2006 adjusted gross income was over \$150,500 (\$75,250 if married filing separately) and both of the following apply.
 - a. You could not deduct all of the amount on the 2006 *Itemized Deductions Worksheet*, line 1.
 - b. The amount on line 8 of that 2006 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 2007.

State and Local Income Tax Refund Worksheet—Line 10

Keep for Your Records



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

1. Enter the income tax refund from Form(s) 1099-G (or similar statement). But do not enter more than the amount of your state and local income taxes shown on your 2006 Schedule A, line 5	1. <input style="width: 100px;" type="text"/>
2. Enter your total allowable itemized deductions from your 2006 Schedule A, line 28	2. <input style="width: 100px;" type="text"/>
<p>Note. If the filing status on your 2006 Form 1040 was married filing separately and your spouse itemized deductions in 2006, skip lines 3, 4, and 5, and enter the amount from line 2 on line 6.</p>	
3. Enter the amount shown below for the filing status claimed on your 2006 Form 1040.	3. <input style="width: 100px;" type="text"/>
<ul style="list-style-type: none"> • Single or married filing separately— \$5,150 • Married filing jointly or qualifying widow(er)— \$10,300 • Head of household— \$7,550 	} . . .
4. Did you fill in line 39a on your 2006 Form 1040?	4. <input style="width: 100px;" type="text"/>
<input type="checkbox"/> No. Enter -0-. <input type="checkbox"/> Yes. Multiply the number in the box on line 39a of your 2006 Form 1040 by \$1,000 (\$1,250 if your 2006 filing status was single or head of household).	} . . .
5. Add lines 3 and 4	5. <input style="width: 100px;" type="text"/>
6. Is the amount on line 5 less than the amount on line 2?	6. <input style="width: 100px;" type="text"/>
<input type="checkbox"/> No. None of your refund is taxable. <input type="checkbox"/> Yes. Subtract line 5 from line 2	6. <input style="width: 100px;" type="text"/>
7. Taxable part of your refund. Enter the smaller of line 1 or line 6 here and on Form 1040, line 10	7. <input style="width: 100px;" type="text"/>

Line 11**Alimony Received**

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

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

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

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

If you had a capital gain or loss, including any capital gain distributions or a capital loss carryover from 2006, you must complete and attach Schedule D.

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

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

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



If you do not have to file Schedule D, use the Qualified Dividends and Capital Gain Tax Worksheet on page 35 to figure your tax. Your tax is usually less if you use this worksheet.

Line 14**Other Gains or (Losses)**

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

Lines 15a and 15b**IRA Distributions**

You should receive a Form 1099-R showing the amount of any distribution from your IRA. Unless otherwise noted in the line 15a and 15b instructions, an IRA includes a traditional IRA, Roth IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Except as provided below, leave line 15a blank and enter the total distribution on line 15b.

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

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

Also, enter “Rollover” next to line 15b. If the total distribution was rolled over in a qualified rollover, enter -0- on line 15b. If the total distribution was not rolled over in a qualified rollover, enter the part not rolled over on line 15b unless *Exception 2* applies to the part not rolled over. Generally, a qualified rollover must be made within 60 days after the day you received the distribution. For more details on rollovers, see Pub. 590.

If you rolled over the distribution into a qualified plan other than an IRA or you made the rollover in 2008, attach a statement explaining what you did.

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

1. You received a distribution from an IRA (other than a Roth IRA) and you made nondeductible contributions to any of your traditional or SEP IRAs for 2007 or an earlier year. If you made nondeductible contributions to these IRAs for 2007, also see Pub. 590.

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

a. Distribution code T is shown in box 7 of Form 1099-R and you made a contribution (including a conversion) to a Roth IRA for 2002 or an earlier year.

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

3. You converted part or all of a traditional, SEP, or SIMPLE IRA to a Roth IRA in 2007.

4. You had a 2006 or 2007 IRA contribution returned to you, with the related earnings or less any loss, by the due date

(including extensions) of your tax return for that year.

5. You made excess contributions to your IRA for an earlier year and had them returned to you in 2007.

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

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

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



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

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

An HFD is a distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE IRA) to your HSA. If eligible, you generally can elect to exclude an HFD from your income once in your lifetime. You cannot exclude more than the limit on HSA contributions or more than the amount that would otherwise be included in your income. If your IRA includes nondeductible contributions, the HFD is first considered to be paid out of otherwise taxable income. See Pub. 590 for details.



The amount of an HFD reduces the amount you can contribute to your HSA for the year. If you fail to maintain eligibility for an HSA for the 12 months following the month of the HFD, you may have to report

the HFD as income and pay an additional tax. See Form 8889, Part III.

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



You may have to pay an additional tax if (a) you received an early distribution from your IRA and the total was not rolled over, or (b) you were born before July 1, 1936, and received less than the minimum required distribution from your traditional, SEP, and SIMPLE IRAs. See the instructions for line 60 that begin on page 41 for details.

Lines 16a and 16b Pensions and Annuities

You should receive a Form 1099-R showing the amount of your pension and annuity payments, including distributions from 401(k) and 403(b) plans. See this page and page 23 for details on rollovers and lump-sum distributions. Do not include the following payments on lines 16a and 16b. Instead, report them on line 7.

- Disability pensions received before you reach the minimum retirement age set by your employer.
- Corrective distributions (including any earnings) of excess salary deferrals or excess contributions to retirement plans. The plan must advise you of the year(s) the distributions are includible in income.



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

Fully Taxable Pensions and Annuities

If your pension or annuity is fully taxable, enter it on line 16b; do not make an entry on line 16a. Your payments are fully taxable if (a) you did not contribute to the cost (see this page) of your pension or annuity, or (b) you got your entire cost back tax free before 2007. But see *Insurance Premiums for Retired Public Safety Officers* on this page.

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

Partially Taxable Pensions and Annuities

Enter the total pension or annuity payments you received in 2007 on line 16a. If your Form 1099-R does not show the taxable amount, you must use the General Rule explained in Pub. 939 to figure the taxable part to enter on line 16b. But if your annuity starting date (defined below) was after July 1, 1986, see *Simplified Method* below to find out if you must use that method to figure the taxable part.

You can ask the IRS to figure the taxable part for you for a \$380 fee. For details, see Pub. 939.

If your Form 1099-R shows a taxable amount, you can report that amount on line 16b. But you may be able to report a lower taxable amount by using the General Rule or the Simplified Method or if the exclusion for retired public safety officers, discussed next, applies.

Insurance Premiums for Retired Public Safety Officers

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

An eligible retirement plan is a governmental plan that is:

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

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

Annuity Starting Date

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

Simplified Method

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

1. Your annuity starting date (defined above) was after July 1, 1986, and you used this method last year to figure the taxable part.

2. Your annuity starting date was after November 18, 1996, and both of the following apply.

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

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

If you must use the Simplified Method, complete the worksheet on page 23 to figure the taxable part of your pension or annuity. For more details on the Simplified Method, see Pub. 575 or Pub. 721 for U.S. Civil Service retirement benefits.



If you received U.S. Civil Service retirement benefits and you chose the alternative annuity option, see Pub. 721 to figure the taxable part of your annuity. Do not use the worksheet on page 23.

Age (or Combined Ages) at Annuity Starting Date

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

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

Cost

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

Rollovers

Generally, a qualified rollover is a tax-free distribution of cash or other assets from one retirement plan that is contributed to another plan within 60 days of receiving the distribution. Use lines 16a and 16b to report a qualified rollover, including a direct rollover, from one qualified employer's plan to another or to an IRA or SEP.

Enter on line 16a the total distribution before income tax or other deductions were withheld. This amount should be shown in box 1 of Form 1099-R. From the total on line 16a, subtract any contributions (usually shown in box 5) that were taxable to

you when made. From that result, subtract the amount of the qualified rollover. Enter the remaining amount, even if zero, on line 16b. Also, enter “Rollover” next to line 16b.

Special rules apply to partial rollovers of property. 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 in a qualified rollover. For details, see the instructions for line 60 that begin on page 41.

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



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

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records 

Before you begin: ✓ If you are the beneficiary of a deceased employee or former employee who died **before** August 21, 1996, include any death benefit exclusion that you are entitled to (up to \$5,000) in the amount entered on line 2 below.
Note. If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 2007 on Form 1040, line 16a.


<p>1. Enter the total pension or annuity payments received in 2007. Also, enter this amount on Form 1040, line 16a</p> <p>2. Enter your cost in the plan at the annuity starting date</p> <p>Note. If you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year’s worksheet on line 4 below (even if the amount of your pension or annuity has changed). Otherwise, go to line 3.</p> <p>3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life and that of your beneficiary, enter the appropriate number from Table 2 below</p> <p>4. Divide line 2 by the number on line 3</p> <p>5. Multiply line 4 by the number of months for which this year’s payments were made. If your annuity starting date was before 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise, go to line 6</p> <p>6. Enter the amount, if any, recovered tax free in years after 1986. If you completed this worksheet last year, enter the amount from line 10 of last year’s worksheet</p> <p>7. Subtract line 6 from line 2</p> <p>8. Enter the smaller of line 5 or line 7</p> <p>9. Taxable amount. Subtract line 8 from line 1. Enter the result, but not less than zero. Also, enter this amount on Form 1040, line 16b. If your Form 1099-R shows a larger amount, use the amount on this line instead of the amount from Form 1099-R. If you are a retired public safety officer, see <i>Insurance Premiums for Retired Public Safety Officers</i> on page 22 before entering an amount on line 16b.</p> <p>10. Was your annuity starting date before 1987? <input type="checkbox"/> Yes.  Leave line 10 blank. <input type="checkbox"/> No. Add lines 6 and 8. This is the amount you have recovered tax free through 2007. You will need this number when you fill out this worksheet next year</p>	<p>1.</p> <p>2.</p> <p>3.</p> <p>4.</p> <p>5.</p> <p>6.</p> <p>7.</p> <p>8.</p> <p>9.</p> <p>10.</p>	
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Table 1 for Line 3 Above		
AND your annuity starting date was—		
IF the age at annuity starting date (see page 22) was . . .	before November 19, 1996, enter on line 3 . . .	after November 18, 1996, enter on line 3 . . .
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or older	120	160

Table 2 for Line 3 Above	
IF the combined ages at annuity starting date (see page 22) were . . .	THEN enter on line 3 . . .
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

Line 19**Unemployment Compensation**

You should receive a Form 1099-G showing in box 1 the total unemployment compensation paid to you in 2007. Report the amount in box 1 on line 19. However, if you made contributions to a governmental unemployment compensation program and you are not itemizing deductions, reduce the amount you report on line 19 by those contributions.

If you received an overpayment of unemployment compensation in 2007 and you repaid any of it in 2007, 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 2007, you repaid unemployment compensation that you included in gross income in an earlier year, you can deduct the amount repaid on Schedule A, line 23. But if you repaid more than \$3,000, see *Repayments* in Pub. 525 for details on how to report the repayment.

Lines 20a and 20b**Social Security Benefits**

You should receive a Form SSA-1099 showing in box 3 the total social security benefits paid to you. Box 4 will show the amount of any benefits you repaid in 2007. If you received railroad retirement benefits treated as social security, you should receive a Form RRB-1099.

Use the worksheet on page 25 to see if any of your benefits are taxable.

Exception. Do not use the worksheet on page 25 if any of the following applies.

- You made contributions to a traditional IRA for 2007 and you or your spouse were covered by a retirement plan at work or through self-employment. Instead, use the worksheets in Pub. 590 to see if any of your social security benefits are taxable and to figure your IRA deduction.

- You repaid any benefits in 2007 and your total repayments (box 4) were more than your total benefits for 2007 (box 3). None of your benefits are taxable for 2007. Also, you may be able to take an itemized deduction or a credit for part of the excess repayments if they were for benefits you included in gross income in an earlier year. For more details, see Pub. 915.

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

Line 21**Other Income**

Do not report on this line any income from self-employment or fees received as a notary public. Instead, you must use Schedule C, C-EZ, or F, even if you do not have any business expenses. Also, do not report on line 21 any nonemployee compensation shown on Form 1099-MISC. Instead, see the chart on page 9 to find out where to report that income.

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

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

- Child support.
- Life insurance proceeds received because of someone's death (other than from certain employer-owned life insurance contracts).
- Gifts and bequests. However, if you received a gift or bequest from a foreign person of more than \$13,258, you may have to report information about it on Form 3520, Part IV. See the instructions for Form 3520.

Examples of income to report on line 21 are:

- Taxable distributions from a Coverdell education savings account (ESA) or a qualified tuition program (QTP). Distributions from these accounts may be taxable if (a) they are more than the qualified higher education expenses of the designated beneficiary in 2007, and (b) they were not included in a qualified rollover. Nontaxable distributions from these accounts, including rollovers, do not have to be reported on Form 1040. See Pub. 970.



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

- Taxable distributions from a health savings account (HSA) or an Archer MSA. Distributions from these accounts may be taxable if (a) they are more than the unreimbursed qualified medical expenses of the account beneficiary or account holder in 2007, and (b) they were not included in a qualified rollover. See Pub. 969.



You may have to pay an additional tax if you received a taxable distribution from an HSA or an Archer MSA. See the In-

structions for Form 8889 for HSAs or the Instructions for Form 8853 for Archer MSAs.

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

- Prizes and awards.
- Gambling winnings, including lotteries, raffles, a lump-sum payment from the sale of a right to receive future lottery payments, etc. For details on gambling losses, see the instructions for Schedule A, line 28, on page A-10.



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

- Jury duty pay. Also, see the instructions for line 36 on page 31.

- Alaska Permanent Fund dividends.
- Alternative trade adjustment assistance payments. These payments should be shown in box 5 of Form 1099-G.

- Reimbursements or other amounts received for items deducted in an earlier year, such as medical expenses, real estate taxes, general sales taxes, or home mortgage interest. See *Recoveries* in Pub. 525 for details on how to figure the amount to report.

- Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property. Also, see the instructions for line 36 on page 31.

- Income from an activity not engaged in for profit. See Pub. 535.

- Loss on certain corrective distributions of excess deferrals. See *Retirement Plan Contributions* in Pub. 525.

- Dividends on insurance policies if they exceed the total of all net premiums you paid for the contract.

- Recapture of a charitable contribution deduction relating to the contribution of a fractional interest in tangible personal property. See *Fractional Interest in Tangible Personal Property* in Pub. 526. Interest and an additional 10% tax apply to the amount of the recapture. See the instructions for line 44 on page 33.

- Recapture of a charitable contribution deduction if the charitable organization disposes of the donated property within 3 years of the contribution. See *Recapture if no exempt use* in Pub. 526.

- Canceled debts. These amounts may be shown in box 2 of Form 1099-C. See Pub. 525 or go to www.irs.gov and enter "canceled debt" or "foreclosure" in the search box.



Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

- Before you begin:**
- ✓ Complete Form 1040, lines 21 and 23 through 32, if they apply to you.
 - ✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36 on page 31).
 - ✓ If you are married filing separately and you lived apart from your spouse for all of 2007, enter “D” to the right of the word “benefits” on line 20a.
 - ✓ Be sure you have read the **Exception** on page 24 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.

<p>1. Enter the total amount from box 5 of all your Forms SSA-1099 and Forms RRB-1099. Also, enter this amount on Form 1040, line 20a</p>	1.				
<p>2. Enter one-half of line 1</p>	2.				
<p>3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 14, 15b, 16b, 17 through 19, and 21</p>	3.				
<p>4. Enter the amount, if any, from Form 1040, line 8b</p>	4.				
<p>5. Add lines 2, 3, and 4</p>	5.				
<p>6. Enter the total of the amounts from Form 1040, lines 23 through 32, and any write-in adjustments you entered on the dotted line next to line 36</p>	6.				
<p>7. Is the amount on line 6 less than the amount on line 5?</p> <p><input type="checkbox"/> No. None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b.</p> <p><input type="checkbox"/> Yes. Subtract line 6 from line 5</p>	7.				
<p>8. If you are:</p> <ul style="list-style-type: none"> • Married filing jointly, enter \$32,000 • Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2007, enter \$25,000 • Married filing separately and you lived with your spouse at any time in 2007, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17 	8.				
<p>9. Is the amount on line 8 less than the amount on line 7?</p> <p><input type="checkbox"/> No. None of your social security benefits are taxable. Enter -0- on Form 1040, line 20b. If you are married filing separately and you lived apart from your spouse for all of 2007, be sure you entered “D” to the right of the word “benefits” on line 20a.</p> <p><input type="checkbox"/> Yes. Subtract line 8 from line 7</p>	9.				
<p>10. Enter: \$12,000 if married filing jointly; \$9,000 if single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2007 . . .</p>	10.				
<p>11. Subtract line 10 from line 9. If zero or less, enter -0-</p>	11.				
<p>12. Enter the smaller of line 9 or line 10</p>	12.				
<p>13. Enter one-half of line 12</p>	13.				
<p>14. Enter the smaller of line 2 or line 13</p>	14.				
<p>15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0-</p>	15.				
<p>16. Add lines 14 and 15</p>	16.				
<p>17. Multiply line 1 by 85% (.85)</p>	17.				
<p>18. Taxable social security benefits. Enter the smaller of line 16 or line 17. Also enter this amount on Form 1040, line 20b</p>	18.				



TIP If any of your benefits are taxable for 2007 **and** they include a lump-sum benefit payment that was for an earlier year, you may be able to reduce the taxable amount. See Pub. 915 for details.

Adjusted Gross Income

Line 23

Educator Expenses

If you were an eligible educator in 2007, you can deduct on line 23 up to \$250 of qualified expenses you paid in 2007. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is \$500. However, neither spouse can deduct more than \$250 of his or her qualified expenses on line 23. You may be able to deduct expenses that are more than the \$250 (or \$500) limit on Schedule A, line 21. An eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year.

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

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

You must reduce your qualified expenses by the following amounts.

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

For more details, use TeleTax topic 458 (see page 79) or see Pub. 529.

Line 24

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

Include the following deductions on line 24.

- Certain business expenses of National Guard and reserve members who traveled

more than 100 miles from home to perform services as a National Guard or reserve member.

- Performing-arts-related expenses as a qualified performing artist.
- Business expenses of fee-basis state or local government officials.

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

Line 25

Health Savings Account (HSA) Deduction

You may be able to take this deduction if contributions (other than employer contributions, rollovers, and qualified HSA funding distributions from an IRA) were made to your HSA for 2007. See Form 8889.

Line 26

Moving Expenses

If you moved in connection with your job or business or started a new job, you may be able to take this deduction. But your new workplace must be at least 50 miles farther from your old home than your old home was from your old workplace. If you had no former workplace, your new workplace must be at least 50 miles from your old home. Use TeleTax topic 455 (see page 79) or see Form 3903.

Line 27

One-Half of Self-Employment Tax

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

Line 28

Self-Employed SEP, SIMPLE, and Qualified Plans

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

Line 29

Self-Employed Health Insurance Deduction

You may be able to deduct the amount you paid for health insurance for yourself, your

spouse, and your dependents if any of the following applies.

- You were self-employed and had a net profit for the year.
- You used one of the optional methods to figure your net earnings from self-employment on Schedule SE.
- You received wages in 2007 from an S corporation in which you were a more-than-2% shareholder. Health insurance benefits paid for you may be shown in box 14 of Form W-2.

The insurance plan must be established under your business. But if you were also eligible to participate in any subsidized health plan maintained by your or your spouse's employer for any month or part of a month in 2007, amounts paid for health insurance coverage for that month cannot be used to figure the deduction. For example, if you were eligible to participate in a subsidized health plan maintained by your spouse's employer from September 30 through December 31, you cannot use amounts paid for health insurance coverage for September through December to figure your deduction. Also, amounts paid for health insurance coverage from retirement plan distributions that were nontaxable because you are a retired public safety officer cannot be used to figure the deduction.

For more details, see Pub. 535.

Note. If, during 2007, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing the worksheet on page 27. When figuring the amount to enter on line 1 of the worksheet on page 27, do not include:

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

If you qualify to take the deduction, use the worksheet on page 27 to figure the amount you can deduct.

Exception. Use Pub. 535 instead of the worksheet on page 27 to figure your deduction if any of the following applies.

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

Self-Employed Health Insurance Deduction Worksheet—Line 29

Keep for Your Records



Before you begin: ✓ If, during 2007, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, see the **Note** on page 26.
 ✓ Be sure you have read the **Exception** on page 26 to see if you can use this worksheet instead of Pub. 535 to figure your deduction.

1. Enter the total amount paid in 2007 for health insurance coverage established under your business for 2007 for you, your spouse, and your dependents. But do not include amounts for any month you were eligible to participate in an employer-sponsored health plan or amounts paid from retirement plan distributions that were nontaxable because you are a retired public safety officer	1.	
2. Enter your net profit* and any other earned income** from the business under which the insurance plan is established, minus any deductions on Form 1040, lines 27 and 28	2.	
3. Self-employed health insurance deduction. Enter the smaller of line 1 or line 2 here and on Form 1040, line 29. Do not include this amount in figuring any medical expense deduction on Schedule A	3.	

* If you used either optional method to figure your net earnings from self-employment, do not enter your net profit. Instead, enter the amount from Schedule SE, Section B, line 4b.
 ** **Earned income** includes net earnings and gains from the sale, transfer, or licensing of property you created. However, it does not include capital gain income. If you were a more-than-2% shareholder in the S corporation under which the insurance plan is established, earned income is your Medicare wages (box 5 of Form W-2) from that corporation.

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 79) or see Pub. 504.

Line 32
IRA Deduction



If you made any nondeductible contributions to a traditional individual retirement arrangement (IRA) for 2007, you must report them on Form 8606.

If you made contributions to a traditional IRA for 2007, you may be able to take an IRA deduction. But you, or your spouse if filing a joint return, must have had earned income to do so. For IRA purposes, earned income includes alimony and separate maintenance payments reported on line 11. If you were a member of the U.S. Armed Forces, earned income includes any nontaxable combat pay you received. If you were self-employed, earned income is generally your net earnings from

self-employment if your personal services were a material income-producing factor. For more details, see Pub. 590. A statement should be sent to you by May 31, 2008, that shows all contributions to your traditional IRA for 2007.

Use the worksheet on pages 28 and 29 to figure the amount, if any, of your IRA deduction. But read the following list before you fill in the worksheet.

1. If you were age 70½ or older at the end of 2007, you cannot deduct any contributions made to your traditional IRA for 2007 or treat them as nondeductible contributions.
2. You cannot deduct contributions to a Roth IRA. But you may be able to take the retirement savings contributions credit (saver's credit). See the instructions for line 53 on page 41.



If you are filing a joint return and you or your spouse made contributions to both a traditional IRA and a Roth IRA for 2007, do not use the worksheet on pages 28 and 29. Instead, see Pub. 590 to figure the amount, if any, of your IRA deduction.

3. You cannot deduct elective deferrals to a 401(k) plan, section 457 plan, SIMPLE plan, or the federal Thrift Savings Plan. These amounts are not included as income in box 1 of your Form W-2. But you may be able to take the retirement savings contributions credit. See the instructions for line 53 on page 41.
4. If you made contributions to your IRA in 2007 that you deducted for 2006, do not include them in the worksheet.
5. If you received income from a non-qualified deferred compensation plan or

nongovernmental section 457 plan that is included in box 1 of your Form W-2, or in box 7 of Form 1099-MISC, do not include that income on line 8 of the worksheet. The income should be shown in (a) box 11 of your Form W-2, (b) box 12 of your Form W-2 with code Z, or (c) box 15b of Form 1099-MISC. If it is not, contact your employer or the payer for the amount of the income.

6. You must file a joint return to deduct contributions to your spouse's IRA. Enter the total IRA deduction for you and your spouse on line 32.
7. Do not include qualified rollover contributions in figuring your deduction. Instead, see the instructions for lines 15a and 15b that begin on page 21.
8. Do not include trustees' fees that were billed separately and paid by you for your IRA. These fees can be deducted only as an itemized deduction on Schedule A.
9. Do not include any repayments of qualified reservist distributions. You cannot deduct them. For information on how to report these repayments, see *Qualified reservist repayments* in Pub. 590.
10. If the total of your IRA deduction on line 32 plus any nondeductible contribution to your traditional IRAs shown on Form 8606 is less than your total traditional IRA contributions for 2007, see Pub. 590 for special rules.
11. You may be able to deduct up to an additional \$3,000 if all the following conditions are met.
 - a. You must have been a participant in a 401(k) plan under which the employer matched at least 50% of your contributions to the plan with stock of the company.

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

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

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

If this applies to you, do not use the worksheet on pages 28 and 29. Instead, use the worksheet in Pub. 590.



By April 1 of the year after the year in which you turn age 70½, you must start taking minimum required distributions from your traditional IRA. If you do not, you may have to pay a 50% additional tax on the amount that should have been distributed. For details, including how to figure

the minimum required distribution, see Pub. 590.

Were You Covered by a Retirement Plan?


If you were covered by a retirement plan (qualified pension, profit-sharing (including 401(k)), annuity, SEP, SIMPLE, etc.) at work or through self-employment, your IRA deduction may be reduced or eliminated. But you can still make contributions to an IRA even if you cannot deduct them.

IRA Deduction Worksheet—Line 32

Keep for Your Records 



If you were age 70½ or older at the end of 2007, you cannot deduct any contributions made to your traditional IRA or treat them as nondeductible contributions. Do not complete this worksheet for anyone age 70½ or older at the end of 2007. If you are married filing jointly and only one spouse was under age 70½ at the end of 2007, complete this worksheet only for that spouse.

<p>Before you begin: ✓ Be sure you have read the list on page 27. You may not be eligible to use this worksheet. ✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36 on page 31).</p>			
	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: center;">Your IRA</td> <td style="width: 50%; text-align: center;">Spouse's IRA</td> </tr> </table>	Your IRA	Spouse's IRA
Your IRA	Spouse's IRA		
<p>1a. Were you covered by a retirement plan (see above)?</p>	<p>1a. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>		
<p>b. If married filing jointly, was your spouse covered by a retirement plan? Next, if you checked "No" on line 1a (and "No" on line 1b if married filing jointly), skip lines 2 through 6, enter the applicable amount below on line 7a (and line 7b if applicable), and go to line 8.</p> <ul style="list-style-type: none"> • \$4,000, if under age 50 at the end of 2007. • \$5,000, if age 50 or older but under age 70½ at the end of 2007. <p>Otherwise, go to line 2.</p>	<p>1b. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>		
<p>2. Enter the amount shown below that applies to you.</p> <ul style="list-style-type: none"> • Single, head of household, or married filing separately and you lived apart from your spouse for all of 2007, enter \$62,000 • Qualifying widow(er), enter \$103,000 • Married filing jointly, enter \$103,000 in both columns. But if you checked "No" on either line 1a or 1b, enter \$166,000 for the person who was not covered by a plan • Married filing separately and you lived with your spouse at any time in 2007, enter \$10,000 	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: center;">2a. <input style="width: 100%;" type="text"/></td> <td style="width: 50%; text-align: center;">2b. <input style="width: 100%;" type="text"/></td> </tr> </table>	2a. <input style="width: 100%;" type="text"/>	2b. <input style="width: 100%;" type="text"/>
2a. <input style="width: 100%;" type="text"/>	2b. <input style="width: 100%;" type="text"/>		
<p>3. Enter the amount from Form 1040, line 22</p>	<p>3. <input style="width: 100%;" type="text"/></p>		
<p>4. Enter the total of the amounts from Form 1040, lines 23 through 31a, plus any write-in adjustments you entered on the dotted line next to line 36</p>	<p>4. <input style="width: 100%;" type="text"/></p>		
<p>5. Subtract line 4 from line 3. If married filing jointly, enter the result in both columns</p>	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: center;">5a. <input style="width: 100%;" type="text"/></td> <td style="width: 50%; text-align: center;">5b. <input style="width: 100%;" type="text"/></td> </tr> </table>	5a. <input style="width: 100%;" type="text"/>	5b. <input style="width: 100%;" type="text"/>
5a. <input style="width: 100%;" type="text"/>	5b. <input style="width: 100%;" type="text"/>		
<p>6. Is the amount on line 5 less than the amount on line 2?</p> <p><input type="checkbox"/> No.  None of your IRA contributions are deductible. For details on nondeductible IRA contributions, see Form 8606.</p> <p><input type="checkbox"/> Yes. Subtract line 5 from line 2 in each column. Follow the instruction below that applies to you.</p> <ul style="list-style-type: none"> • If single, head of household, or married filing separately, and the result is \$10,000 or more, enter the applicable amount below on line 7 for that column and go to line 8. <ul style="list-style-type: none"> i. \$4,000, if under age 50 at the end of 2007. ii. \$5,000, if age 50 or older but under age 70½ at the end of 2007. Otherwise, go to line 7. • If married filing jointly or qualifying widow(er), and the result is \$20,000 or more (\$10,000 or more in the column for the IRA of a person who was not covered by a retirement plan), enter the applicable amount below on line 7 for that column and go to line 8. <ul style="list-style-type: none"> i. \$4,000, if under age 50 at the end of 2007. ii. \$5,000 if age 50 or older but under age 70½ at the end of 2007. Otherwise, go to line 7. 	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: center;">6a. <input style="width: 100%; height: 80px;" type="text"/></td> <td style="width: 50%; text-align: center;">6b. <input style="width: 100%; height: 80px;" type="text"/></td> </tr> </table>	6a. <input style="width: 100%; height: 80px;" type="text"/>	6b. <input style="width: 100%; height: 80px;" type="text"/>
6a. <input style="width: 100%; height: 80px;" type="text"/>	6b. <input style="width: 100%; height: 80px;" type="text"/>		

IRA Deduction Worksheet—Line 32 (continued)

	Your IRA	Spouse's IRA
<p>7. Multiply lines 6a and 6b by the percentage below that applies to you. If the result is not a multiple of \$10, increase it to the next multiple of \$10 (for example, increase \$490.30 to \$500). If the result is \$200 or more, enter the result. But if it is less than \$200, enter \$200.</p> <ul style="list-style-type: none"> • Single, head of household, or married filing separately, multiply by 40% (.40)(or by 50% (.50) in the column for the IRA of a person who is age 50 or older at the end of 2007) • Married filing jointly or qualifying widow(er), multiply by 20% (.20) (or by 25% (.25) in the column for the IRA of a person who is age 50 or older at the end of 2007). But if you checked "No" on either line 1a or 1b, then in the column for the IRA of the person who was not covered by a retirement plan, multiply by 40% (.40) (or by 50% (.50) if age 50 or older at the end of 2007) 	7a.	7b.
<p>8. Enter the total of your (and your spouse's if filing jointly):</p> <ul style="list-style-type: none"> • Wages, salaries, tips, etc. Generally, this is the amount reported in box 1 of Form W-2. See page 27 for exceptions • Alimony and separate maintenance payments reported on Form 1040, line 11 • Nontaxable combat pay. This amount should be reported in box 12 of Form W-2 with code Q 	8.	
<p>9. Enter the earned income you (and your spouse if filing jointly) received as a self-employed individual or a partner. Generally, this is your (and your spouse's if filing jointly) net earnings from self-employment if your personal services were a material income-producing factor, minus any deductions on Form 1040, lines 27 and 28. If zero or less, enter -0-. For more details, see Pub. 590</p>	9.	
<p>10. Add lines 8 and 9</p>	10.	
<p> <i>If married filing jointly and line 10 is less than \$8,000 (\$9,000 if one spouse is age 50 or older at the end of 2007; \$10,000 if both spouses are age 50 or older at the end of 2007), stop here and see Pub. 590 to figure your IRA deduction.</i></p>		
<p>11. Enter traditional IRA contributions made, or that will be made by April 15, 2008, for 2007 to your IRA on line 11a and to your spouse's IRA on line 11b</p>	11a.	11b.
<p>12. On line 12a, enter the smallest of line 7a, 10, or 11a. On line 12b, enter the smallest of line 7b, 10, or 11b. This is the most you can deduct. Add the amounts on lines 12a and 12b and enter the total on Form 1040, line 32. Or, if you want, you can deduct a smaller amount and treat the rest as a nondeductible contribution (see Form 8606)</p>	12a.	12b.

In any case, the income earned on your IRA contributions is not taxed until it is paid to you.

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

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

Married persons filing separately. If you were not covered by a retirement plan but your spouse was, you are considered cov-

ered by a plan unless you lived apart from your spouse for all of 2007.



You may be able to take the retirement savings contributions credit. See the instructions for line 53 on page 41.

Line 33 Student Loan Interest Deduction

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

- You paid interest in 2007 on a qualified student loan (see below).
- Your filing status is any status except married filing separately.
- Your modified adjusted gross income (AGI) is less than: \$70,000 if single, head of household, or qualifying widow(er); \$140,000 if married filing jointly. Use lines 2 through 4 of the worksheet below to figure your modified AGI.
- You, or your spouse if filing jointly, are not claimed as a dependent on someone's (such as your parent's) 2007 tax return.

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

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

Qualified student loan. A qualified student loan is any loan you took out to pay the qualified higher education expenses for any of the following individuals.

1. Yourself or your spouse.
2. Any person who was your dependent when the loan was taken out.
3. Any person you could have claimed as a dependent for the year the loan was taken out except that:
 - a. The person filed a joint return,
 - b. The person had gross income that was equal to or more than the exemption amount for that year (\$3,400 for 2007), or
 - c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's return.

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

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

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

- Employer-provided educational assistance benefits that are not included in box 1 of Form(s) W-2.
- Excludable U.S. series EE and I savings bond interest from Form 8815.
- Any nontaxable distribution of qualified tuition program earnings.
- Any nontaxable distribution of Coverdell education savings account earnings.
- Any scholarship, educational assistance allowance, or other payment (but not gifts, inheritances, etc.) excluded from income.

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

Eligible student. An eligible student is a person who:

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

Student Loan Interest Deduction Worksheet—Line 33

Keep for Your Records 

Before you begin:		✓ Figure any write-in adjustments to be entered on the dotted line next to line 36 (see the instructions for line 36 on page 31).
	✓	Be sure you have read the Exception above to see if you can use this worksheet instead of Pub. 970 to figure your deduction.
1.	Enter the total interest you paid in 2007 on qualified student loans (see above). Do not enter more than \$2,500	1. <input type="text"/>
2.	Enter the amount from Form 1040, line 22	2. <input type="text"/>
3.	Enter the total of the amounts from Form 1040, lines 23 through 32, plus any write-in adjustments you entered on the dotted line next to line 36	3. <input type="text"/>
4.	Subtract line 3 from line 2	4. <input type="text"/>
5.	Enter the amount shown below for your filing status.	
	<ul style="list-style-type: none"> • Single, head of household, or qualifying widow(er)—\$55,000 • Married filing jointly—\$110,000 	5. <input type="text"/>
6.	Is the amount on line 4 more than the amount on line 5?	
	<input type="checkbox"/> No. Skip lines 6 and 7, enter -0- on line 8, and go to line 9.	
	<input type="checkbox"/> Yes. Subtract line 5 from line 4	6. <input type="text"/>
7.	Divide line 6 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000	7. <input type="text"/>
8.	Multiply line 1 by line 7	8. <input type="text"/>
9.	Student loan interest deduction. Subtract line 8 from line 1. Enter the result here and on Form 1040, line 33. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	9. <input type="text"/>

Line 34**Tuition and Fees Deduction**

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



You may be able to take a credit for your educational expenses instead of a deduction. See the instructions for line 49 on page 37 for details.

Line 35**Domestic Production Activities Deduction**

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

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

The deduction does not apply to income derived from:

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

For details, see Form 8903 and its instructions.

Line 36

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

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

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

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

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

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

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

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

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

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

Line 37

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

Tax and Credits**Line 39a**

If you were born before January 2, 1943, or were blind at the end of 2007, check the appropriate box(es) on line 39a. If you were married and checked the box on Form 1040, line 6b, and your spouse was born before January 2, 1943, or was blind at the end of 2007, also check the appropriate box(es) for your spouse. Be sure to enter the total number of boxes checked.

Blindness

If you were partially blind as of December 31, 2007, you must get a statement certified

by your eye doctor or registered optometrist that:

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

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

You must keep the statement for your records.

Line 39b

If your filing status is married filing separately (box 3 is checked), and your spouse itemizes deductions on his or her return, check the box on line 39b. Also check that box if you were a dual-status alien. But if you were a dual-status alien and you file a joint return with your spouse who was a U.S. citizen or resident alien at the end of 2007 and you and your spouse agree to be taxed on your combined worldwide income, do not check the box.

Line 40**Itemized Deductions or Standard Deduction**

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



If you checked the box on line 39b, your standard deduction is zero.

Itemized Deductions

To figure your itemized deductions, fill in Schedule A.

Standard Deduction

Most people can find their standard deduction by looking at the amounts listed under “All others” to the left of Form 1040, line 40. But if you, or your spouse if filing jointly, can be claimed as a dependent on someone’s 2007 return or you checked any box on line 39a, use the worksheet or the chart on page 32, whichever applies, to figure your standard deduction. Also, if you checked the box on line 39b, your standard deduction is zero, even if you were born before January 2, 1943, or were blind.

Standard Deduction Worksheet for Dependents—Line 40

Keep for Your Records



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

<p>1. Is your earned income* more than \$550? <input type="checkbox"/> Yes. Add \$300 to your earned income. Enter the total <input type="checkbox"/> No. Enter \$850</p>	}	..... 1.	
<p>2. Enter the amount shown below for your filing status. • Single or married filing separately—\$5,350 • Married filing jointly—\$10,700 • Head of household—\$7,850</p>	}	..... 2.	
3. Standard deduction.			
<p>a. Enter the smaller of line 1 or line 2. If born after January 1, 1943, and not blind, stop here and enter this amount on Form 1040, line 40. Otherwise, go to line 3b .....</p>		..... 3a.	
<p>b. If born before January 2, 1943, or blind, multiply the number on Form 1040, line 39a, by \$1,050 (\$1,300 if single or head of household) .....</p>		..... 3b.	
<p>c. Add lines 3a and 3b. Enter the total here and on Form 1040, line 40 .....</p>		..... 3c.	

** 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.*

Standard Deduction Chart for People Who Were Born Before January 2, 1943, or Were Blind—Line 40

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

Enter the number from the box on Form 1040, line 39a



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	\$6,650
	2	7,950
Married filing jointly or Qualifying widow(er)	1	\$11,750
	2	12,800
	3	13,850
	4	14,900
Married filing separately	1	\$6,400
	2	7,450
	3	8,500
	4	9,550
Head of household	1	\$9,150
	2	10,450



Deduction for Exemptions Worksheet—Line 42

Keep for Your Records

1.	Is the amount on Form 1040, line 38, more than the amount shown on line 4 below for your filing status? <input type="checkbox"/> No. Multiply \$3,400 by the total number of exemptions claimed on Form 1040, line 6d, and enter the result on Form 1040, line 42. <input type="checkbox"/> Yes. <i>Continue</i>		
2.	Multiply \$3,400 by the total number of exemptions claimed on Form 1040, line 6d	2.	<input type="text"/>
3.	Enter the amount from Form 1040, line 38	3.	<input type="text"/>
4.	Enter the amount shown below for your filing status. • Single—\$156,400 • Married filing jointly or qualifying widow(er)—\$234,600 • Married filing separately—\$117,300 • Head of household—\$195,500	4.	<input type="text"/>
5.	Subtract line 4 from line 3	5.	<input type="text"/>
6.	Is line 5 more than \$122,500 (\$61,250 if married filing separately)? <input type="checkbox"/> Yes. Multiply \$1,133 by the total number of exemptions claimed on Form 1040, line 6d. Enter the result here and on Form 1040, line 42. Do not complete the rest of this worksheet. <input type="checkbox"/> No. Divide line 5 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1)	6.	<input type="text"/>
7.	Multiply line 6 by 2% (.02) and enter the result as a decimal	7.	<input type="text"/>
8.	Multiply line 2 by line 7	8.	<input type="text"/>
9.	Divide line 8 by 1.5	9.	<input type="text"/>
10.	Deduction for exemptions. Subtract line 9 from line 2. Enter the result here and on Form 1040, line 42	10.	<input type="text"/>

Line 44

Tax

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

- Tax on your taxable income. Figure the tax using one of the methods described on this page and page 34.
- Tax from Form 8814 (relating to the election to report child’s interest or dividends). Check the appropriate box.
- Tax from Form 4972 (relating to lump-sum distributions). Check the appropriate box.
- Tax from Form 8889, Part III (relating to health savings accounts). Check the appropriate box.
- Recapture of an education credit. You may owe this tax if you claimed an education credit in an earlier year, and either tax-free educational assistance or a refund of qualified expenses was received in 2007 for the student. See Form 8863 for more details. Enter the amount and “ECR” in the space next to line 44.
- Additional tax on recapture of a charitable contribution deduction relating to the contribution of a fractional interest in tangible personal property. See the instructions

for line 21 on page 24. Enter the amount and “FITPP” in the space next to line 44.

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

- Yes.** See Pub. 967 for details, including who is eligible and what to do. If you have paid too much, we will send you a refund. If you did not pay enough, we will send you a bill.
- No.** Use one of the following methods to figure your tax.

Tax Table or Tax Computation Worksheet. If your taxable income is less than \$100,000, you must use the Tax Table that begins on page 63 to figure your tax. Be sure you use the correct column. If your taxable income is \$100,000 or more, use the Tax Computation Worksheet on page 75.

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

Form 8615. Form 8615 must generally be used to figure the tax for any child who was under age 18 at the end of 2007, and who had more than \$1,700 of investment income, such as taxable interest, ordinary dividends, or capital gains (including capital gain distributions). But if the child files a joint return for 2007 or if neither of the

child’s parents was alive at the end of 2007, do not use Form 8615 to figure the child’s tax. Also, a child born on January 1, 1990, is considered to be age 18 at the end of 2007. Do not use Form 8615 for such a child.

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

Qualified Dividends and Capital Gain Tax Worksheet. If you do not have to use the Schedule D Tax Worksheet (see above), use the worksheet on page 35 to figure your tax if any of the following applies.

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

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

Foreign Earned Income Tax Worksheet.
If you claimed the foreign earned income exclusion or the housing exclusion on Form

2555 or Form 2555-EZ, you must figure your tax using the worksheet below.

Foreign Earned Income Tax Worksheet—Line 44

Keep for Your Records 

Before you begin: ✓ See the instructions above to see if you must use this worksheet to figure your tax.	
1. Enter the amount from Form 1040, line 41	1. <input type="text"/>
2. Enter the amount from Form 1040, line 42	2. <input type="text"/>
3. Subtract line 2 from line 1. If less than zero, enter the amount in parentheses	3. <input type="text"/>
4. Enter the amount from your (and your spouse's, if filing jointly) Form 2555, line 45, or Form 2555-EZ, line 18	4. <input type="text"/>
5. Enter the total amount of any itemized deductions you could not claim because they are related to excluded income	5. <input type="text"/>
6. Subtract line 5 from line 4. If zero or less, enter -0-	6. <input type="text"/>
7. Combine lines 3 and 6. If zero or less, enter -0-	7. <input type="text"/>
8. Tax on amount on line 7. Use the Tax Table, Tax Computation Worksheet, Schedule D Tax Worksheet*, Qualified Dividends and Capital Gain Tax Worksheet*, or Form 8615**, whichever applies. See the instructions for line 44 that begin on page 33 to see which tax computation method applies	8. <input type="text"/>
9. Tax on amount on line 6. Use the Tax Table or Tax Computation Worksheet, whichever applies	9. <input type="text"/>
10. Subtract line 9 from line 8. Enter the result. If zero or less, enter -0-. Also include this amount on Form 1040, line 44	10. <input type="text"/>

**Enter the amount from line 7 above on line 1 of the Qualified Dividends and Capital Gain Tax Worksheet or Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 8 above. Complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 9 and 10 above.*

***If you use Form 8615 to figure the tax on line 8 above, enter the amount from line 7 above on line 4 of Form 8615. If the child's parent files Form 2555 or 2555-EZ, enter the amounts from lines 7 and 8 of the parent's Foreign Earned Income Tax Worksheet on lines 6 and 10, respectively, of Form 8615. Complete the rest of Form 8615 according to its instructions. Then complete lines 9 and 10 above .*



Qualified Dividends and Capital Gain Tax Worksheet—Line 44

Keep for Your Records

Before you begin: ✓ See the instructions for line 44 that begin on page 33 to see if you can use this worksheet to figure your tax.
 ✓ If you do not have to file Schedule D and you received capital gain distributions, be sure you checked the box on line 13 of Form 1040.

1. Enter the amount from Form 1040, line 43	1.	<input type="text"/>
2. Enter the amount from Form 1040, line 9b	2.	<input type="text"/>
3. Are you filing Schedule D? <input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of Schedule D. If either line 15 or line 16 is a loss, enter -0- <input type="checkbox"/> No. Enter the amount from Form 1040, line 13	3.	<input type="text"/>
4. Add lines 2 and 3	4.	<input type="text"/>
5. If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise, enter -0-	5.	<input type="text"/>
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8. Enter the smaller of: <ul style="list-style-type: none"> • The amount on line 1, or • \$31,850 if single or married filing separately, \$63,700 if married filing jointly or qualifying widow(er), \$42,650 if head of household. 	8.	<input type="text"/>
9. Is the amount on line 7 equal to or more than the amount on line 8? <input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the “No” box. <input type="checkbox"/> No. Enter the amount from line 7	9.	<input type="text"/>
10. Subtract line 9 from line 8	10.	<input type="text"/>
11. Multiply line 10 by 5% (.05)	11.	<input type="text"/>
12. Are the amounts on lines 6 and 10 the same? <input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16. <input type="checkbox"/> No. Enter the smaller of line 1 or line 6	12.	<input type="text"/>
13. Enter the amount from line 10 (if line 10 is blank, enter -0-)	13.	<input type="text"/>
14. Subtract line 13 from line 12	14.	<input type="text"/>
15. Multiply line 14 by 15% (.15)	15.	<input type="text"/>
16. Figure the tax on the amount on line 7. Use the Tax Table or Tax Computation Worksheet, whichever applies	16.	<input type="text"/>
17. Add lines 11, 15, and 16	17.	<input type="text"/>
18. Figure the tax on the amount on line 1. Use the Tax Table or Tax Computation Worksheet, whichever applies	18.	<input type="text"/>
19. Tax on all taxable income. Enter the smaller of line 17 or line 18. Also include this amount on Form 1040, line 44	19.	<input type="text"/>

Line 45

Alternative Minimum Tax

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



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

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

- Accelerated depreciation.
- Stock by exercising an incentive stock option and you did not dispose of the stock in the same year.
- Tax-exempt interest from private activity bonds.
- Intangible drilling, circulation, research, experimental, or mining costs.

- Amortization of pollution-control facilities or depletion.
- Income or (loss) from tax-shelter farm activities or passive activities.
- Income from long-term contracts not figured using the percentage-of-completion method.

(Continued on page 37)

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

Keep for Your Records



Before you begin:	✓	Be sure you have read the Exception above to see if you must fill in Form 6251 instead of using this worksheet.	
	✓	If you are claiming the foreign tax credit (see the instructions for Form 1040, line 51, that begin on page 37), enter that credit on line 51.	
1.	Are you filing Schedule A ?		
	<input type="checkbox"/>	No. Skip lines 1 through 3; enter on line 4 the amount from Form 1040, line 38, and go to line 5.	
	<input type="checkbox"/>	Yes. Enter the amount from Form 1040, line 41	1.
2.	Enter the smaller of the amount on Schedule A, line 4, or 2.5% (.025) of the amount on Form 1040, line 38. If zero or less, enter -0-		2.
3.	Enter the total of the amounts from Schedule A, lines 9 and 27		3.
4.	Add lines 1 through 3 above		4.
5.	Enter any tax refund from Form 1040, lines 10 and 21		5.
6.	Subtract line 5 from line 4		6.
7.	Enter the amount shown below for your filing status.		
	<ul style="list-style-type: none"> • Single or head of household—\$33,750 • Married filing jointly or qualifying widow(er)—\$45,000 • Married filing separately—\$22,500 		7.
8.	Is the amount on line 6 more than the amount on line 7?		
	<input type="checkbox"/>	No. You do not need to fill in Form 6251.	
	<input type="checkbox"/>	Yes. Subtract line 7 from line 6	8.
9.	Enter the amount shown below for your filing status.		
	<ul style="list-style-type: none"> • Single or head of household—\$112,500 • Married filing jointly or qualifying widow(er)—\$150,000 • Married filing separately—\$75,000 		9.
10.	Is the amount on line 6 more than the amount on line 9?		
	<input type="checkbox"/>	No. Skip lines 10 and 11; enter on line 12 the amount from line 8, and go to line 13.	
	<input type="checkbox"/>	Yes. Subtract line 9 from line 6	10.
11.	Multiply line 10 by 25% (.25) and enter the smaller of the result or line 7 above		11.
12.	Add lines 8 and 11		12.
13.	Is the amount on line 12 more than \$175,000 (\$87,500 if married filing separately)?		
	<input type="checkbox"/>	Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.	
	<input type="checkbox"/>	No. Multiply line 12 by 26% (.26)	13.
14.	Enter the amount from Form 1040, line 44, minus the total of any tax from Form 4972 and any amount on Form 1040, line 51. If you used Schedule J to figure your tax, the amount for Form 1040, line 44, must be figured without using Schedule J		14.
Next.	Is the amount on line 13 more than the amount on line 14?		
	<input type="checkbox"/>	Yes. Fill in Form 6251 to see if you owe the alternative minimum tax.	
	<input type="checkbox"/>	No. You do not owe alternative minimum tax and do not need to fill in Form 6251. Leave line 45 blank.	

- Interest paid on a home mortgage not used to buy, build, or substantially improve your home.
- Investment interest expense reported on Form 4952.
- Net operating loss deduction.
- Alternative minimum tax adjustments from an estate, trust, electing large partnership, or cooperative.
 - Section 1202 exclusion.
 - Credit for child care and dependent care expenses.
 - Credit for the elderly or the disabled.
 - Education credits.
 - Residential energy credits.
 - Mortgage interest credit.
 - District of Columbia first-time homebuyer credit.
 - Any general business credit claimed on Form 3800.
 - Empowerment zone and renewal community employment credit.
 - Qualified electric vehicle credit.
 - Alternative motor vehicle credit.
 - Alternative fuel vehicle refueling property credit.
 - Credit for prior year minimum tax.



Form 6251 should be filled in for a child who was under age 18 at the end of 2007 if the child's adjusted gross income from Form 1040, line 38, exceeds the child's earned income by more than \$6,300.

Line 47

Credit for Child and Dependent Care Expenses

You may be able to take this credit if you paid someone to care for:

1. Your qualifying child under age 13 whom you claim as your dependent.
2. Your disabled spouse who could not care for himself or herself, and who lived with you for more than half the year.
3. Any disabled person not able to care for himself or herself, who lived with you for more than half the year, and whom you claim as a dependent.
4. Any disabled person not able to care for himself or herself, who lived with you for more than half the year, and whom you could have claimed as a dependent except that:
 - a. The person filed a joint return,
 - b. The person had \$3,400 or more of gross income, or
 - c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2007 return.

5. Your child whom you could not claim as a dependent because of the rules for *Children of divorced or separated parents* that begin on page 16.

For details, use TeleTax topic 602 (see page 79) or see Form 2441.

Line 48

Credit for the Elderly or the Disabled

You may be able to take this credit if by the end of 2007 (a) you were age 65 or older, or (b) you retired on permanent and total disability and you had taxable disability income. But you usually cannot take the credit if the amount on Form 1040, line 38, is \$17,500 or more (\$20,000 or more if married filing jointly and only one spouse is eligible for the credit; \$25,000 or more if married filing jointly and both spouses are eligible; \$12,500 or more if married filing separately). See Schedule R and its instructions for details.

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

Line 49

Education Credits

If you (or your dependent) paid qualified expenses in 2007 for yourself, your spouse, or your dependent to enroll in or attend an eligible educational institution, you may be able to take an education credit. See Form 8863 for details. However, you cannot take an education credit if any of the following applies.

- You, or your spouse if filing jointly, are claimed as a dependent on someone's (such as your parent's) 2007 tax return.
- Your filing status is married filing separately.
 - The amount on Form 1040, line 38, is \$57,000 or more (\$114,000 or more if married filing jointly).
 - You are taking a deduction for tuition and fees on Form 1040, line 34, for the same student.
 - You, or your spouse, were a nonresident alien for any part of 2007 unless your filing status is married filing jointly.

Line 50

Residential Energy Credits

Complete Form 5695 to claim either of the following credits.

Nonbusiness energy property credit. You may be able to take this credit for any of the

following improvements to your main home located in the United States in 2007 if they are new and meet certain requirements for energy efficiency.

- Any insulation material or system primarily designed to reduce heat gain or loss in your home.
 - Exterior windows (including skylights).
 - Exterior doors.
 - A metal roof with pigmented coatings primarily designed to reduce heat gain in your home.

You may also be able to take this credit for the cost of any of the following items if the items meet certain performance and quality standards.

- Certain electric heat pump water heaters, electric heat pumps, geothermal heat pumps, central air conditioners, and natural gas, propane, or oil water heaters.
- A qualified natural gas, propane, or oil furnace or hot water boiler.
- An advanced main air circulating fan used in a natural gas, propane, or oil furnace.

For details, see Form 5695.

Residential energy efficient property credit. You may be able to take this credit if you paid for any of the following during 2007.

- Qualified solar electric property for use in your home located in the United States.
- Qualified solar water heating property for use in your home located in the United States.
- Qualified fuel cell property installed on or in connection with your main home located in the United States.

For details, see Form 5695.

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

Line 51

Foreign Tax Credit

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

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

1. All of your gross foreign source income was from interest and dividends and

Form 1040—Line 51

all of that income and the foreign tax paid on it were reported to you on Form 1099-INT, Form 1099-DIV, or Schedule K-1 (or substitute statement).

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

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

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

5. All of your foreign taxes were:

a. Legally owed and not eligible for a refund, and

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

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

Do you meet all five requirements above?

Yes. See *Election to Claim the Foreign Tax Credit Without Filing Form 1116* in the Instructions for Form 1116 to figure the amount to enter on Form 1040, line 51.

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

Line 52—Child Tax Credit

Three Steps To Take the Child Tax Credit!

- Step 1.** Make sure you have a qualifying child for the child tax credit (see the instructions for line 6c).
- Step 2.** Make sure that for each qualifying child you either checked the box on Form 1040, line 6c, column (4), or completed Form 8901 (if the child is not your dependent).
- Step 3.** Answer the questions on this page to see if you can use the worksheet on page 40 to figure your credit or if you must use Pub. 972.

Questions

Who Must Use Pub. 972



1. Is the amount on Form 1040, line 38, more than the amount shown below for your filing status?
- Married filing jointly – \$110,000
 - Single, head of household, or qualifying widow(er) – \$75,000
 - Married filing separately – \$55,000
- Yes.** **No.** Go to question 2.
- You must use Pub. 972 to figure your credit.

2. Are you claiming any of the following credits?
- Residential energy credits, Form 5695.
 - Retirement savings contributions credit, Form 8880.
 - Mortgage interest credit, Form 8396.
 - District of Columbia first-time homebuyer credit, Form 8859.
 - Adoption credit, Form 8839.

- Yes.** **No.** Continue
- You must use Pub. 972 to figure your child tax credit. You will also need the form(s) listed above for any credit(s) you are claiming.

3. Are you excluding income from Puerto Rico or are you filing any of the following forms?

- Form 2555 or 2555-EZ (relating to foreign earned income).
 - Form 4563 (exclusion of income for residents of American Samoa).
- Yes.** **No.** Use the worksheet on page 40 to figure your credit.
- You must use Pub. 972 to figure your credit.

Child Tax Credit Worksheet—Line 52

Keep for Your Records



- To be a qualifying child for the child tax credit, the child must be **under age 17** at the end of 2007 and meet the other requirements listed on page 15.
- **Do not** use this worksheet if you answered “Yes” to question 1, 2, or 3 on page 39. Instead, use Pub. 972.

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

1	
----------	--

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

2	
----------	--

3. Add the amounts from Form 1040:

Line 47 _____

Line 48 + _____

Line 49 + _____

Line 51 + _____ Enter the total.

3	
----------	--

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

Yes.

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

No. Subtract line 3 from line 2.

4	
----------	--

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

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

This is your child tax credit.

No. Enter the amount from line 1.

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

Enter this amount on Form 1040, line 52.



You may be able to take the **additional child tax credit** on Form 1040, line 68, if you answered “Yes” on line 4 or line 5 above.

- First, complete your Form 1040 through line 67.
- Then, use Form 8812 to figure any additional child tax credit.



Line 53**Retirement Savings Contributions Credit (Saver's Credit)**

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

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

1. The amount on Form 1040, line 38, is more than \$26,000 (\$39,000 if head of household; \$52,000 if married filing jointly).

2. The person(s) who made the qualified contribution or elective deferral (a) was born after January 1, 1990, (b) is claimed as a dependent on someone else's 2007 tax return, or (c) was a student (defined below).

You were a student if during any part of 5 calendar months of 2007 you:

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

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

For more details, use TeleTax topic 610 (see page 79) or see Form 8880.

Line 54

Include the following credits on line 54 and check the appropriate box(es). To find out if you can take the credit, see the form indicated.

- Mortgage interest credit. If a state or local government gave you a mortgage credit certificate, see Form 8396.
- District of Columbia first-time homebuyer credit. See Form 8859.
- Adoption credit. You may be able to take this credit if you paid expenses to adopt a child or you adopted a child with special needs and the adoption became final in 2007. See the Instructions for Form 8839.

Line 55**Other Credits**

Include the following credits on line 55 and check the appropriate box(es). If box c is checked, also enter the applicable form number. To find out if you can take the credit, see the form or publication indicated.

- Credit for prior year minimum tax. If you paid alternative minimum tax in a prior year, see Form 8801.

- Qualified electric vehicle credit. This credit does not apply to vehicles placed in service after 2006. However, you may be able to take the credit if you received a 2006 Schedule K-1 showing the credit from an entity with a fiscal year ending in 2007 or have an unallowed passive activity credit from a prior year. See Form 8834.

- General business credit. This credit consists of a number of credits that usually apply only to individuals who are partners, shareholders in an S corporation, self-employed, or who have rental property. See Form 3800 or Pub. 334.

- Empowerment zone and renewal community employment credit. See Form 8844.

- Credit for alcohol used as fuel. See Form 6478.

- Renewable electricity, refined coal, and Indian coal production credit for electricity and refined coal produced at facilities placed in service after October 22, 2004, and Indian coal produced at facilities placed in service after August 8, 2005. See Form 8835, Section B.

- Work opportunity credit. See Form 5884.

- Credit for employer social security and Medicare taxes paid on certain employee tips. See Form 8846.

- New York Liberty Zone business employee credit. If you have a carryforward of this credit, see Form 5884.

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

- Clean renewable energy bond credit. See Form 8912.

- Credit for Gulf tax credit bonds. See Form 8912.

- Alternative motor vehicle credit. If you placed an alternative motor vehicle (such as a qualified hybrid vehicle) in service during 2007, see Form 8910.

- Alternative fuel vehicle refueling property credit. See Form 8911.

Other Taxes

Line 59**Unreported Social Security and Medicare Tax from Forms 4137 and 8919**

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

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

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



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

Form 8919. If you are an employee who received wages from an employer who did not withhold social security and Medicare tax from your wages, use Form 8919 to figure your share of the unreported tax. Include on line 59 the amount from line 13 of Form 8919. Include the amount from line 6 of Form 8919 on Form 1040, line 7.

Line 60**Additional Tax on IRAs, Other Qualified Retirement Plans, etc.**

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

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

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

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

4. You were born before July 1, 1936, and did not take the minimum required distribution from your IRA or other qualified retirement plan.

Exception. If only item (1) applies and distribution code 1 is correctly shown in box 7 of Form 1099-R, you do not have to file Form 5329. Instead, multiply the taxable amount of the distribution by 10% (.10) and enter the result on line 60. The taxable amount of the distribution is the part of the distribution you reported on Form 1040, line 15b or line 16b, or on Form 4972. Also, enter “No” under the heading “Other Taxes” to the left of line 60 to indicate that you do not have to file Form 5329. But if distribution code 1 is incorrectly shown in box 7 of Form 1099-R or you qualify for an exception for qualified medical expenses, qualified higher education expenses, qualified first-time homebuyer distributions, or a qualified reservist distribution, you must file Form 5329.

Line 62

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 \$1,500 or more in 2007. Cash wages include wages paid by check, money order, etc.
2. You withheld federal income tax during 2007 at the request of any household employee.
3. You paid total cash wages of \$1,000 or more in any calendar quarter of 2006 or 2007 to household employees.



For item (1), do not count amounts paid to an employee who was under age 18 at any time in 2007 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 63

Total Tax

Include in the total on line 63 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 63, enter the

amount of the tax and identify it as indicated.

1. Additional tax on health savings account distributions (see Form 8889, Part II). Identify as “HSA.”
2. Additional tax on Archer MSA distributions (see Form 8853). Identify as “MSA.”
3. Additional tax on Medicare Advantage MSA distributions (see Form 8853). Identify as “Med MSA.”
4. Recapture of the following credits.
 - a. Investment credit (see Form 4255). Identify as “ICR.”
 - b. Low-income housing credit (see Form 8611). Identify as “LIHCR.”
 - c. Qualified electric vehicle credit (see Form 8834). Identify as “QEVCR.”
 - d. Indian employment credit (see Form 8845). Identify as “IECR.”
 - e. New markets credit (see Form 8874). Identify as “NMCR.”
 - f. Credit for employer-provided child care facilities (see Form 8882). Identify as “ECCFR.”
 - g. Alternative motor vehicle credit (see Form 8910). Identify as “AMVCR.”
 - h. Alternative fuel vehicle refueling property credit (see Form 8911). Identify as “ARPCR.”
5. Recapture of federal mortgage subsidy. If you sold your home in 2007 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.”
6. Section 72(m)(5) excess benefits tax (see Pub. 560). Identify as “Sec. 72(m)(5).”
7. Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. This tax should be shown in box 12 of Form W-2 with codes A and B or M and N. Identify as “UT.”
8. Golden parachute payments. If you received an excess parachute payment (EPP), you must pay a 20% tax on it. This tax should be shown in box 12 of Form W-2 with code K. If you received a Form 1099-MISC, the tax is 20% of the EPP shown in box 13. Identify as “EPP.”
9. Tax on accumulation distribution of trusts (see Form 4970). Identify as “ADT.”
10. Excise tax on insider stock compensation from an expatriated corporation. You may owe a 15% excise tax on the value of nonstatutory stock options and certain other stock-based compensation held by you or a member of your family from an expatriated corporation or its expanded affiliated group in which you were an officer, director, or more-than-10% owner. See section 4985. Identify as “ISC.”

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

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

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

Payments

Line 64

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 64. The amount withheld should be shown in box 2 of Form W-2 or W-2G, and in box 4 of Form 1099-R. Attach Forms W-2G and 1099-R to the front of your return if federal income tax was withheld.

If you received a 2007 Form 1099 showing federal income tax withheld on dividends, taxable or tax-exempt interest income, unemployment compensation, social security benefits, or other income you received, include the amount withheld in the total on line 64. This should be shown in box 4 of Form 1099 or box 6 of Form SSA-1099.

Line 65

2007 Estimated Tax Payments

Enter any estimated federal income tax payments you made for 2007. Include any overpayment from your 2006 return that you applied to your 2007 estimated tax.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, you can divide the amount paid in any way you choose as long as you both agree. If you cannot agree, you must divide the payments in proportion to each spouse’s individual tax as shown on your separate returns for 2007. For an example of how to do this, see Pub. 505. Be sure to show both social security numbers (SSNs) in the space provided on the separate returns. If you or your spouse paid separate estimated tax but you are now fil-

ing a joint return, add the amounts you each paid. Follow these instructions even if your spouse died in 2007 or in 2008 before filing a 2007 return.

Divorced Taxpayers

If you got divorced in 2007 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 re-

married in 2007, 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 65, enter your former spouse's SSN, followed by "DIV."

Name Change

If you changed your name because of marriage, divorce, etc., and you made esti-

mated 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 2007 and the name(s) and SSN(s) under which you made them.

Lines 66a and 66b— Earned Income Credit (EIC)

What Is the EIC?

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

To Take the EIC:

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

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



If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. See Form 8862, who must file, on page 47. You may also have to pay penalties.

Step 1 All Filers

- If, in 2007:
 - 2 children lived with you, is the amount on Form 1040, line 38, less than \$37,783 (\$39,783 if married filing jointly)?
 - 1 child lived with you, is the amount on Form 1040, line 38, less than \$33,241 (\$35,241 if married filing jointly)?
 - No children lived with you, is the amount on Form 1040, line 38, less than \$12,590 (\$14,590 if married filing jointly)?

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

Yes. Continue **No.** You cannot take the credit. Enter “No” on the dotted line next to line 66a.
- Is your filing status married filing separately?

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

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

Yes. You cannot take the credit. **No.** Continue
- Were you or your spouse a nonresident alien for any part of 2007?

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

Step 2 Investment Income

- Add the amounts from Form 1040:

Line 8a				
Line 8b	+			
Line 9a	+			
Line 13*	+			
Investment Income =				

*If line 13 is a loss, enter -0-.
- Is your investment income more than \$2,900?

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

Yes. See *Form 4797 filers* on page 47. **No.** You cannot take the credit.
- Do any of the following apply for 2007?
 - You are filing Schedule E.
 - You are reporting income or a loss from the rental of personal property not used in a trade or business.
 - You are reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child’s interest and dividends).

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

Continued from page 44

Step 3 Qualifying Child

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

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

AND

was ...

Under age 19 at the end of 2007

or

Under age 24 at the end of 2007 and a student (see page 47)

or

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

AND

who...

Lived with you in the United States for more than half of 2007.

If the child did not live with you for the required time, see *Exception to time lived with you* on page 47.



If the child meets the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 2007, or the child was married, see page 47.

1. Do you have at least one child who meets the conditions to be your qualifying child?
 - Yes.** The child must have a valid social security number as defined on page 47 unless the child was born and died in 2007. Go to question 2.
 - No.** Skip question 2; go to Step 4.

2. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2007?
 - Yes.** You cannot take the credit. Enter "No" on the dotted line next to line 66a.
 - No.** Skip Step 4; go to Step 5 on page 46.


Step 4 Filers Without a Qualifying Child

1. Is the amount on Form 1040, line 38, less than \$12,590 (\$14,590 if married filing jointly)?
 - Yes.** Continue →
 - No.** You cannot take the credit.
2. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2007?
 - Yes.** You cannot take the credit. Enter "No" on the dotted line next to line 66a. →
 - No.** Continue →
3. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 2007 tax return?
 - Yes.** You cannot take the credit. →
 - No.** Continue →
4. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 2007?
 - Yes.** Continue →
 - No.** You cannot take the credit.
5. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2007? Members of the military stationed outside the United States, see page 47 before you answer.
 - Yes.** Go to Step 5 on page 46.
 - No.** You cannot take the credit. Enter "No" on the dotted line next to line 66a.

Continued from page 45

Step 5 Earned Income

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

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

2. Figure earned income:

Form 1040, line 7 _____

Subtract, if included on line 7, any:

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

Add all of your nontaxable combat pay if you elect to include it in earned income. Also enter this amount on Form 1040, line 66b. See *Combat pay, nontaxable* on this page.


+ _____



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

Earned Income =


3. Were you self-employed at any time in 2007, or are you filing Schedule SE because you were a member of the clergy or you had church employee income, or are you filing Schedule C or C-EZ as a statutory employee?

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

4. If you have:

- 2 or more qualifying children, is your earned income less than \$37,783 (\$39,783 if married filing jointly)?

- 1 qualifying child, is your earned income less than \$33,241 (\$35,241 if married filing jointly)?
- No qualifying children, is your earned income less than \$12,590 (\$14,590 if married filing jointly)?

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

Step 6 How To Figure the Credit

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

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

Definitions and Special Rules

(listed in alphabetical order)

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

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

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

1. Enter "Clergy" on the dotted line next to Form 1040, line 66a.
2. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
3. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 5, line 2.
4. Be sure to answer "Yes" to question 3 in Step 5.

Combat pay, nontaxable. If you were a member of the U.S. Armed Forces who served in a combat zone, certain pay is excluded from your income. See *Combat Zone Exclusion* in Pub. 3. You can elect to include this pay in your earned income when figuring the EIC. The amount of your nontaxable combat pay should be shown in box 12 of Form(s) W-2 with code Q. If you are filing a joint return and both you and your spouse received nontaxable combat pay, you can each make your own election.

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

1. Enter "EIC" on the dotted line next to Form 1040, line 66a.
2. Be sure you enter the nontaxable combat pay you elect to include in earned income on Form 1040, line 66b. See *Combat pay, nontaxable* above.
3. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see *Form 8862, who must file* on page 47.

Exception to time lived with you. A child is considered to have lived with you for all of 2007 if the child was born or died in 2007 and your home was this child's home for the entire time he or she was alive in 2007. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility, count as time lived at home. Also see *Kidnapped child* on page 17 or *Members of the military* below.

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

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

- You filed Form 8862 for another year, the EIC was allowed for that year, and your EIC has not been reduced or disallowed again for any reason other than a math or clerical error.
- You are taking the EIC without a qualifying child and the only reason your EIC was reduced or disallowed in the other year was because it was determined that a child listed on Schedule EIC was not your qualifying child.

Also, do not file Form 8862 or take the credit for the:

- 2 years after the most recent tax year for which there was a final determination that your EIC claim was due to reckless or intentional disregard of the EIC rules, or
- 10 years after the most recent tax year for which there was a final determination that your EIC claim was due to fraud.

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

Married child. A child who was married at the end of 2007 is a qualifying child only if (a) you can claim him or her as your dependent on Form 1040, line 6c, or (b) you could have claimed him or her as your dependent except for the special rule for *Children of divorced or separated parents* that begins on page 16.

Members of the military. If you were on extended active duty outside the United States, your home is considered to be in the United States during that duty period. Extended active duty is military duty ordered for an indefinite period or for a period of more than 90 days. Once you begin serving extended active duty, you are considered to be on extended active duty even if you do not serve more than 90 days.

Nonresident aliens. If your filing status is married filing jointly, go to Step 2 on page 44. Otherwise, stop; you cannot take the EIC. Enter "No" on the dotted line next to line 66a.

Permanently and totally disabled. A person is permanently and totally disabled if, at any time in 2007, the person cannot engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition (a) has lasted or can be expected to last continuously for at least a year, or (b) can be expected to lead to death.

Qualifying child of more than one person. If the child is the qualifying child of more than one person, only one person can claim the child as a qualifying child for all of the following tax benefits, unless the special rule for *Children of divorced or separated parents* beginning on page 16 applies.

1. Dependency exemption (line 6c).
2. Child tax credits (lines 52 and 68).
3. Head of household filing status (line 4).
4. Credit for child and dependent care expenses (line 47).
5. Exclusion for dependent care benefits (Form 2441, Part III).
6. Earned income credit (lines 66a and 66b).

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

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If two of the persons are the child's parents, the child will be treated as the qualifying child of the parent with whom the child lived for the longer period of time in 2007. If the child lived with each parent for the same amount of time, the child will be treated as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2007.
- If none of the persons is the child's parent, the child will be treated as the qualifying child of the person who had the highest AGI for 2007.

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

If you will not be taking the EIC with a qualifying child, enter "No" on the dotted line next to line 66a. Otherwise, go to Step 3, question 1, on page 45.

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

To find out how to get an SSN, see page 12. If you will not have an SSN by the date your return is due, see *What if You Cannot File on Time?* on page 6.

Student. A student is a child who during any part of 5 calendar months of 2007 was enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

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

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



Before you begin: ✓ Be sure you are using the correct worksheet. Use this worksheet only if you answered “No” to Step 5, question 3, on page 46. Otherwise, use Worksheet B that begins on page 49.

Part 1

All Filers Using Worksheet A

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

2. Look up the amount on line 1 above in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 2

If line 2 is zero, You cannot take the credit. Enter “No” on the dotted line next to line 66a.

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

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

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

No. Go to line 5.

Part 2

Filers Who Answered “No” on Line 4

5. If you have:

- No qualifying children, is the amount on line 3 less than \$7,000 (\$9,000 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 3 less than \$15,400 (\$17,400 if married filing jointly)?

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

No. Look up the amount on line 3 in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. 5

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

Part 3

Your Earned Income Credit

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

Enter this amount on Form 1040, line 66a. ⋮

Reminder—

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

If your EIC for a year after 1996 was reduced or disallowed, see page 47 to find out if you must file Form 8862 to take the credit for 2007.



Use this worksheet if you answered “Yes” to Step 5, question 3, on page 46.

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

<p>Part 1</p> <p>Self-Employed, Members of the Clergy, and People With Church Employee Income Filing Schedule SE</p>	<p>1a. Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.</p> <hr/> <p>b. Enter any amount from Schedule SE, Section B, line 4b, and line 5a.</p> <hr/> <p>c. Combine lines 1a and 1b.</p> <hr/> <p>d. Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.</p> <hr/> <p>e. Subtract line 1d from 1c.</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 30px; text-align: center;">1a</td> <td style="border: 1px solid black; width: 100px; height: 25px;"></td> </tr> <tr> <td style="text-align: right;">+</td> <td style="border: 1px solid black; text-align: center;">1b</td> </tr> <tr> <td style="text-align: right;">=</td> <td style="border: 1px solid black; text-align: center;">1c</td> </tr> <tr> <td style="text-align: right;">–</td> <td style="border: 1px solid black; text-align: center;">1d</td> </tr> <tr> <td style="text-align: right;">=</td> <td style="border: 2px solid black; text-align: center;">1e</td> </tr> </table>	1a		+	1b	=	1c	–	1d	=	1e
1a												
+	1b											
=	1c											
–	1d											
=	1e											

<p>Part 2</p> <p>Self-Employed NOT Required To File Schedule SE</p> <p><small>For example, your net earnings from self-employment were less than \$400.</small></p>	<p>2. Do not include on these lines any statutory employee income, any net profit from services performed as a notary public, or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.</p> <hr/> <p>a. Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), box 14, code A*.</p> <hr/> <p>b. Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1*.</p> <hr/> <p>c. Combine lines 2a and 2b.</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 30px; text-align: center;">2a</td> <td style="border: 1px solid black; width: 100px; height: 25px;"></td> </tr> <tr> <td style="text-align: right;">+</td> <td style="border: 1px solid black; text-align: center;">2b</td> </tr> <tr> <td style="text-align: right;">=</td> <td style="border: 2px solid black; text-align: center;">2c</td> </tr> </table> <p><small>*Reduce any Schedule K-1 amounts by any partnership section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties. If you have any Schedule K-1 amounts, complete the appropriate line(s) of Schedule SE, Section A. Enter your name and social security number on Schedule SE and attach it to your return.</small></p>	2a		+	2b	=	2c
2a								
+	2b							
=	2c							

<p>Part 3</p> <p>Statutory Employees Filing Schedule C or C-EZ</p>	<p>3. Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 30px; text-align: center;">3</td> <td style="border: 1px solid black; width: 100px; height: 25px;"></td> </tr> </table>	3	
3				

<p>Part 4</p> <p>All Filers Using Worksheet B</p> <p><small>Note. If line 4b includes income on which you should have paid self-employment tax but did not, we may reduce your credit by the amount of self-employment tax not paid.</small></p>	<p>4a. Enter your earned income from Step 5 on page 46.</p> <hr/> <p>b. Combine lines 1e, 2c, 3, and 4a. This is your total earned income.</p> <hr/> <p>If line 4b is zero or less, You cannot take the credit. Enter “No” on the dotted line next to line 66a.</p> <p>5. If you have:</p> <ul style="list-style-type: none"> ● 2 or more qualifying children, is line 4b less than \$37,783 (\$39,783 if married filing jointly)? ● 1 qualifying child, is line 4b less than \$33,241 (\$35,241 if married filing jointly)? ● No qualifying children, is line 4b less than \$12,590 (\$14,590 if married filing jointly)? <p><input type="checkbox"/> Yes. If you want the IRS to figure your credit, see page 46. If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 50).</p> <p><input type="checkbox"/> No. You cannot take the credit. Enter “No” on the dotted line next to line 66a.</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 30px; text-align: center;">4a</td> <td style="border: 1px solid black; width: 100px; height: 25px;"></td> </tr> <tr> <td style="border: 1px solid black; width: 30px; text-align: center;">4b</td> <td style="border: 1px solid black; width: 100px; height: 25px;"></td> </tr> </table>	4a		4b	
4a						
4b						

Part 5


All Filers Using Worksheet B

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

6	
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7. Look up the amount on line 6 above in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

7	
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If line 7 is zero,  You cannot take the credit. Enter “No” on the dotted line next to line 66a.

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

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

Part 6

Filers Who Answered “No” on Line 9

10. If you have:
 • No qualifying children, is the amount on line 8 less than \$7,000 (\$9,000 if married filing jointly)?
 • 1 or more qualifying children, is the amount on line 8 less than \$15,400 (\$17,400 if married filing jointly)?
 Yes. Leave line 10 blank; enter the amount from line 7 on line 11.
 No. Look up the amount on line 8 in the EIC Table on pages 51–58 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here.

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

Part 7

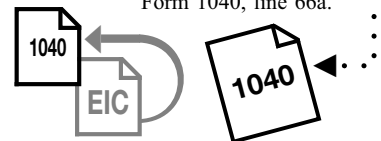
Your Earned Income Credit

This is your earned income credit.

11	
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Reminder—

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



If your EIC for a year after 1996 was reduced or disallowed, see page 47 to find out if you must file Form 8862 to take the credit for 2007.

2007 Earned Income Credit (EIC) Table

Caution. This is not a tax table.

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

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

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

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

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
\$1	\$50	\$2	\$9	\$10	\$2	\$9	\$10
50	100	6	26	30	6	26	30
100	150	10	43	50	10	43	50
150	200	13	60	70	13	60	70
200	250	17	77	90	17	77	90
250	300	21	94	110	21	94	110
300	350	25	111	130	25	111	130
350	400	29	128	150	29	128	150
400	450	33	145	170	33	145	170
450	500	36	162	190	36	162	190
500	550	40	179	210	40	179	210
550	600	44	196	230	44	196	230
600	650	48	213	250	48	213	250
650	700	52	230	270	52	230	270
700	750	55	247	290	55	247	290
750	800	59	264	310	59	264	310
800	850	63	281	330	63	281	330
850	900	67	298	350	67	298	350
900	950	71	315	370	71	315	370
950	1,000	75	332	390	75	332	390
1,000	1,050	78	349	410	78	349	410
1,050	1,100	82	366	430	82	366	430
1,100	1,150	86	383	450	86	383	450
1,150	1,200	90	400	470	90	400	470
1,200	1,250	94	417	490	94	417	490
1,250	1,300	98	434	510	98	434	510
1,300	1,350	101	451	530	101	451	530
1,350	1,400	105	468	550	105	468	550
1,400	1,450	109	485	570	109	485	570
1,450	1,500	113	502	590	113	502	590
1,500	1,550	117	519	610	117	519	610
1,550	1,600	120	536	630	120	536	630
1,600	1,650	124	553	650	124	553	650
1,650	1,700	128	570	670	128	570	670
1,700	1,750	132	587	690	132	587	690
1,750	1,800	136	604	710	136	604	710
1,800	1,850	140	621	730	140	621	730
1,850	1,900	143	638	750	143	638	750
1,900	1,950	147	655	770	147	655	770
1,950	2,000	151	672	790	151	672	790
2,000	2,050	155	689	810	155	689	810
2,050	2,100	159	706	830	159	706	830
2,100	2,150	163	723	850	163	723	850
2,150	2,200	166	740	870	166	740	870
2,200	2,250	170	757	890	170	757	890
2,250	2,300	174	774	910	174	774	910
2,300	2,350	178	791	930	178	791	930
2,350	2,400	182	808	950	182	808	950
2,400	2,450	186	825	970	186	825	970
2,450	2,500	189	842	990	189	842	990

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
2,500	2,550	193	859	1,010	193	859	1,010
2,550	2,600	197	876	1,030	197	876	1,030
2,600	2,650	201	893	1,050	201	893	1,050
2,650	2,700	205	910	1,070	205	910	1,070
2,700	2,750	208	927	1,090	208	927	1,090
2,750	2,800	212	944	1,110	212	944	1,110
2,800	2,850	216	961	1,130	216	961	1,130
2,850	2,900	220	978	1,150	220	978	1,150
2,900	2,950	224	995	1,170	224	995	1,170
2,950	3,000	228	1,012	1,190	228	1,012	1,190
3,000	3,050	231	1,029	1,210	231	1,029	1,210
3,050	3,100	235	1,046	1,230	235	1,046	1,230
3,100	3,150	239	1,063	1,250	239	1,063	1,250
3,150	3,200	243	1,080	1,270	243	1,080	1,270
3,200	3,250	247	1,097	1,290	247	1,097	1,290
3,250	3,300	251	1,114	1,310	251	1,114	1,310
3,300	3,350	254	1,131	1,330	254	1,131	1,330
3,350	3,400	258	1,148	1,350	258	1,148	1,350
3,400	3,450	262	1,165	1,370	262	1,165	1,370
3,450	3,500	266	1,182	1,390	266	1,182	1,390
3,500	3,550	270	1,199	1,410	270	1,199	1,410
3,550	3,600	273	1,216	1,430	273	1,216	1,430
3,600	3,650	277	1,233	1,450	277	1,233	1,450
3,650	3,700	281	1,250	1,470	281	1,250	1,470
3,700	3,750	285	1,267	1,490	285	1,267	1,490
3,750	3,800	289	1,284	1,510	289	1,284	1,510
3,800	3,850	293	1,301	1,530	293	1,301	1,530
3,850	3,900	296	1,318	1,550	296	1,318	1,550
3,900	3,950	300	1,335	1,570	300	1,335	1,570
3,950	4,000	304	1,352	1,590	304	1,352	1,590
4,000	4,050	308	1,369	1,610	308	1,369	1,610
4,050	4,100	312	1,386	1,630	312	1,386	1,630
4,100	4,150	316	1,403	1,650	316	1,403	1,650
4,150	4,200	319	1,420	1,670	319	1,420	1,670
4,200	4,250	323	1,437	1,690	323	1,437	1,690
4,250	4,300	327	1,454	1,710	327	1,454	1,710
4,300	4,350	331	1,471	1,730	331	1,471	1,730
4,350	4,400	335	1,488	1,750	335	1,488	1,750
4,400	4,450	339	1,505	1,770	339	1,505	1,770
4,450	4,500	342	1,522	1,790	342	1,522	1,790
4,500	4,550	346	1,539	1,810	346	1,539	1,810
4,550	4,600	350	1,556	1,830	350	1,556	1,830
4,600	4,650	354	1,573	1,850	354	1,573	1,850
4,650	4,700	358	1,590	1,870	358	1,590	1,870
4,700	4,750	361	1,607	1,890	361	1,607	1,890
4,750	4,800	365	1,624	1,910	365	1,624	1,910
4,800	4,850	369	1,641	1,930	369	1,641	1,930
4,850	4,900	373	1,658	1,950	373	1,658	1,950
4,900	4,950	377	1,675	1,970	377	1,675	1,970
4,950	5,000	381	1,692	1,990	381	1,692	1,990

(Continued on page 52)

2007 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
11,000	11,050	120	2,853	4,410	273	2,853	4,410
11,050	11,100	116	2,853	4,430	269	2,853	4,430
11,100	11,150	112	2,853	4,450	265	2,853	4,450
11,150	11,200	108	2,853	4,470	261	2,853	4,470
11,200	11,250	104	2,853	4,490	257	2,853	4,490
11,250	11,300	101	2,853	4,510	254	2,853	4,510
11,300	11,350	97	2,853	4,530	250	2,853	4,530
11,350	11,400	93	2,853	4,550	246	2,853	4,550
11,400	11,450	89	2,853	4,570	242	2,853	4,570
11,450	11,500	85	2,853	4,590	238	2,853	4,590
11,500	11,550	81	2,853	4,610	234	2,853	4,610
11,550	11,600	78	2,853	4,630	231	2,853	4,630
11,600	11,650	74	2,853	4,650	227	2,853	4,650
11,650	11,700	70	2,853	4,670	223	2,853	4,670
11,700	11,750	66	2,853	4,690	219	2,853	4,690
11,750	11,800	62	2,853	4,716	215	2,853	4,716
11,800	11,850	59	2,853	4,716	212	2,853	4,716
11,850	11,900	55	2,853	4,716	208	2,853	4,716
11,900	11,950	51	2,853	4,716	204	2,853	4,716
11,950	12,000	47	2,853	4,716	200	2,853	4,716
12,000	12,050	43	2,853	4,716	196	2,853	4,716
12,050	12,100	39	2,853	4,716	192	2,853	4,716
12,100	12,150	36	2,853	4,716	189	2,853	4,716
12,150	12,200	32	2,853	4,716	185	2,853	4,716
12,200	12,250	28	2,853	4,716	181	2,853	4,716
12,250	12,300	24	2,853	4,716	177	2,853	4,716
12,300	12,350	20	2,853	4,716	173	2,853	4,716
12,350	12,400	16	2,853	4,716	169	2,853	4,716
12,400	12,450	13	2,853	4,716	166	2,853	4,716
12,450	12,500	9	2,853	4,716	162	2,853	4,716
12,500	12,550	5	2,853	4,716	158	2,853	4,716
12,550	12,600	*	2,853	4,716	154	2,853	4,716
12,600	12,650	0	2,853	4,716	150	2,853	4,716
12,650	12,700	0	2,853	4,716	146	2,853	4,716
12,700	12,750	0	2,853	4,716	143	2,853	4,716
12,750	12,800	0	2,853	4,716	139	2,853	4,716
12,800	12,850	0	2,853	4,716	135	2,853	4,716
12,850	12,900	0	2,853	4,716	131	2,853	4,716
12,900	12,950	0	2,853	4,716	127	2,853	4,716
12,950	13,000	0	2,853	4,716	124	2,853	4,716
13,000	13,050	0	2,853	4,716	120	2,853	4,716
13,050	13,100	0	2,853	4,716	116	2,853	4,716
13,100	13,150	0	2,853	4,716	112	2,853	4,716
13,150	13,200	0	2,853	4,716	108	2,853	4,716
13,200	13,250	0	2,853	4,716	104	2,853	4,716
13,250	13,300	0	2,853	4,716	101	2,853	4,716
13,300	13,350	0	2,853	4,716	97	2,853	4,716
13,350	13,400	0	2,853	4,716	93	2,853	4,716
13,400	13,450	0	2,853	4,716	89	2,853	4,716
13,450	13,500	0	2,853	4,716	85	2,853	4,716
13,500	13,550	0	2,853	4,716	81	2,853	4,716
13,550	13,600	0	2,853	4,716	78	2,853	4,716
13,600	13,650	0	2,853	4,716	74	2,853	4,716
13,650	13,700	0	2,853	4,716	70	2,853	4,716
13,700	13,750	0	2,853	4,716	66	2,853	4,716
13,750	13,800	0	2,853	4,716	62	2,853	4,716
13,800	13,850	0	2,853	4,716	59	2,853	4,716
13,850	13,900	0	2,853	4,716	55	2,853	4,716
13,900	13,950	0	2,853	4,716	51	2,853	4,716
13,950	14,000	0	2,853	4,716	47	2,853	4,716
14,000	14,050	0	2,853	4,716	43	2,853	4,716
14,050	14,100	0	2,853	4,716	39	2,853	4,716
14,100	14,150	0	2,853	4,716	36	2,853	4,716
14,150	14,200	0	2,853	4,716	32	2,853	4,716
14,200	14,250	0	2,853	4,716	28	2,853	4,716
14,250	14,300	0	2,853	4,716	24	2,853	4,716
14,300	14,350	0	2,853	4,716	20	2,853	4,716
14,350	14,400	0	2,853	4,716	16	2,853	4,716
14,400	14,450	0	2,853	4,716	13	2,853	4,716
14,450	14,500	0	2,853	4,716	9	2,853	4,716
14,500	14,550	0	2,853	4,716	5	2,853	4,716
14,550	14,600	0	2,853	4,716	*	2,853	4,716
14,600	14,650	0	2,853	4,716	0	2,853	4,716
14,650	14,700	0	2,853	4,716	0	2,853	4,716
14,700	14,750	0	2,853	4,716	0	2,853	4,716
14,750	14,800	0	2,853	4,716	0	2,853	4,716
14,800	14,850	0	2,853	4,716	0	2,853	4,716
14,850	14,900	0	2,853	4,716	0	2,853	4,716
14,900	14,950	0	2,853	4,716	0	2,853	4,716
14,950	15,000	0	2,853	4,716	0	2,853	4,716
15,000	15,050	0	2,853	4,716	0	2,853	4,716
15,050	15,100	0	2,853	4,716	0	2,853	4,716
15,100	15,150	0	2,853	4,716	0	2,853	4,716
15,150	15,200	0	2,853	4,716	0	2,853	4,716
15,200	15,250	0	2,853	4,716	0	2,853	4,716
15,250	15,300	0	2,853	4,716	0	2,853	4,716
15,300	15,350	0	2,853	4,716	0	2,853	4,716
15,350	15,400	0	2,853	4,716	0	2,853	4,716
15,400	15,450	0	2,847	4,709	0	2,853	4,716
15,450	15,500	0	2,839	4,698	0	2,853	4,716
15,500	15,550	0	2,831	4,688	0	2,853	4,716
15,550	15,600	0	2,823	4,677	0	2,853	4,716
15,600	15,650	0	2,815	4,667	0	2,853	4,716
15,650	15,700	0	2,807	4,656	0	2,853	4,716
15,700	15,750	0	2,799	4,645	0	2,853	4,716
15,750	15,800	0	2,791	4,635	0	2,853	4,716
15,800	15,850	0	2,783	4,624	0	2,853	4,716
15,850	15,900	0	2,775	4,614	0	2,853	4,716
15,900	15,950	0	2,767	4,603	0	2,853	4,716
15,950	16,000	0	2,759	4,593	0	2,853	4,716

(Continued on page 54)

*If the amount you are looking up from the worksheet is at least \$12,550 (\$14,550 if married filing jointly) but less than \$12,590 (\$14,590 if married filing jointly), your credit is \$2. Otherwise, you cannot take the credit.

2007 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
16,000	16,050	0	2,751	4,582	0	2,853	4,716
16,050	16,100	0	2,743	4,572	0	2,853	4,716
16,100	16,150	0	2,735	4,561	0	2,853	4,716
16,150	16,200	0	2,727	4,551	0	2,853	4,716
16,200	16,250	0	2,719	4,540	0	2,853	4,716
16,250	16,300	0	2,711	4,530	0	2,853	4,716
16,300	16,350	0	2,703	4,519	0	2,853	4,716
16,350	16,400	0	2,695	4,509	0	2,853	4,716
16,400	16,450	0	2,687	4,498	0	2,853	4,716
16,450	16,500	0	2,679	4,487	0	2,853	4,716
16,500	16,550	0	2,671	4,477	0	2,853	4,716
16,550	16,600	0	2,663	4,466	0	2,853	4,716
16,600	16,650	0	2,655	4,456	0	2,853	4,716
16,650	16,700	0	2,647	4,445	0	2,853	4,716
16,700	16,750	0	2,639	4,435	0	2,853	4,716
16,750	16,800	0	2,631	4,424	0	2,853	4,716
16,800	16,850	0	2,623	4,414	0	2,853	4,716
16,850	16,900	0	2,615	4,403	0	2,853	4,716
16,900	16,950	0	2,607	4,393	0	2,853	4,716
16,950	17,000	0	2,599	4,382	0	2,853	4,716
17,000	17,050	0	2,591	4,372	0	2,853	4,716
17,050	17,100	0	2,583	4,361	0	2,853	4,716
17,100	17,150	0	2,575	4,351	0	2,853	4,716
17,150	17,200	0	2,567	4,340	0	2,853	4,716
17,200	17,250	0	2,559	4,330	0	2,853	4,716
17,250	17,300	0	2,551	4,319	0	2,853	4,716
17,300	17,350	0	2,543	4,308	0	2,853	4,716
17,350	17,400	0	2,535	4,298	0	2,853	4,716
17,400	17,450	0	2,527	4,287	0	2,847	4,709
17,450	17,500	0	2,519	4,277	0	2,839	4,698
17,500	17,550	0	2,511	4,266	0	2,831	4,688
17,550	17,600	0	2,503	4,256	0	2,823	4,677
17,600	17,650	0	2,495	4,245	0	2,815	4,667
17,650	17,700	0	2,487	4,235	0	2,807	4,656
17,700	17,750	0	2,479	4,224	0	2,799	4,645
17,750	17,800	0	2,471	4,214	0	2,791	4,635
17,800	17,850	0	2,463	4,203	0	2,783	4,624
17,850	17,900	0	2,455	4,193	0	2,775	4,614
17,900	17,950	0	2,448	4,182	0	2,767	4,603
17,950	18,000	0	2,440	4,172	0	2,759	4,593
18,000	18,050	0	2,432	4,161	0	2,751	4,582
18,050	18,100	0	2,424	4,151	0	2,743	4,572
18,100	18,150	0	2,416	4,140	0	2,735	4,561
18,150	18,200	0	2,408	4,129	0	2,727	4,551
18,200	18,250	0	2,400	4,119	0	2,719	4,540
18,250	18,300	0	2,392	4,108	0	2,711	4,530
18,300	18,350	0	2,384	4,098	0	2,703	4,519
18,350	18,400	0	2,376	4,087	0	2,695	4,509
18,400	18,450	0	2,368	4,077	0	2,687	4,498
18,450	18,500	0	2,360	4,066	0	2,679	4,487
18,500	18,550	0	2,352	4,056	0	2,671	4,477
18,550	18,600	0	2,344	4,045	0	2,663	4,466
18,600	18,650	0	2,336	4,035	0	2,655	4,456
18,650	18,700	0	2,328	4,024	0	2,647	4,445
18,700	18,750	0	2,320	4,014	0	2,639	4,435
18,750	18,800	0	2,312	4,003	0	2,631	4,424
18,800	18,850	0	2,304	3,993	0	2,623	4,414
18,850	18,900	0	2,296	3,982	0	2,615	4,403
18,900	18,950	0	2,288	3,972	0	2,607	4,393
18,950	19,000	0	2,280	3,961	0	2,599	4,382
19,000	19,050	0	2,272	3,950	0	2,591	4,372
19,050	19,100	0	2,264	3,940	0	2,583	4,361
19,100	19,150	0	2,256	3,929	0	2,575	4,351
19,150	19,200	0	2,248	3,919	0	2,567	4,340
19,200	19,250	0	2,240	3,908	0	2,559	4,330
19,250	19,300	0	2,232	3,898	0	2,551	4,319
19,300	19,350	0	2,224	3,887	0	2,543	4,308
19,350	19,400	0	2,216	3,877	0	2,535	4,298
19,400	19,450	0	2,208	3,866	0	2,527	4,287
19,450	19,500	0	2,200	3,856	0	2,519	4,277
19,500	19,550	0	2,192	3,845	0	2,511	4,266
19,550	19,600	0	2,184	3,835	0	2,503	4,256
19,600	19,650	0	2,176	3,824	0	2,495	4,245
19,650	19,700	0	2,168	3,814	0	2,487	4,235
19,700	19,750	0	2,160	3,803	0	2,479	4,224
19,750	19,800	0	2,152	3,793	0	2,471	4,214
19,800	19,850	0	2,144	3,782	0	2,463	4,203
19,850	19,900	0	2,136	3,771	0	2,455	4,193
19,900	19,950	0	2,128	3,761	0	2,448	4,182
19,950	20,000	0	2,120	3,750	0	2,440	4,172
20,000	20,050	0	2,112	3,740	0	2,432	4,161
20,050	20,100	0	2,104	3,729	0	2,424	4,151
20,100	20,150	0	2,096	3,719	0	2,416	4,140
20,150	20,200	0	2,088	3,708	0	2,408	4,129
20,200	20,250	0	2,080	3,698	0	2,400	4,119
20,250	20,300	0	2,072	3,687	0	2,392	4,108
20,300	20,350	0	2,064	3,677	0	2,384	4,098
20,350	20,400	0	2,056	3,666	0	2,376	4,087
20,400	20,450	0	2,048	3,656	0	2,368	4,077
20,450	20,500	0	2,040	3,645	0	2,360	4,066
20,500	20,550	0	2,032	3,635	0	2,352	4,056
20,550	20,600	0	2,024	3,624	0	2,344	4,045
20,600	20,650	0	2,016	3,614	0	2,336	4,035
20,650	20,700	0	2,008	3,603	0	2,328	4,024
20,700	20,750	0	2,000	3,592	0	2,320	4,014
20,750	20,800	0	1,992	3,582	0	2,312	4,003
20,800	20,850	0	1,984	3,571	0	2,304	3,993
20,850	20,900	0	1,976	3,561	0	2,296	3,982
20,900	20,950	0	1,968	3,550	0	2,288	3,972
20,950	21,000	0	1,960	3,540	0	2,280	3,961
21,000	21,050	0	1,952	3,529	0	2,272	3,950
21,050	21,100	0	1,944	3,519	0	2,264	3,940
21,100	21,150	0	1,936	3,508	0	2,256	3,929
21,150	21,200	0	1,928	3,498	0	2,248	3,919
21,200	21,250	0	1,920	3,487	0	2,240	3,908
21,250	21,300	0	1,912	3,477	0	2,232	3,898
21,300	21,350	0	1,904	3,466	0	2,224	3,887
21,350	21,400	0	1,896	3,456	0	2,216	3,877
21,400	21,450	0	1,888	3,445	0	2,208	3,866
21,450	21,500	0	1,880	3,434	0	2,200	3,856
21,500	21,550	0	1,872	3,424	0	2,192	3,845
21,550	21,600	0	1,864	3,413	0	2,184	3,835
21,600	21,650	0	1,856	3,403	0	2,176	3,824
21,650	21,700	0	1,848	3,392	0	2,168	3,814
21,700	21,750	0	1,840	3,382	0	2,160	3,803
21,750	21,800	0	1,832	3,371	0	2,152	3,793
21,800	21,850	0	1,824	3,361	0	2,144	3,782
21,850	21,900	0	1,816	3,350	0	2,136	3,771
21,900	21,950	0	1,808	3,340	0	2,128	3,761
21,950	22,000	0	1,800	3,329	0	2,120	3,750

(Continued on page 55)

2007 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—						If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—					Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children			No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—			At least	But less than	Your credit is—			Your credit is—		
22,000	22,050	0	1,792	3,319	0	2,112	3,740	25,000	25,050	0	1,313	2,687	0	1,633	3,108
22,050	22,100	0	1,784	3,308	0	2,104	3,729	25,050	25,100	0	1,305	2,676	0	1,625	3,098
22,100	22,150	0	1,776	3,298	0	2,096	3,719	25,100	25,150	0	1,297	2,666	0	1,617	3,087
22,150	22,200	0	1,768	3,287	0	2,088	3,708	25,150	25,200	0	1,289	2,655	0	1,609	3,076
22,200	22,250	0	1,760	3,277	0	2,080	3,698	25,200	25,250	0	1,281	2,645	0	1,601	3,066
22,250	22,300	0	1,752	3,266	0	2,072	3,687	25,250	25,300	0	1,273	2,634	0	1,593	3,055
22,300	22,350	0	1,744	3,255	0	2,064	3,677	25,300	25,350	0	1,265	2,624	0	1,585	3,045
22,350	22,400	0	1,736	3,245	0	2,056	3,666	25,350	25,400	0	1,257	2,613	0	1,577	3,034
22,400	22,450	0	1,728	3,234	0	2,048	3,656	25,400	25,450	0	1,249	2,603	0	1,569	3,024
22,450	22,500	0	1,720	3,224	0	2,040	3,645	25,450	25,500	0	1,241	2,592	0	1,561	3,013
22,500	22,550	0	1,712	3,213	0	2,032	3,635	25,500	25,550	0	1,233	2,582	0	1,553	3,003
22,550	22,600	0	1,704	3,203	0	2,024	3,624	25,550	25,600	0	1,225	2,571	0	1,545	2,992
22,600	22,650	0	1,696	3,192	0	2,016	3,614	25,600	25,650	0	1,217	2,561	0	1,537	2,982
22,650	22,700	0	1,688	3,182	0	2,008	3,603	25,650	25,700	0	1,209	2,550	0	1,529	2,971
22,700	22,750	0	1,680	3,171	0	2,000	3,592	25,700	25,750	0	1,201	2,539	0	1,521	2,961
22,750	22,800	0	1,672	3,161	0	1,992	3,582	25,750	25,800	0	1,193	2,529	0	1,513	2,950
22,800	22,850	0	1,664	3,150	0	1,984	3,571	25,800	25,850	0	1,185	2,518	0	1,505	2,940
22,850	22,900	0	1,656	3,140	0	1,976	3,561	25,850	25,900	0	1,177	2,508	0	1,497	2,929
22,900	22,950	0	1,649	3,129	0	1,968	3,550	25,900	25,950	0	1,169	2,497	0	1,489	2,919
22,950	23,000	0	1,641	3,119	0	1,960	3,540	25,950	26,000	0	1,161	2,487	0	1,481	2,908
23,000	23,050	0	1,633	3,108	0	1,952	3,529	26,000	26,050	0	1,153	2,476	0	1,473	2,897
23,050	23,100	0	1,625	3,098	0	1,944	3,519	26,050	26,100	0	1,145	2,466	0	1,465	2,887
23,100	23,150	0	1,617	3,087	0	1,936	3,508	26,100	26,150	0	1,137	2,455	0	1,457	2,876
23,150	23,200	0	1,609	3,076	0	1,928	3,498	26,150	26,200	0	1,129	2,445	0	1,449	2,866
23,200	23,250	0	1,601	3,066	0	1,920	3,487	26,200	26,250	0	1,121	2,434	0	1,441	2,855
23,250	23,300	0	1,593	3,055	0	1,912	3,477	26,250	26,300	0	1,113	2,424	0	1,433	2,845
23,300	23,350	0	1,585	3,045	0	1,904	3,466	26,300	26,350	0	1,105	2,413	0	1,425	2,834
23,350	23,400	0	1,577	3,034	0	1,896	3,456	26,350	26,400	0	1,097	2,403	0	1,417	2,824
23,400	23,450	0	1,569	3,024	0	1,888	3,445	26,400	26,450	0	1,089	2,392	0	1,409	2,813
23,450	23,500	0	1,561	3,013	0	1,880	3,434	26,450	26,500	0	1,081	2,381	0	1,401	2,803
23,500	23,550	0	1,553	3,003	0	1,872	3,424	26,500	26,550	0	1,073	2,371	0	1,393	2,792
23,550	23,600	0	1,545	2,992	0	1,864	3,413	26,550	26,600	0	1,065	2,360	0	1,385	2,782
23,600	23,650	0	1,537	2,982	0	1,856	3,403	26,600	26,650	0	1,057	2,350	0	1,377	2,771
23,650	23,700	0	1,529	2,971	0	1,848	3,392	26,650	26,700	0	1,049	2,339	0	1,369	2,761
23,700	23,750	0	1,521	2,961	0	1,840	3,382	26,700	26,750	0	1,041	2,329	0	1,361	2,750
23,750	23,800	0	1,513	2,950	0	1,832	3,371	26,750	26,800	0	1,033	2,318	0	1,353	2,740
23,800	23,850	0	1,505	2,940	0	1,824	3,361	26,800	26,850	0	1,025	2,308	0	1,345	2,729
23,850	23,900	0	1,497	2,929	0	1,816	3,350	26,850	26,900	0	1,017	2,297	0	1,337	2,718
23,900	23,950	0	1,489	2,919	0	1,808	3,340	26,900	26,950	0	1,009	2,287	0	1,329	2,708
23,950	24,000	0	1,481	2,908	0	1,800	3,329	26,950	27,000	0	1,001	2,276	0	1,321	2,697
24,000	24,050	0	1,473	2,897	0	1,792	3,319	27,000	27,050	0	993	2,266	0	1,313	2,687
24,050	24,100	0	1,465	2,887	0	1,784	3,308	27,050	27,100	0	985	2,255	0	1,305	2,676
24,100	24,150	0	1,457	2,876	0	1,776	3,298	27,100	27,150	0	977	2,245	0	1,297	2,666
24,150	24,200	0	1,449	2,866	0	1,768	3,287	27,150	27,200	0	969	2,234	0	1,289	2,655
24,200	24,250	0	1,441	2,855	0	1,760	3,277	27,200	27,250	0	961	2,224	0	1,281	2,645
24,250	24,300	0	1,433	2,845	0	1,752	3,266	27,250	27,300	0	953	2,213	0	1,273	2,634
24,300	24,350	0	1,425	2,834	0	1,744	3,255	27,300	27,350	0	945	2,202	0	1,265	2,624
24,350	24,400	0	1,417	2,824	0	1,736	3,245	27,350	27,400	0	937	2,192	0	1,257	2,613
24,400	24,450	0	1,409	2,813	0	1,728	3,234	27,400	27,450	0	929	2,181	0	1,249	2,603
24,450	24,500	0	1,401	2,803	0	1,720	3,224	27,450	27,500	0	921	2,171	0	1,241	2,592
24,500	24,550	0	1,393	2,792	0	1,712	3,213	27,500	27,550	0	913	2,160	0	1,233	2,582
24,550	24,600	0	1,385	2,782	0	1,704	3,203	27,550	27,600	0	905	2,150	0	1,225	2,571
24,600	24,650	0	1,377	2,771	0	1,696	3,192	27,600	27,650	0	897	2,139	0	1,217	2,561
24,650	24,700	0	1,369	2,761	0	1,688	3,182	27,650	27,700	0	889	2,129	0	1,209	2,550
24,700	24,750	0	1,361	2,750	0	1,680	3,171	27,700	27,750	0	881	2,118	0	1,201	2,539
24,750	24,800	0	1,353	2,740	0	1,672	3,161	27,750	27,800	0	873	2,108	0	1,193	2,529
24,800	24,850	0	1,345	2,729	0	1,664	3,150	27,800	27,850	0	865	2,097	0	1,185	2,518
24,850	24,900	0	1,337	2,718	0	1,656	3,140	27,850	27,900	0	857	2,087	0	1,177	2,508
24,900	24,950	0	1,329	2,708	0	1,649	3,129	27,900	27,950	0	850	2,076	0	1,169	2,497
24,950	25,000	0	1,321	2,697	0	1,641	3,119	27,950	28,000	0	842	2,066	0	1,161	2,487

(Continued on page 56)

2007 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
28,000	28,050	0	834	2,055	0	1,153	2,476
28,050	28,100	0	826	2,045	0	1,145	2,466
28,100	28,150	0	818	2,034	0	1,137	2,455
28,150	28,200	0	810	2,023	0	1,129	2,445
28,200	28,250	0	802	2,013	0	1,121	2,434
28,250	28,300	0	794	2,002	0	1,113	2,424
28,300	28,350	0	786	1,992	0	1,105	2,413
28,350	28,400	0	778	1,981	0	1,097	2,403
28,400	28,450	0	770	1,971	0	1,089	2,392
28,450	28,500	0	762	1,960	0	1,081	2,381
28,500	28,550	0	754	1,950	0	1,073	2,371
28,550	28,600	0	746	1,939	0	1,065	2,360
28,600	28,650	0	738	1,929	0	1,057	2,350
28,650	28,700	0	730	1,918	0	1,049	2,339
28,700	28,750	0	722	1,908	0	1,041	2,329
28,750	28,800	0	714	1,897	0	1,033	2,318
28,800	28,850	0	706	1,887	0	1,025	2,308
28,850	28,900	0	698	1,876	0	1,017	2,297
28,900	28,950	0	690	1,866	0	1,009	2,287
28,950	29,000	0	682	1,855	0	1,001	2,276
29,000	29,050	0	674	1,844	0	993	2,266
29,050	29,100	0	666	1,834	0	985	2,255
29,100	29,150	0	658	1,823	0	977	2,245
29,150	29,200	0	650	1,813	0	969	2,234
29,200	29,250	0	642	1,802	0	961	2,224
29,250	29,300	0	634	1,792	0	953	2,213
29,300	29,350	0	626	1,781	0	945	2,202
29,350	29,400	0	618	1,771	0	937	2,192
29,400	29,450	0	610	1,760	0	929	2,181
29,450	29,500	0	602	1,750	0	921	2,171
29,500	29,550	0	594	1,739	0	913	2,160
29,550	29,600	0	586	1,729	0	905	2,150
29,600	29,650	0	578	1,718	0	897	2,139
29,650	29,700	0	570	1,708	0	889	2,129
29,700	29,750	0	562	1,697	0	881	2,118
29,750	29,800	0	554	1,687	0	873	2,108
29,800	29,850	0	546	1,676	0	865	2,097
29,850	29,900	0	538	1,665	0	857	2,087
29,900	29,950	0	530	1,655	0	850	2,076
29,950	30,000	0	522	1,644	0	842	2,066
30,000	30,050	0	514	1,634	0	834	2,055
30,050	30,100	0	506	1,623	0	826	2,045
30,100	30,150	0	498	1,613	0	818	2,034
30,150	30,200	0	490	1,602	0	810	2,023
30,200	30,250	0	482	1,592	0	802	2,013
30,250	30,300	0	474	1,581	0	794	2,002
30,300	30,350	0	466	1,571	0	786	1,992
30,350	30,400	0	458	1,560	0	778	1,981
30,400	30,450	0	450	1,550	0	770	1,971
30,450	30,500	0	442	1,539	0	762	1,960
30,500	30,550	0	434	1,529	0	754	1,950
30,550	30,600	0	426	1,518	0	746	1,939
30,600	30,650	0	418	1,508	0	738	1,929
30,650	30,700	0	410	1,497	0	730	1,918
30,700	30,750	0	402	1,486	0	722	1,908
30,750	30,800	0	394	1,476	0	714	1,897
30,800	30,850	0	386	1,465	0	706	1,887
30,850	30,900	0	378	1,455	0	698	1,876
30,900	30,950	0	370	1,444	0	690	1,866
30,950	31,000	0	362	1,434	0	682	1,855
31,000	31,050	0	354	1,423	0	674	1,844
31,050	31,100	0	346	1,413	0	666	1,834
31,100	31,150	0	338	1,402	0	658	1,823
31,150	31,200	0	330	1,392	0	650	1,813
31,200	31,250	0	322	1,381	0	642	1,802
31,250	31,300	0	314	1,371	0	634	1,792
31,300	31,350	0	306	1,360	0	626	1,781
31,350	31,400	0	298	1,350	0	618	1,771
31,400	31,450	0	290	1,339	0	610	1,760
31,450	31,500	0	282	1,328	0	602	1,750
31,500	31,550	0	274	1,318	0	594	1,739
31,550	31,600	0	266	1,307	0	586	1,729
31,600	31,650	0	258	1,297	0	578	1,718
31,650	31,700	0	250	1,286	0	570	1,708
31,700	31,750	0	242	1,276	0	562	1,697
31,750	31,800	0	234	1,265	0	554	1,687
31,800	31,850	0	226	1,255	0	546	1,676
31,850	31,900	0	218	1,244	0	538	1,665
31,900	31,950	0	210	1,234	0	530	1,655
31,950	32,000	0	202	1,223	0	522	1,644
32,000	32,050	0	194	1,213	0	514	1,634
32,050	32,100	0	186	1,202	0	506	1,623
32,100	32,150	0	178	1,192	0	498	1,613
32,150	32,200	0	170	1,181	0	490	1,602
32,200	32,250	0	162	1,171	0	482	1,592
32,250	32,300	0	154	1,160	0	474	1,581
32,300	32,350	0	146	1,149	0	466	1,571
32,350	32,400	0	138	1,139	0	458	1,560
32,400	32,450	0	130	1,128	0	450	1,550
32,450	32,500	0	122	1,118	0	442	1,539
32,500	32,550	0	114	1,107	0	434	1,529
32,550	32,600	0	106	1,097	0	426	1,518
32,600	32,650	0	98	1,086	0	418	1,508
32,650	32,700	0	90	1,076	0	410	1,497
32,700	32,750	0	82	1,065	0	402	1,486
32,750	32,800	0	74	1,055	0	394	1,476
32,800	32,850	0	66	1,044	0	386	1,465
32,850	32,900	0	58	1,034	0	378	1,455
32,900	32,950	0	51	1,023	0	370	1,444
32,950	33,000	0	43	1,013	0	362	1,434

(Continued on page 57)

2007 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
33,000	33,050	0	35	1,002	0	354	1,423
33,050	33,100	0	27	992	0	346	1,413
33,100	33,150	0	19	981	0	338	1,402
33,150	33,200	0	11	970	0	330	1,392
33,200	33,250	0	*	960	0	322	1,381
33,250	33,300	0	0	949	0	314	1,371
33,300	33,350	0	0	939	0	306	1,360
33,350	33,400	0	0	928	0	298	1,350
33,400	33,450	0	0	918	0	290	1,339
33,450	33,500	0	0	907	0	282	1,328
33,500	33,550	0	0	897	0	274	1,318
33,550	33,600	0	0	886	0	266	1,307
33,600	33,650	0	0	876	0	258	1,297
33,650	33,700	0	0	865	0	250	1,286
33,700	33,750	0	0	855	0	242	1,276
33,750	33,800	0	0	844	0	234	1,265
33,800	33,850	0	0	834	0	226	1,255
33,850	33,900	0	0	823	0	218	1,244
33,900	33,950	0	0	813	0	210	1,234
33,950	34,000	0	0	802	0	202	1,223
34,000	34,050	0	0	791	0	194	1,213
34,050	34,100	0	0	781	0	186	1,202
34,100	34,150	0	0	770	0	178	1,192
34,150	34,200	0	0	760	0	170	1,181
34,200	34,250	0	0	749	0	162	1,171
34,250	34,300	0	0	739	0	154	1,160
34,300	34,350	0	0	728	0	146	1,149
34,350	34,400	0	0	718	0	138	1,139
34,400	34,450	0	0	707	0	130	1,128
34,450	34,500	0	0	697	0	122	1,118
34,500	34,550	0	0	686	0	114	1,107
34,550	34,600	0	0	676	0	106	1,097
34,600	34,650	0	0	665	0	98	1,086
34,650	34,700	0	0	655	0	90	1,076
34,700	34,750	0	0	644	0	82	1,065
34,750	34,800	0	0	634	0	74	1,055
34,800	34,850	0	0	623	0	66	1,044
34,850	34,900	0	0	612	0	58	1,034
34,900	34,950	0	0	602	0	51	1,023
34,950	35,000	0	0	591	0	43	1,013
35,000	35,050	0	0	581	0	35	1,002
35,050	35,100	0	0	570	0	27	992
35,100	35,150	0	0	560	0	19	981
35,150	35,200	0	0	549	0	11	970
35,200	35,250	0	0	539	0	*	960
35,250	35,300	0	0	528	0	0	949
35,300	35,350	0	0	518	0	0	939
35,350	35,400	0	0	507	0	0	928
35,400	35,450	0	0	497	0	0	918
35,450	35,500	0	0	486	0	0	907
35,500	35,550	0	0	476	0	0	897
35,550	35,600	0	0	465	0	0	886
35,600	35,650	0	0	455	0	0	876
35,650	35,700	0	0	444	0	0	865
35,700	35,750	0	0	433	0	0	855
35,750	35,800	0	0	423	0	0	844
35,800	35,850	0	0	412	0	0	834
35,850	35,900	0	0	402	0	0	823
35,900	35,950	0	0	391	0	0	813
35,950	36,000	0	0	381	0	0	802
36,000	36,050	0	0	370	0	0	791
36,050	36,100	0	0	360	0	0	781
36,100	36,150	0	0	349	0	0	770
36,150	36,200	0	0	339	0	0	760
36,200	36,250	0	0	328	0	0	749
36,250	36,300	0	0	318	0	0	739
36,300	36,350	0	0	307	0	0	728
36,350	36,400	0	0	297	0	0	718
36,400	36,450	0	0	286	0	0	707
36,450	36,500	0	0	275	0	0	697
36,500	36,550	0	0	265	0	0	686
36,550	36,600	0	0	254	0	0	676
36,600	36,650	0	0	244	0	0	665
36,650	36,700	0	0	233	0	0	655
36,700	36,750	0	0	223	0	0	644
36,750	36,800	0	0	212	0	0	634
36,800	36,850	0	0	202	0	0	623
36,850	36,900	0	0	191	0	0	612
36,900	36,950	0	0	181	0	0	602
36,950	37,000	0	0	170	0	0	591
37,000	37,050	0	0	160	0	0	581
37,050	37,100	0	0	149	0	0	570
37,100	37,150	0	0	139	0	0	560
37,150	37,200	0	0	128	0	0	549
37,200	37,250	0	0	118	0	0	539
37,250	37,300	0	0	107	0	0	528
37,300	37,350	0	0	96	0	0	518
37,350	37,400	0	0	86	0	0	507
37,400	37,450	0	0	75	0	0	497
37,450	37,500	0	0	65	0	0	486
37,500	37,550	0	0	54	0	0	476
37,550	37,600	0	0	44	0	0	465
37,600	37,650	0	0	33	0	0	455
37,650	37,700	0	0	23	0	0	444
37,700	37,750	0	0	12	0	0	433
37,750	37,800	0	0	**	0	0	423
37,800	37,850	0	0	0	0	0	412
37,850	37,900	0	0	0	0	0	402
37,900	37,950	0	0	0	0	0	391
37,950	38,000	0	0	0	0	0	381

(Continued on page 58)

*If the amount you are looking up from the worksheet is at least \$33,200 (\$35,200 if married filing jointly) but less than \$33,241 (\$35,241 if married filing jointly), your credit is \$3. Otherwise, you cannot take the credit.

**If the amount you are looking up from the worksheet is at least \$37,750 but less than \$37,783, your credit is \$4. Otherwise, you cannot take the credit.

2007 Earned Income Credit (EIC) Table—Continued

(Caution. This is not a tax table.)

If the amount you are looking up from the worksheet is—		And your filing status is—					
		Single, head of household, or qualifying widow(er) and you have—			Married filing jointly and you have—		
		No children	One child	Two children	No children	One child	Two children
At least	But less than	Your credit is—			Your credit is—		
38,000	38,050	0	0	0	0	0	370
38,050	38,100	0	0	0	0	0	360
38,100	38,150	0	0	0	0	0	349
38,150	38,200	0	0	0	0	0	339
38,200	38,250	0	0	0	0	0	328
38,250	38,300	0	0	0	0	0	318
38,300	38,350	0	0	0	0	0	307
38,350	38,400	0	0	0	0	0	297
38,400	38,450	0	0	0	0	0	286
38,450	38,500	0	0	0	0	0	275
38,500	38,550	0	0	0	0	0	265
38,550	38,600	0	0	0	0	0	254
38,600	38,650	0	0	0	0	0	244
38,650	38,700	0	0	0	0	0	233
38,700	38,750	0	0	0	0	0	223
38,750	38,800	0	0	0	0	0	212
38,800	38,850	0	0	0	0	0	202
38,850	38,900	0	0	0	0	0	191
38,900	38,950	0	0	0	0	0	181
38,950	39,000	0	0	0	0	0	170
39,000	39,050	0	0	0	0	0	160
39,050	39,100	0	0	0	0	0	149
39,100	39,150	0	0	0	0	0	139
39,150	39,200	0	0	0	0	0	128
39,200	39,250	0	0	0	0	0	118
39,250	39,300	0	0	0	0	0	107
39,300	39,350	0	0	0	0	0	96
39,350	39,400	0	0	0	0	0	86
39,400	39,450	0	0	0	0	0	75
39,450	39,500	0	0	0	0	0	65
39,500	39,550	0	0	0	0	0	54
39,550	39,600	0	0	0	0	0	44
39,600	39,650	0	0	0	0	0	33
39,650	39,700	0	0	0	0	0	23
39,700	39,750	0	0	0	0	0	12
39,750	39,783	0	0	0	0	0	4

tions apply and you complete Form 8379. For details, use TeleTax topic 203 (see page 79) or see Form 8379.

Lines 74a Through 74d

DIRECT DEPOSIT

Simple. Safe. Secure.

Fast Refunds! Choose direct deposit—a fast, simple, safe, secure way to have your refund deposited automatically to your checking or savings account, including an individual retirement arrangement (IRA). See the information about IRAs on page 60.

Why Use Direct Deposit?

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

If you want us to directly deposit the amount shown on line 74a to your checking or savings account, including an IRA, at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States:

- Check the box on line 74a and attach Form 8888 if you want to split the direct deposit of your refund among two or three accounts, or
- Complete lines 74b through 74d if you want your refund deposited to only one account.

Otherwise, we will send you a check.

Note. If you do not want your refund directly deposited to your account, do not check the box on line 74a. Draw a line through the boxes on lines 74b and 74d.



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

If you file a joint return and check the box on line 74a and attach Form 8888 or fill in lines 74b through 74d, your spouse may get at least part of the refund.

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

Line 67

Excess Social Security and Tier 1 RRTA Tax Withheld

If you, or your spouse if filing a joint return, had more than one employer for 2007 and total wages of more than \$97,500, too much social security or tier 1 railroad retirement (RRTA) tax may have been withheld. You can take a credit on this line for the amount withheld in excess of \$6,045. But if any one employer withheld more than \$6,045, you cannot claim the excess on your return. The employer should adjust the tax for you. If the employer does not adjust the overcollection, you can file a claim for refund using Form 843. Figure this amount separately for you and your spouse.

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

For more details, see Pub. 505.

Line 68

Additional Child Tax Credit

What Is the Additional Child Tax Credit?

This credit is for certain people who have at least one qualifying child as defined in the instructions for line 6c on page 15. The additional child tax credit may give you a refund even if you do not owe any tax.

Two Steps To Take the Additional Child Tax Credit!

Step 1. Be sure you figured the amount, if any, of your child tax credit. See the instructions for line 52 that begin on page 39.

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

Line 69

Amount Paid With Request for Extension To File

If you filed Form 4868 to get an automatic extension of time to file Form 1040, enter any amount you paid with that form or by electronic funds withdrawal or credit card. If you paid by credit card, do not include on line 69 the convenience fee you were charged. Also, include any amounts paid with Form 2350.

Line 70

Check the box(es) on line 70 to report any credit from Form 2439, 4136, or 8885.

Line 71

Refundable Credit for Prior Year Minimum Tax

If you have an unused minimum tax credit carryforward from 2004, you may be able to claim at least part of it as a refundable credit. Enter on line 71 the amount, if any, from Form 8801, line 27.

Refund

Line 73

Amount Overpaid

If line 73 is under \$1, we will send a refund only on written request.

If you want to check the status of your refund, please wait at least 6 weeks (3 weeks if you filed electronically) from the date you filed your return to do so. But if you filed Form 8379 with your return, allow 14 weeks (11 weeks if you filed electronically). See page 79 for details.



If the amount you overpaid is large, you may want to decrease the amount of income tax withheld from your pay by filing a new Form W-4. See Income Tax Withholding and Estimated Tax Payments for 2008 on page 76.

Refund Offset

If you owe past-due federal tax, state income tax, child support, spousal support, or certain federal nontax debts, such as student loans, all or part of the overpayment on line 73 may be used (offset) to pay the past-due amount. Offsets for federal taxes are made by the IRS. All other offsets are made by the Treasury Department's Financial Management Service (FMS). For federal tax offsets, you will receive a notice from the IRS. For all other offsets, you will receive a notice from FMS. To find out if you may have an offset or if you have any questions about it, contact the agency to which you owe the debt.

Injured Spouse

If you file a joint return and your spouse has not paid past-due federal tax, state income tax, child support, spousal support, or a federal nontax debt, such as a student loan, part or all of the overpayment on line 73 may be used (offset) to pay the past-due amount. But your part of the overpayment may be refunded to you if certain condi-

about 2 weeks after your refund is deposited.

Line 74a

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

Line 74b

The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead. On the sample check below, the routing number is 250250025. Jeffrey and Suzanne Maple would use that routing number unless their financial institution instructed them to use a different routing number for direct deposits.

Ask your financial institution for the correct routing number to enter on line 74b if:

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

Line 74c

Check the appropriate box for the type of account. Do not check more than one box. If the deposit is to an IRA, ask your financial institution whether you should check the "Checking" or "Savings" box. You must check the correct box to ensure your deposit is accepted.

Line 74d

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. On the sample check below, the account number is

20202086. Do not include the check number.



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

Individual Retirement Arrangement (IRA)

You can have your refund directly deposited to a traditional IRA, Roth IRA, or SEP-IRA, but not a SIMPLE IRA. You must establish the IRA at a bank or other financial institution before you request direct deposit. Make sure your direct deposit will be accepted. You must also notify the trustee of your account of the year to which the deposit is to be applied unless the trustee will not accept a deposit for 2007. If you do not, the trustee can assume the deposit is for the year during which you are filing the return. For example, if you file your 2007 return during 2008 and do not notify the trustee in advance, the trustee can assume the deposit to your IRA is for 2008. If you designate your deposit to be for 2007, you must verify that the deposit was actually made to the account by the due date of the return (without regard to extensions). If the deposit is not made to your account by the due date of the return (without regard to extensions), the deposit is not an IRA contribution for 2007. You must file an amended 2007 return and reduce any IRA deduction and any retirement savings contributions credit you claimed.



You and your spouse, if filing jointly, each may be able to contribute up to \$4,000 (\$5,000 if age 50 or older at the end of 2007) to a traditional IRA or Roth IRA for 2007. The limit for 2008 is \$5,000 (\$6,000 if age 50 or older at the end of 2008). A

higher limit may apply for 2007 and 2008 if you were a participant in a 401(k) plan and your employer was in bankruptcy in an earlier year. You may owe a penalty if your contributions exceed these limits.



For more information on IRAs, see Pub. 590, Individual Retirement Arrangements (IRAs).

Line 75

Applied to Your 2008 Estimated Tax

Enter on line 75 the amount, if any, of the overpayment on line 73 you want applied to your 2008 estimated tax. We will apply this amount to your account unless you attach a statement requesting us to apply it to your spouse's account. Include your spouse's social security number in the attached statement.



This election to apply part or all of the amount overpaid to your 2008 estimated tax cannot be changed later.

Amount You Owe



IRS e-file offers you the electronic payment option of electronic funds withdrawal (EFW). EFW can be used to pay your current year balance due and can be used to make up to four estimated tax payments. If you are filing early, you can schedule your payment for withdrawal from your account on a future date, up to and including April 15, 2008. If you file your return after April 15, 2008, you can now include interest and penalty in your payment. Visit www.irs.gov and enter "e-pay" in the search box for details.

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

Line 76

Amount You Owe



To save interest and penalties, pay your taxes in full by April 15, 2008. You do not have to pay if line 76 is under \$1.

Include any estimated tax penalty from line 77 in the amount you enter on line 76.

You can pay by check, money order, or credit card. Do not include any estimated

Sample Check—Lines 74b Through 74d

JEFFREY MAPLE
SUZANNE MAPLE
123 Pear Lane
Anyplace, VA 20000

PAY TO THE ORDER OF \$ 1234.15

ANYPLACE BANK
Anyplace, VA 20000

For (250250025) (20202086) 1234

1234
15-00000000

DOLLARS

Do not include the check number.



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

tax payment for 2008 in your check, money order, or amount you charge. Instead, make the estimated tax payment separately.

To pay by check or money order. Make your check or money order payable to the “United States Treasury” for the full amount due. Do not send cash. Do not attach the payment to your return. Write “2007 Form 1040” and your name, address, daytime phone number, and social security number (SSN) on your payment. If you are filing a joint return, enter the SSN shown first on your tax return.

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

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

To pay by credit card. You can use your American Express® Card, Discover® Card, MasterCard® card, or Visa® card. To pay by credit card, call toll-free or visit the website of either service provider listed below and follow the instructions. A convenience fee will be charged by the service provider based on the amount you are paying. Fees may vary between the providers. You will be told what the fee is during the transaction and you will have the option to either continue or cancel the transaction. You can also find out what the fee will be by calling the provider’s toll-free automated customer service number or visiting the provider’s website shown below.

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

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



TIP You may need to (a) increase the amount of income tax withheld from your pay by filing a new Form W-4, (b) increase the tax withheld from other income by filing Form W-4P or W-4V, or (c) make estimated tax payments for 2008. See Income Tax Withholding and Estimated Tax Payments for 2008 on page 76.

What If You Cannot Pay?

If you cannot pay the full amount shown on line 76 when you file, you can ask to make monthly installment payments for the full or a partial amount. You may have up to 60 months to pay. However, even if your request to pay in installments is granted, you will be charged interest and may be charged a late payment penalty on the tax not paid by April 15, 2008. You must also

pay a fee. To limit the interest and penalty charges, pay as much of the tax as possible when you file. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan or credit card payment.

To ask for an installment agreement, you can apply online or use Form 9465. To apply online, go to www.irs.gov, use the pull-down menu under “I need to...” and select “Set Up a Payment Plan.” If you use Form 9465, you should receive a response to your request to make installment payments within 30 days. But if you file your return after March 31, it may take us longer to reply.

Line 77

Estimated Tax Penalty

You may owe this penalty if:

- Line 76 is at least \$1,000 and it is more than 10% of the tax shown on your return, or
- You did not pay enough estimated tax by any of the due dates. This is true even if you are due a refund.

For most people, the “tax shown on your return” is the amount on your 2007 Form 1040, line 63, minus the total of any amounts shown on lines 66a, 68, and 71 and Forms 8828, 4137, 4136, 5329 (Parts III through VIII only), 8885, and 8919. Also subtract from line 63 any tax on an excess parachute payment, any excise tax on insider stock compensation of an expatriated corporation, and any uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. When figuring the amount on line 63, include the amount on line 62 only if line 64 is more than zero or you would 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 62.

Exception. You will not owe the penalty if your 2006 tax return was for a tax year of 12 full months and either of the following applies.

1. You had no tax shown on your 2006 return and you were a U.S. citizen or resident for all of 2006, or
2. The total of lines 64, 65, and 67 on your 2007 return is at least 100% of the tax shown on your 2006 return (110% of that amount if you are not a farmer or fisherman and your adjusted gross income shown on that return is more than \$150,000, or if married filing separately for 2007, more than \$75,000). Your estimated tax payments for 2007 must have been made on time and for the required amount.

For most people, the “tax shown on your 2006 return” is the amount on your 2006 Form 1040, line 63, minus the total of any amounts shown on lines 66a and 68 and Forms 8828, 4137, 4136, 5329 (Parts III

through VIII only), and 8885. Also subtract from line 63 any tax on an excess parachute payment, any excise tax on insider stock compensation of an expatriated corporation, and any uncollected social security and Medicare or RRTA tax on tips or group-term life insurance. When figuring the amount on line 63, include the amount on line 62 only if line 64 is more than zero or you would have owed the estimated tax penalty for 2006 even if you did not include those taxes. But if you entered an amount on your 2006 Schedule H, line 7, include the total of that amount plus the amount on your 2006 Form 1040, line 62.

Figuring the Penalty

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

Enter the penalty on line 77. Add the penalty to any tax due and enter the total on line 76. If you are due a refund, subtract the penalty from the overpayment you show on line 73. Do not file Form 2210 with your return unless Form 2210 indicates that you must do so. Instead, keep it for your records.



TIP Because Form 2210 is complicated, you can leave line 77 blank and the IRS will figure the penalty and send you a bill.

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

Third Party Designee

If you want to allow a friend, family member, or any other person you choose to discuss your 2007 tax return with the IRS, check the “Yes” box in the “Third Party Designee” area of your return. Also, enter the designee’s name, phone number, and any five digits the designee chooses as his or her personal identification number (PIN). But if you want to allow the paid preparer who signed your return to discuss it with the IRS, just enter “Preparer” in the space for the designee’s name. You do not have to provide the other information requested.

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

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

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

The authorization will automatically end no later than the due date (without regard to extensions) for filing your 2008 tax return. This is April 15, 2009, for most people. If you wish to revoke the authorization before it ends, see Pub. 947.

Sign Your Return

Form 1040 is not considered a valid return unless you sign it. If you are filing a joint return, your spouse must also sign. If your spouse cannot sign the return, see Pub. 501. Be sure to date your return and enter your occupation(s). If you have someone prepare your return, you are still responsible for the correctness of the return. If your return is signed by a representative for you, you must have a power of attorney attached that specifically authorizes the representative to sign your return. To do this, you can use Form 2848. If you are filing a joint return as a surviving spouse, see *Death of a Taxpayer* on page 77.

Child's Return

If your child cannot sign the return, either parent can sign the child's name in the space provided. Then, enter "By (your signature), parent for minor child."

Daytime Phone Number

Providing your daytime phone number may help speed the processing of your return. We may have questions about items on your return, such as the earned income credit, credit for child and dependent care

expenses, etc. If you answer our questions over the phone, we may be able to continue processing your return without mailing you a letter. If you are filing a joint return, you can enter either your or your spouse's daytime phone number.

Paid Preparer Must Sign Your Return

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



Electronic Return Signatures!

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

A PIN is any combination of five digits you choose except five zeros. If you use a PIN, there is nothing to sign and nothing to mail—not even your Forms W-2.

To verify your identity, you will be prompted to enter your adjusted gross income (AGI) from your originally filed 2006 federal income tax return, if applicable. Do not use your AGI from an amended return (Form 1040X) or a math error correction made by IRS. AGI is the amount shown on your 2006 Form 1040, line 38; Form 1040A, line 21; or Form 1040EZ, line 4. If you do not have your 2006 income tax return, call the IRS at 1-800-829-1040 to get a free transcript of your return. (If you filed electronically last year, you may use your prior year PIN to verify your identity instead of your prior year AGI. The prior year PIN is the five digit PIN you used to electronically sign your 2006 return.) You will also be prompted to enter your date of birth (DOB). Make sure your DOB is accurate and matches the information on record with the Social Security Administration by checking your annual social security statement.

If you are filing your return electronically using a tax practitioner, you are required to sign the return electronically. The practitioner will tell you how.



You cannot sign your return electronically (but can still file electronically) if you are not using a tax practitioner and you are a first-time filer under age 16 at the end of 2007 or if you are attaching or filing Form 1098-C, 3115, 3468 (if attachments are required), 4136 (if certificate or statement required), 5713, 8283 (if a statement is required for Section A or if Section B is completed), 8332 (or certain pages from a post-1984 decree or agreement), 8858, 8864 (if certification or statement required), 8885, Schedule D-1 (Form 1040) (if you elect not to include your transactions on the electronic STCGL or LTCGL records), or Worksheets 1 through 4 from Pub. 517 (or other statement showing the required information and computations).

For more details, visit www.irs.gov/efile and click on "Individual Taxpayers."

Form 8453-OL. Your return is not complete without your signature. If you are not filing through a tax practitioner and you are not eligible or choose not to sign your return with an electronic signature, you must complete, sign, and file Form 8453-OL.

Assemble Your Return

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

2007 Tax Table



See the instructions for line 44 that begin on page 33 to see if you must use the Tax Table below to figure your tax.

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on Form 1040, line 43, is \$25,300. First, they find the \$25,300–25,350 taxable income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the taxable income line and filing status column meet is \$3,016. This is the tax amount they should enter on Form 1040, line 44.

Sample Table

At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
25,200	25,250	3,393	3,001	3,393	3,224
25,250	25,300	3,400	3,009	3,400	3,231
25,300	25,350	3,408	3,016	3,408	3,239
25,350	25,400	3,415	3,024	3,415	3,246

If line 43 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
0	5	0	0	0	0
5	15	1	1	1	1
15	25	2	2	2	2
25	50	4	4	4	4
50	75	6	6	6	6
75	100	9	9	9	9
100	125	11	11	11	11
125	150	14	14	14	14
150	175	16	16	16	16
175	200	19	19	19	19
200	225	21	21	21	21
225	250	24	24	24	24
250	275	26	26	26	26
275	300	29	29	29	29
300	325	31	31	31	31
325	350	34	34	34	34
350	375	36	36	36	36
375	400	39	39	39	39
400	425	41	41	41	41
425	450	44	44	44	44
450	475	46	46	46	46
475	500	49	49	49	49
500	525	51	51	51	51
525	550	54	54	54	54
550	575	56	56	56	56
575	600	59	59	59	59
600	625	61	61	61	61
625	650	64	64	64	64
650	675	66	66	66	66
675	700	69	69	69	69
700	725	71	71	71	71
725	750	74	74	74	74
750	775	76	76	76	76
775	800	79	79	79	79
800	825	81	81	81	81
825	850	84	84	84	84
850	875	86	86	86	86
875	900	89	89	89	89
900	925	91	91	91	91
925	950	94	94	94	94
950	975	96	96	96	96
975	1,000	99	99	99	99
1,000					
1,000	1,025	101	101	101	101
1,025	1,050	104	104	104	104
1,050	1,075	106	106	106	106
1,075	1,100	109	109	109	109
1,100	1,125	111	111	111	111
1,125	1,150	114	114	114	114
1,150	1,175	116	116	116	116
1,175	1,200	119	119	119	119
1,200	1,225	121	121	121	121
1,225	1,250	124	124	124	124
1,250	1,275	126	126	126	126
1,275	1,300	129	129	129	129

If line 43 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
1,300	1,325	131	131	131	131
1,325	1,350	134	134	134	134
1,350	1,375	136	136	136	136
1,375	1,400	139	139	139	139
1,400	1,425	141	141	141	141
1,425	1,450	144	144	144	144
1,450	1,475	146	146	146	146
1,475	1,500	149	149	149	149
1,500	1,525	151	151	151	151
1,525	1,550	154	154	154	154
1,550	1,575	156	156	156	156
1,575	1,600	159	159	159	159
1,600	1,625	161	161	161	161
1,625	1,650	164	164	164	164
1,650	1,675	166	166	166	166
1,675	1,700	169	169	169	169
1,700	1,725	171	171	171	171
1,725	1,750	174	174	174	174
1,750	1,775	176	176	176	176
1,775	1,800	179	179	179	179
1,800	1,825	181	181	181	181
1,825	1,850	184	184	184	184
1,850	1,875	186	186	186	186
1,875	1,900	189	189	189	189
1,900	1,925	191	191	191	191
1,925	1,950	194	194	194	194
1,950	1,975	196	196	196	196
1,975	2,000	199	199	199	199
2,000					
2,000	2,025	201	201	201	201
2,025	2,050	204	204	204	204
2,050	2,075	206	206	206	206
2,075	2,100	209	209	209	209
2,100	2,125	211	211	211	211
2,125	2,150	214	214	214	214
2,150	2,175	216	216	216	216
2,175	2,200	219	219	219	219
2,200	2,225	221	221	221	221
2,225	2,250	224	224	224	224
2,250	2,275	226	226	226	226
2,275	2,300	229	229	229	229
2,300	2,325	231	231	231	231
2,325	2,350	234	234	234	234
2,350	2,375	236	236	236	236
2,375	2,400	239	239	239	239
2,400	2,425	241	241	241	241
2,425	2,450	244	244	244	244
2,450	2,475	246	246	246	246
2,475	2,500	249	249	249	249
2,500	2,525	251	251	251	251
2,525	2,550	254	254	254	254
2,550	2,575	256	256	256	256
2,575	2,600	259	259	259	259
2,600	2,625	261	261	261	261
2,625	2,650	264	264	264	264
2,650	2,675	266	266	266	266
2,675	2,700	269	269	269	269

If line 43 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
Your tax is—					
2,700	2,725	271	271	271	271
2,725	2,750	274	274	274	274
2,750	2,775	276	276	276	276
2,775	2,800	279	279	279	279
2,800	2,825	281	281	281	281
2,825	2,850	284	284	284	284
2,850	2,875	286	286	286	286
2,875	2,900	289	289	289	289
2,900	2,925	291	291	291	291
2,925	2,950	294	294	294	294
2,950	2,975	296	296	296	296
2,975	3,000	299	299	299	299
3,000					
3,000	3,050	303	303	303	303
3,050	3,100	308	308	308	308
3,100	3,150	313	313	313	313
3,150	3,200	318	318	318	318
3,200	3,250	323	323	323	323
3,250	3,300	328	328	328	328
3,300	3,350	333	333	333	333
3,350	3,400	338	338	338	338
3,400	3,450	343	343	343	343
3,450	3,500	348	348	348	348
3,500	3,550	353	353	353	353
3,550	3,600	358	358	358	358
3,600	3,650	363	363	363	363
3,650	3,700	368	368	368	368
3,700	3,750	373	373	373	373
3,750	3,800	378	378	378	378
3,800	3,850	383	383	383	383
3,850	3,900	388	388	388	388
3,900	3,950	393	393	393	393
3,950	4,000	398	398	398	398
4,000					
4,000	4,050	403	403	403	403
4,050	4,100	408	408	408	408
4,100	4,150	413	413	413	413
4,150	4,200	418	418	418	418
4,200	4,250	423	423	423	423
4,250	4,300	428	428	428	428
4,300	4,350	433	433	433	433
4,350	4,400	438	438	438	438
4,400	4,450	443	443	443	443
4,450	4,500	448	448	448	448
4,500	4,550	453	453	453	453
4,550	4,600	458	458	458	458
4,600	4,650	463	463	463	463
4,650	4,700	468	468	468	468
4,700	4,750	473	473	473	473
4,750	4,800	478	478	478	478
4,800	4,850	483	483	483	483
4,850	4,900	488	488	488	488
4,900	4,950	493	493	493	493
4,950	5,000	498	498	498	498

* This column must also be used by a qualifying widow(er).

(Continued on page 64)

2007 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
5,000					
5,000	5,050	503	503	503	503
5,050	5,100	508	508	508	508
5,100	5,150	513	513	513	513
5,150	5,200	518	518	518	518
5,200	5,250	523	523	523	523
5,250	5,300	528	528	528	528
5,300	5,350	533	533	533	533
5,350	5,400	538	538	538	538
5,400	5,450	543	543	543	543
5,450	5,500	548	548	548	548
5,500	5,550	553	553	553	553
5,550	5,600	558	558	558	558
5,600	5,650	563	563	563	563
5,650	5,700	568	568	568	568
5,700	5,750	573	573	573	573
5,750	5,800	578	578	578	578
5,800	5,850	583	583	583	583
5,850	5,900	588	588	588	588
5,900	5,950	593	593	593	593
5,950	6,000	598	598	598	598
6,000					
6,000	6,050	603	603	603	603
6,050	6,100	608	608	608	608
6,100	6,150	613	613	613	613
6,150	6,200	618	618	618	618
6,200	6,250	623	623	623	623
6,250	6,300	628	628	628	628
6,300	6,350	633	633	633	633
6,350	6,400	638	638	638	638
6,400	6,450	643	643	643	643
6,450	6,500	648	648	648	648
6,500	6,550	653	653	653	653
6,550	6,600	658	658	658	658
6,600	6,650	663	663	663	663
6,650	6,700	668	668	668	668
6,700	6,750	673	673	673	673
6,750	6,800	678	678	678	678
6,800	6,850	683	683	683	683
6,850	6,900	688	688	688	688
6,900	6,950	693	693	693	693
6,950	7,000	698	698	698	698
7,000					
7,000	7,050	703	703	703	703
7,050	7,100	708	708	708	708
7,100	7,150	713	713	713	713
7,150	7,200	718	718	718	718
7,200	7,250	723	723	723	723
7,250	7,300	728	728	728	728
7,300	7,350	733	733	733	733
7,350	7,400	738	738	738	738
7,400	7,450	743	743	743	743
7,450	7,500	748	748	748	748
7,500	7,550	753	753	753	753
7,550	7,600	758	758	758	758
7,600	7,650	763	763	763	763
7,650	7,700	768	768	768	768
7,700	7,750	773	773	773	773
7,750	7,800	778	778	778	778
7,800	7,850	783	783	783	783
7,850	7,900	790	788	790	788
7,900	7,950	798	793	798	793
7,950	8,000	805	798	805	798

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
8,000					
8,000	8,050	813	803	813	803
8,050	8,100	820	808	820	808
8,100	8,150	828	813	828	813
8,150	8,200	835	818	835	818
8,200	8,250	843	823	843	823
8,250	8,300	850	828	850	828
8,300	8,350	858	833	858	833
8,350	8,400	865	838	865	838
8,400	8,450	873	843	873	843
8,450	8,500	880	848	880	848
8,500	8,550	888	853	888	853
8,550	8,600	895	858	895	858
8,600	8,650	903	863	903	863
8,650	8,700	910	868	910	868
8,700	8,750	918	873	918	873
8,750	8,800	925	878	925	878
8,800	8,850	933	883	933	883
8,850	8,900	940	888	940	888
8,900	8,950	948	893	948	893
8,950	9,000	955	898	955	898
9,000					
9,000	9,050	963	903	963	903
9,050	9,100	970	908	970	908
9,100	9,150	978	913	978	913
9,150	9,200	985	918	985	918
9,200	9,250	993	923	993	923
9,250	9,300	1,000	928	1,000	928
9,300	9,350	1,008	933	1,008	933
9,350	9,400	1,015	938	1,015	938
9,400	9,450	1,023	943	1,023	943
9,450	9,500	1,030	948	1,030	948
9,500	9,550	1,038	953	1,038	953
9,550	9,600	1,045	958	1,045	958
9,600	9,650	1,053	963	1,053	963
9,650	9,700	1,060	968	1,060	968
9,700	9,750	1,068	973	1,068	973
9,750	9,800	1,075	978	1,075	978
9,800	9,850	1,083	983	1,083	983
9,850	9,900	1,090	988	1,090	988
9,900	9,950	1,098	993	1,098	993
9,950	10,000	1,105	998	1,105	998
10,000					
10,000	10,050	1,113	1,003	1,113	1,003
10,050	10,100	1,120	1,008	1,120	1,008
10,100	10,150	1,128	1,013	1,128	1,013
10,150	10,200	1,135	1,018	1,135	1,018
10,200	10,250	1,143	1,023	1,143	1,023
10,250	10,300	1,150	1,028	1,150	1,028
10,300	10,350	1,158	1,033	1,158	1,033
10,350	10,400	1,165	1,038	1,165	1,038
10,400	10,450	1,173	1,043	1,173	1,043
10,450	10,500	1,180	1,048	1,180	1,048
10,500	10,550	1,188	1,053	1,188	1,053
10,550	10,600	1,195	1,058	1,195	1,058
10,600	10,650	1,203	1,063	1,203	1,063
10,650	10,700	1,210	1,068	1,210	1,068
10,700	10,750	1,218	1,073	1,218	1,073
10,750	10,800	1,225	1,078	1,225	1,078
10,800	10,850	1,233	1,083	1,233	1,083
10,850	10,900	1,240	1,088	1,240	1,088
10,900	10,950	1,248	1,093	1,248	1,093
10,950	11,000	1,255	1,098	1,255	1,098

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
11,000					
11,000	11,050	1,263	1,103	1,263	1,103
11,050	11,100	1,270	1,108	1,270	1,108
11,100	11,150	1,278	1,113	1,278	1,113
11,150	11,200	1,285	1,118	1,285	1,118
11,200	11,250	1,293	1,123	1,293	1,124
11,250	11,300	1,300	1,128	1,300	1,131
11,300	11,350	1,308	1,133	1,308	1,139
11,350	11,400	1,315	1,138	1,315	1,146
11,400	11,450	1,323	1,143	1,323	1,154
11,450	11,500	1,330	1,148	1,330	1,161
11,500	11,550	1,338	1,153	1,338	1,169
11,550	11,600	1,345	1,158	1,345	1,176
11,600	11,650	1,353	1,163	1,353	1,184
11,650	11,700	1,360	1,168	1,360	1,191
11,700	11,750	1,368	1,173	1,368	1,199
11,750	11,800	1,375	1,178	1,375	1,206
11,800	11,850	1,383	1,183	1,383	1,214
11,850	11,900	1,390	1,188	1,390	1,221
11,900	11,950	1,398	1,193	1,398	1,229
11,950	12,000	1,405	1,198	1,405	1,236
12,000					
12,000	12,050	1,413	1,203	1,413	1,244
12,050	12,100	1,420	1,208	1,420	1,251
12,100	12,150	1,428	1,213	1,428	1,259
12,150	12,200	1,435	1,218	1,435	1,266
12,200	12,250	1,443	1,223	1,443	1,274
12,250	12,300	1,450	1,228	1,450	1,281
12,300	12,350	1,458	1,233	1,458	1,289
12,350	12,400	1,465	1,238	1,465	1,296
12,400	12,450	1,473	1,243	1,473	1,304
12,450	12,500	1,480	1,248	1,480	1,311
12,500	12,550	1,488	1,253	1,488	1,319
12,550	12,600	1,495	1,258	1,495	1,326
12,600	12,650	1,503	1,263	1,503	1,334
12,650	12,700	1,510	1,268	1,510	1,341
12,700	12,750	1,518	1,273	1,518	1,349
12,750	12,800	1,525	1,278	1,525	1,356
12,800	12,850	1,533	1,283	1,533	1,364
12,850	12,900	1,540	1,288	1,540	1,371
12,900	12,950	1,548	1,293	1,548	1,379
12,950	13,000	1,555	1,298	1,555	1,386
13,000					
13,000	13,050	1,563	1,303	1,563	1,394
13,050	13,100	1,570	1,308	1,570	1,401
13,100	13,150	1,578	1,313	1,578	1,409
13,150	13,200	1,585	1,318	1,585	1,416
13,200	13,250	1,593	1,323	1,593	1,424
13,250	13,300	1,600	1,328	1,600	1,431
13,300	13,350	1,608	1,333	1,608	1,439
13,350	13,400	1,615	1,338	1,615	1,446
13,400	13,450	1,623	1,343	1,623	1,454
13,450	13,500	1,630	1,348	1,630	1,461
13,500	13,550	1,638	1,353	1,638	1,469
13,550	13,600	1,645	1,358	1,645	1,476
13,600	13,650	1,653	1,363	1,653	1,484
13,650	13,700	1,660	1,368	1,660	1,491
13,700	13,750	1,668	1,373	1,668	1,499
13,750	13,800	1,675	1,378	1,675	1,506
13,800	13,850	1,683	1,383	1,683	1,514
13,850	13,900	1,690	1,388	1,690	1,521
13,900	13,950	1,698	1,393	1,698	1,529
13,950	14,000	1,705	1,398	1,705	1,536

* This column must also be used by a qualifying widow(er).

(Continued on page 65)

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
14,000					
14,000	14,050	1,713	1,403	1,713	1,544
14,050	14,100	1,720	1,408	1,720	1,551
14,100	14,150	1,728	1,413	1,728	1,559
14,150	14,200	1,735	1,418	1,735	1,566
14,200	14,250	1,743	1,423	1,743	1,574
14,250	14,300	1,750	1,428	1,750	1,581
14,300	14,350	1,758	1,433	1,758	1,589
14,350	14,400	1,765	1,438	1,765	1,596
14,400	14,450	1,773	1,443	1,773	1,604
14,450	14,500	1,780	1,448	1,780	1,611
14,500	14,550	1,788	1,453	1,788	1,619
14,550	14,600	1,795	1,458	1,795	1,626
14,600	14,650	1,803	1,463	1,803	1,634
14,650	14,700	1,810	1,468	1,810	1,641
14,700	14,750	1,818	1,473	1,818	1,649
14,750	14,800	1,825	1,478	1,825	1,656
14,800	14,850	1,833	1,483	1,833	1,664
14,850	14,900	1,840	1,488	1,840	1,671
14,900	14,950	1,848	1,493	1,848	1,679
14,950	15,000	1,855	1,498	1,855	1,686
15,000					
15,000	15,050	1,863	1,503	1,863	1,694
15,050	15,100	1,870	1,508	1,870	1,701
15,100	15,150	1,878	1,513	1,878	1,709
15,150	15,200	1,885	1,518	1,885	1,716
15,200	15,250	1,893	1,523	1,893	1,724
15,250	15,300	1,900	1,528	1,900	1,731
15,300	15,350	1,908	1,533	1,908	1,739
15,350	15,400	1,915	1,538	1,915	1,746
15,400	15,450	1,923	1,543	1,923	1,754
15,450	15,500	1,930	1,548	1,930	1,761
15,500	15,550	1,938	1,553	1,938	1,769
15,550	15,600	1,945	1,558	1,945	1,776
15,600	15,650	1,953	1,563	1,953	1,784
15,650	15,700	1,960	1,568	1,960	1,791
15,700	15,750	1,968	1,573	1,968	1,799
15,750	15,800	1,975	1,578	1,975	1,806
15,800	15,850	1,983	1,583	1,983	1,814
15,850	15,900	1,990	1,588	1,990	1,821
15,900	15,950	1,998	1,593	1,998	1,829
15,950	16,000	2,005	1,598	2,005	1,836
16,000					
16,000	16,050	2,013	1,603	2,013	1,844
16,050	16,100	2,020	1,608	2,020	1,851
16,100	16,150	2,028	1,613	2,028	1,859
16,150	16,200	2,035	1,618	2,035	1,866
16,200	16,250	2,043	1,623	2,043	1,874
16,250	16,300	2,050	1,628	2,050	1,881
16,300	16,350	2,058	1,633	2,058	1,889
16,350	16,400	2,065	1,638	2,065	1,896
16,400	16,450	2,073	1,643	2,073	1,904
16,450	16,500	2,080	1,648	2,080	1,911
16,500	16,550	2,088	1,653	2,088	1,919
16,550	16,600	2,095	1,658	2,095	1,926
16,600	16,650	2,103	1,663	2,103	1,934
16,650	16,700	2,110	1,668	2,110	1,941
16,700	16,750	2,118	1,673	2,118	1,949
16,750	16,800	2,125	1,678	2,125	1,956
16,800	16,850	2,133	1,683	2,133	1,964
16,850	16,900	2,140	1,688	2,140	1,971
16,900	16,950	2,148	1,693	2,148	1,979
16,950	17,000	2,155	1,698	2,155	1,986

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
17,000					
17,000	17,050	2,163	1,771	2,163	1,994
17,050	17,100	2,170	1,779	2,170	2,001
17,100	17,150	2,178	1,786	2,178	2,009
17,150	17,200	2,185	1,794	2,185	2,016
17,200	17,250	2,193	1,801	2,193	2,024
17,250	17,300	2,200	1,809	2,200	2,031
17,300	17,350	2,208	1,816	2,208	2,039
17,350	17,400	2,215	1,824	2,215	2,046
17,400	17,450	2,223	1,831	2,223	2,054
17,450	17,500	2,230	1,839	2,230	2,061
17,500	17,550	2,238	1,846	2,238	2,069
17,550	17,600	2,245	1,854	2,245	2,076
17,600	17,650	2,253	1,861	2,253	2,084
17,650	17,700	2,260	1,869	2,260	2,091
17,700	17,750	2,268	1,876	2,268	2,099
17,750	17,800	2,275	1,884	2,275	2,106
17,800	17,850	2,283	1,891	2,283	2,114
17,850	17,900	2,290	1,899	2,290	2,121
17,900	17,950	2,298	1,906	2,298	2,129
17,950	18,000	2,305	1,914	2,305	2,136
18,000					
18,000	18,050	2,313	1,921	2,313	2,144
18,050	18,100	2,320	1,929	2,320	2,151
18,100	18,150	2,328	1,936	2,328	2,159
18,150	18,200	2,335	1,944	2,335	2,166
18,200	18,250	2,343	1,951	2,343	2,174
18,250	18,300	2,350	1,959	2,350	2,181
18,300	18,350	2,358	1,966	2,358	2,189
18,350	18,400	2,365	1,974	2,365	2,196
18,400	18,450	2,373	1,981	2,373	2,204
18,450	18,500	2,380	1,989	2,380	2,211
18,500	18,550	2,388	1,996	2,388	2,219
18,550	18,600	2,395	2,004	2,395	2,226
18,600	18,650	2,403	2,011	2,403	2,234
18,650	18,700	2,410	2,019	2,410	2,241
18,700	18,750	2,418	2,026	2,418	2,249
18,750	18,800	2,425	2,034	2,425	2,256
18,800	18,850	2,433	2,041	2,433	2,264
18,850	18,900	2,440	2,049	2,440	2,271
18,900	18,950	2,448	2,056	2,448	2,279
18,950	19,000	2,455	2,064	2,455	2,286
19,000					
19,000	19,050	2,463	2,071	2,463	2,294
19,050	19,100	2,470	2,079	2,470	2,301
19,100	19,150	2,478	2,086	2,478	2,309
19,150	19,200	2,485	2,094	2,485	2,316
19,200	19,250	2,493	2,101	2,493	2,324
19,250	19,300	2,500	2,109	2,500	2,331
19,300	19,350	2,508	2,116	2,508	2,339
19,350	19,400	2,515	2,124	2,515	2,346
19,400	19,450	2,523	2,131	2,523	2,354
19,450	19,500	2,530	2,139	2,530	2,361
19,500	19,550	2,538	2,146	2,538	2,369
19,550	19,600	2,545	2,154	2,545	2,376
19,600	19,650	2,553	2,161	2,553	2,384
19,650	19,700	2,560	2,169	2,560	2,391
19,700	19,750	2,568	2,176	2,568	2,399
19,750	19,800	2,575	2,184	2,575	2,406
19,800	19,850	2,583	2,191	2,583	2,414
19,850	19,900	2,590	2,199	2,590	2,421
19,900	19,950	2,598	2,206	2,598	2,429
19,950	20,000	2,605	2,214	2,605	2,436

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
20,000					
20,000	20,050	2,613	2,221	2,613	2,444
20,050	20,100	2,620	2,229	2,620	2,451
20,100	20,150	2,628	2,236	2,628	2,459
20,150	20,200	2,635	2,244	2,635	2,466
20,200	20,250	2,643	2,251	2,643	2,474
20,250	20,300	2,650	2,259	2,650	2,481
20,300	20,350	2,658	2,266	2,658	2,489
20,350	20,400	2,665	2,274	2,665	2,496
20,400	20,450	2,673	2,281	2,673	2,504
20,450	20,500	2,680	2,289	2,680	2,511
20,500	20,550	2,688	2,296	2,688	2,519
20,550	20,600	2,695	2,304	2,695	2,526
20,600	20,650	2,703	2,311	2,703	2,534
20,650	20,700	2,710	2,319	2,710	2,541
20,700	20,750	2,718	2,326	2,718	2,549
20,750	20,800	2,725	2,334	2,725	2,556
20,800	20,850	2,733	2,341	2,733	2,564
20,850	20,900	2,740	2,349	2,740	2,571
20,900	20,950	2,748	2,356	2,748	2,579
20,950	21,000	2,755	2,364	2,755	2,586
21,000					
21,000	21,050	2,763	2,371	2,763	2,594
21,050	21,100	2,770	2,379	2,770	2,601
21,100	21,150	2,778	2,386	2,778	2,609
21,150	21,200	2,785	2,394	2,785	2,616
21,200	21,250	2,793	2,401	2,793	2,624
21,250	21,300	2,800	2,409	2,800	2,631
21,300	21,350	2,808	2,416	2,808	2,639
21,350	21,400	2,815	2,424	2,815	2,646
21,400	21,450	2,823	2,431	2,823	2,654
21,450	21,500	2,830	2,439	2,830	2,661
21,500	21,550	2,838	2,446	2,838	2,669
21,550	21,600	2,845	2,454	2,845	2,676
21,600	21,650	2,853	2,461	2,853	2,684
21,650	21,700	2,860	2,469	2,860	2,691
21,700	21,750	2,868	2,476	2,868	2,699
21,750	21,800	2,875	2,484	2,875	2,706
21,800	21,850	2,883	2,491	2,883	2,714
21,850	21,900	2,890	2,499	2,890	2,721
21,900	21,950	2,898	2,506	2,898	2,729
21,950	22,000	2,905	2,514	2,905	2,736
22,000					
22,000	22,050	2,913	2,521	2,913	2,744
22,050	22,100	2,920	2,529	2,920	2,751
22,100	22,150	2,928	2,536	2,928	2,759
22,150	22,200	2,935	2,544	2,935	2,766
22,200	22,250	2,943	2,551	2,943	2,774
22,250	22,300	2,950	2,559	2,950	2,781
22,300	22,350	2,958	2,566	2,958	2,789
22,350	22,400	2,965	2,574	2,965	2,796
22,400	22,450	2,973	2,581	2,973	2,804
22,450	22,500	2,980	2,589	2,980	2,811
22,500	22,550	2,988	2,596	2,988	2,819
22,550	22,600	2,995	2,604	2,995	2,826
22,600	22,650	3,003	2,611	3,003	2,834
22,65					

2007 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
23,000					
23,000	23,050	3,063	2,671	3,063	2,894
23,050	23,100	3,070	2,679	3,070	2,901
23,100	23,150	3,078	2,686	3,078	2,909
23,150	23,200	3,085	2,694	3,085	2,916
23,200	23,250	3,093	2,701	3,093	2,924
23,250	23,300	3,100	2,709	3,100	2,931
23,300	23,350	3,108	2,716	3,108	2,939
23,350	23,400	3,115	2,724	3,115	2,946
23,400	23,450	3,123	2,731	3,123	2,954
23,450	23,500	3,130	2,739	3,130	2,961
23,500	23,550	3,138	2,746	3,138	2,969
23,550	23,600	3,145	2,754	3,145	2,976
23,600	23,650	3,153	2,761	3,153	2,984
23,650	23,700	3,160	2,769	3,160	2,991
23,700	23,750	3,168	2,776	3,168	2,999
23,750	23,800	3,175	2,784	3,175	3,006
23,800	23,850	3,183	2,791	3,183	3,014
23,850	23,900	3,190	2,799	3,190	3,021
23,900	23,950	3,198	2,806	3,198	3,029
23,950	24,000	3,205	2,814	3,205	3,036
24,000					
24,000	24,050	3,213	2,821	3,213	3,044
24,050	24,100	3,220	2,829	3,220	3,051
24,100	24,150	3,228	2,836	3,228	3,059
24,150	24,200	3,235	2,844	3,235	3,066
24,200	24,250	3,243	2,851	3,243	3,074
24,250	24,300	3,250	2,859	3,250	3,081
24,300	24,350	3,258	2,866	3,258	3,089
24,350	24,400	3,265	2,874	3,265	3,096
24,400	24,450	3,273	2,881	3,273	3,104
24,450	24,500	3,280	2,889	3,280	3,111
24,500	24,550	3,288	2,896	3,288	3,119
24,550	24,600	3,295	2,904	3,295	3,126
24,600	24,650	3,303	2,911	3,303	3,134
24,650	24,700	3,310	2,919	3,310	3,141
24,700	24,750	3,318	2,926	3,318	3,149
24,750	24,800	3,325	2,934	3,325	3,156
24,800	24,850	3,333	2,941	3,333	3,164
24,850	24,900	3,340	2,949	3,340	3,171
24,900	24,950	3,348	2,956	3,348	3,179
24,950	25,000	3,355	2,964	3,355	3,186
25,000					
25,000	25,050	3,363	2,971	3,363	3,194
25,050	25,100	3,370	2,979	3,370	3,201
25,100	25,150	3,378	2,986	3,378	3,209
25,150	25,200	3,385	2,994	3,385	3,216
25,200	25,250	3,393	3,001	3,393	3,224
25,250	25,300	3,400	3,009	3,400	3,231
25,300	25,350	3,408	3,016	3,408	3,239
25,350	25,400	3,415	3,024	3,415	3,246
25,400	25,450	3,423	3,031	3,423	3,254
25,450	25,500	3,430	3,039	3,430	3,261
25,500	25,550	3,438	3,046	3,438	3,269
25,550	25,600	3,445	3,054	3,445	3,276
25,600	25,650	3,453	3,061	3,453	3,284
25,650	25,700	3,460	3,069	3,460	3,291
25,700	25,750	3,468	3,076	3,468	3,299
25,750	25,800	3,475	3,084	3,475	3,306
25,800	25,850	3,483	3,091	3,483	3,314
25,850	25,900	3,490	3,099	3,490	3,321
25,900	25,950	3,498	3,106	3,498	3,329
25,950	26,000	3,505	3,114	3,505	3,336

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
26,000					
26,000	26,050	3,513	3,121	3,513	3,344
26,050	26,100	3,520	3,129	3,520	3,351
26,100	26,150	3,528	3,136	3,528	3,359
26,150	26,200	3,535	3,144	3,535	3,366
26,200	26,250	3,543	3,151	3,543	3,374
26,250	26,300	3,550	3,159	3,550	3,381
26,300	26,350	3,558	3,166	3,558	3,389
26,350	26,400	3,565	3,174	3,565	3,396
26,400	26,450	3,573	3,181	3,573	3,404
26,450	26,500	3,580	3,189	3,580	3,411
26,500	26,550	3,588	3,196	3,588	3,419
26,550	26,600	3,595	3,204	3,595	3,426
26,600	26,650	3,603	3,211	3,603	3,434
26,650	26,700	3,610	3,219	3,610	3,441
26,700	26,750	3,618	3,226	3,618	3,449
26,750	26,800	3,625	3,234	3,625	3,456
26,800	26,850	3,633	3,241	3,633	3,464
26,850	26,900	3,640	3,249	3,640	3,471
26,900	26,950	3,648	3,256	3,648	3,479
26,950	27,000	3,655	3,264	3,655	3,486
27,000					
27,000	27,050	3,663	3,271	3,663	3,494
27,050	27,100	3,670	3,279	3,670	3,501
27,100	27,150	3,678	3,286	3,678	3,509
27,150	27,200	3,685	3,294	3,685	3,516
27,200	27,250	3,693	3,301	3,693	3,524
27,250	27,300	3,700	3,309	3,700	3,531
27,300	27,350	3,708	3,316	3,708	3,539
27,350	27,400	3,715	3,324	3,715	3,546
27,400	27,450	3,723	3,331	3,723	3,554
27,450	27,500	3,730	3,339	3,730	3,561
27,500	27,550	3,738	3,346	3,738	3,569
27,550	27,600	3,745	3,354	3,745	3,576
27,600	27,650	3,753	3,361	3,753	3,584
27,650	27,700	3,760	3,369	3,760	3,591
27,700	27,750	3,768	3,376	3,768	3,599
27,750	27,800	3,775	3,384	3,775	3,606
27,800	27,850	3,783	3,391	3,783	3,614
27,850	27,900	3,790	3,399	3,790	3,621
27,900	27,950	3,798	3,406	3,798	3,629
27,950	28,000	3,805	3,414	3,805	3,636
28,000					
28,000	28,050	3,813	3,421	3,813	3,644
28,050	28,100	3,820	3,429	3,820	3,651
28,100	28,150	3,828	3,436	3,828	3,659
28,150	28,200	3,835	3,444	3,835	3,666
28,200	28,250	3,843	3,451	3,843	3,674
28,250	28,300	3,850	3,459	3,850	3,681
28,300	28,350	3,858	3,466	3,858	3,689
28,350	28,400	3,865	3,474	3,865	3,696
28,400	28,450	3,873	3,481	3,873	3,704
28,450	28,500	3,880	3,489	3,880	3,711
28,500	28,550	3,888	3,496	3,888	3,719
28,550	28,600	3,895	3,504	3,895	3,726
28,600	28,650	3,903	3,511	3,903	3,734
28,650	28,700	3,910	3,519	3,910	3,741
28,700	28,750	3,918	3,526	3,918	3,749
28,750	28,800	3,925	3,534	3,925	3,756
28,800	28,850	3,933	3,541	3,933	3,764
28,850	28,900	3,940	3,549	3,940	3,771
28,900	28,950	3,948	3,556	3,948	3,779
28,950	29,000	3,955	3,564	3,955	3,786

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
29,000					
29,000	29,050	3,963	3,571	3,963	3,794
29,050	29,100	3,970	3,579	3,970	3,801
29,100	29,150	3,978	3,586	3,978	3,809
29,150	29,200	3,985	3,594	3,985	3,816
29,200	29,250	3,993	3,601	3,993	3,824
29,250	29,300	4,000	3,609	4,000	3,831
29,300	29,350	4,008	3,616	4,008	3,839
29,350	29,400	4,015	3,624	4,015	3,846
29,400	29,450	4,023	3,631	4,023	3,854
29,450	29,500	4,030	3,639	4,030	3,861
29,500	29,550	4,038	3,646	4,038	3,869
29,550	29,600	4,045	3,654	4,045	3,876
29,600	29,650	4,053	3,661	4,053	3,884
29,650	29,700	4,060	3,669	4,060	3,891
29,700	29,750	4,068	3,676	4,068	3,899
29,750	29,800	4,075	3,684	4,075	3,906
29,800	29,850	4,083	3,691	4,083	3,914
29,850	29,900	4,090	3,699	4,090	3,921
29,900	29,950	4,098	3,706	4,098	3,929
29,950	30,000	4,105	3,714	4,105	3,936
30,000					
30,000	30,050	4,113	3,721	4,113	3,944
30,050	30,100	4,120	3,729	4,120	3,951
30,100	30,150	4,128	3,736	4,128	3,959
30,150	30,200	4,135	3,744	4,135	3,966
30,200	30,250	4,143	3,751	4,143	3,974
30,250	30,300	4,150	3,759	4,150	3,981
30,300	30,350	4,158	3,766	4,158	3,989
30,350	30,400	4,165	3,774	4,165	3,996
30,400	30,450	4,173	3,781	4,173	4,004
30,450	30,500	4,180	3,789	4,180	4,011
30,500	30,550	4,188	3,796	4,188	4,019
30,550	30,600	4,195	3,804	4,195	4,026
30,600	30,650	4,203	3,811	4,203	4,034
30,650	30,700	4,210	3,819	4,210	4,041
30,700	30,750	4,218	3,826	4,218	4,049
30,750	30,800	4,225	3,834	4,225	4,056
30,800	30,850	4,233	3,841	4,233	4,064
30,850	30,900	4,240	3,849	4,240	4,071
30,900	30,950	4,248	3,856	4,248	4,079
30,950	31,000	4,255	3,864	4,255	4,086
31,000					
31,000	31,050	4,263	3,871	4,263	4,094
31,050	31,100	4,270	3,879	4,270	4,101
31,100	31,150	4,278	3,886	4,278	4,109
31,150	31,200	4,285	3,894	4,285	4,116
31,200	31,250	4,293	3,901	4,293	4,124
31,250	31,300	4,300	3,909	4,300	4,131
31,300	31,350	4,308	3,916	4,308	4,139
31,350	31,400	4,315	3,924	4,315	4,146
31,400	31,450	4,323	3,931	4,323	4,154
31,450	31,500	4,330	3,939	4,330	4,161
31,500	31,550	4,338	3,946	4,338	4,169
31,550	31,600	4,345	3,954	4,345	4,176
31,600	31,650	4,353	3,961	4,353	4,184
31,650					

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
32,000					
32,000	32,050	4,430	4,021	4,430	4,244
32,050	32,100	4,443	4,029	4,443	4,251
32,100	32,150	4,455	4,036	4,455	4,259
32,150	32,200	4,468	4,044	4,468	4,266
32,200	32,250	4,480	4,051	4,480	4,274
32,250	32,300	4,493	4,059	4,493	4,281
32,300	32,350	4,505	4,066	4,505	4,289
32,350	32,400	4,518	4,074	4,518	4,296
32,400	32,450	4,530	4,081	4,530	4,304
32,450	32,500	4,543	4,089	4,543	4,311
32,500	32,550	4,555	4,096	4,555	4,319
32,550	32,600	4,568	4,104	4,568	4,326
32,600	32,650	4,580	4,111	4,580	4,334
32,650	32,700	4,593	4,119	4,593	4,341
32,700	32,750	4,605	4,126	4,605	4,349
32,750	32,800	4,618	4,134	4,618	4,356
32,800	32,850	4,630	4,141	4,630	4,364
32,850	32,900	4,643	4,149	4,643	4,371
32,900	32,950	4,655	4,156	4,655	4,379
32,950	33,000	4,668	4,164	4,668	4,386
33,000					
33,000	33,050	4,680	4,171	4,680	4,394
33,050	33,100	4,693	4,179	4,693	4,401
33,100	33,150	4,705	4,186	4,705	4,409
33,150	33,200	4,718	4,194	4,718	4,416
33,200	33,250	4,730	4,201	4,730	4,424
33,250	33,300	4,743	4,209	4,743	4,431
33,300	33,350	4,755	4,216	4,755	4,439
33,350	33,400	4,768	4,224	4,768	4,446
33,400	33,450	4,780	4,231	4,780	4,454
33,450	33,500	4,793	4,239	4,793	4,461
33,500	33,550	4,805	4,246	4,805	4,469
33,550	33,600	4,818	4,254	4,818	4,476
33,600	33,650	4,830	4,261	4,830	4,484
33,650	33,700	4,843	4,269	4,843	4,491
33,700	33,750	4,855	4,276	4,855	4,499
33,750	33,800	4,868	4,284	4,868	4,506
33,800	33,850	4,880	4,291	4,880	4,514
33,850	33,900	4,893	4,299	4,893	4,521
33,900	33,950	4,905	4,306	4,905	4,529
33,950	34,000	4,918	4,314	4,918	4,536
34,000					
34,000	34,050	4,930	4,321	4,930	4,544
34,050	34,100	4,943	4,329	4,943	4,551
34,100	34,150	4,955	4,336	4,955	4,559
34,150	34,200	4,968	4,344	4,968	4,566
34,200	34,250	4,980	4,351	4,980	4,574
34,250	34,300	4,993	4,359	4,993	4,581
34,300	34,350	5,005	4,366	5,005	4,589
34,350	34,400	5,018	4,374	5,018	4,596
34,400	34,450	5,030	4,381	5,030	4,604
34,450	34,500	5,043	4,389	5,043	4,611
34,500	34,550	5,055	4,396	5,055	4,619
34,550	34,600	5,068	4,404	5,068	4,626
34,600	34,650	5,080	4,411	5,080	4,634
34,650	34,700	5,093	4,419	5,093	4,641
34,700	34,750	5,105	4,426	5,105	4,649
34,750	34,800	5,118	4,434	5,118	4,656
34,800	34,850	5,130	4,441	5,130	4,664
34,850	34,900	5,143	4,449	5,143	4,671
34,900	34,950	5,155	4,456	5,155	4,679
34,950	35,000	5,168	4,464	5,168	4,686

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
35,000					
35,000	35,050	5,180	4,471	5,180	4,694
35,050	35,100	5,193	4,479	5,193	4,701
35,100	35,150	5,205	4,486	5,205	4,709
35,150	35,200	5,218	4,494	5,218	4,716
35,200	35,250	5,230	4,501	5,230	4,724
35,250	35,300	5,243	4,509	5,243	4,731
35,300	35,350	5,255	4,516	5,255	4,739
35,350	35,400	5,268	4,524	5,268	4,746
35,400	35,450	5,280	4,531	5,280	4,754
35,450	35,500	5,293	4,539	5,293	4,761
35,500	35,550	5,305	4,546	5,305	4,769
35,550	35,600	5,318	4,554	5,318	4,776
35,600	35,650	5,330	4,561	5,330	4,784
35,650	35,700	5,343	4,569	5,343	4,791
35,700	35,750	5,355	4,576	5,355	4,799
35,750	35,800	5,368	4,584	5,368	4,806
35,800	35,850	5,380	4,591	5,380	4,814
35,850	35,900	5,393	4,599	5,393	4,821
35,900	35,950	5,405	4,606	5,405	4,829
35,950	36,000	5,418	4,614	5,418	4,836
36,000					
36,000	36,050	5,430	4,621	5,430	4,844
36,050	36,100	5,443	4,629	5,443	4,851
36,100	36,150	5,455	4,636	5,455	4,859
36,150	36,200	5,468	4,644	5,468	4,866
36,200	36,250	5,480	4,651	5,480	4,874
36,250	36,300	5,493	4,659	5,493	4,881
36,300	36,350	5,505	4,666	5,505	4,889
36,350	36,400	5,518	4,674	5,518	4,896
36,400	36,450	5,530	4,681	5,530	4,904
36,450	36,500	5,543	4,689	5,543	4,911
36,500	36,550	5,555	4,696	5,555	4,919
36,550	36,600	5,568	4,704	5,568	4,926
36,600	36,650	5,580	4,711	5,580	4,934
36,650	36,700	5,593	4,719	5,593	4,941
36,700	36,750	5,605	4,726	5,605	4,949
36,750	36,800	5,618	4,734	5,618	4,956
36,800	36,850	5,630	4,741	5,630	4,964
36,850	36,900	5,643	4,749	5,643	4,971
36,900	36,950	5,655	4,756	5,655	4,979
36,950	37,000	5,668	4,764	5,668	4,986
37,000					
37,000	37,050	5,680	4,771	5,680	4,994
37,050	37,100	5,693	4,779	5,693	5,001
37,100	37,150	5,705	4,786	5,705	5,009
37,150	37,200	5,718	4,794	5,718	5,016
37,200	37,250	5,730	4,801	5,730	5,024
37,250	37,300	5,743	4,809	5,743	5,031
37,300	37,350	5,755	4,816	5,755	5,039
37,350	37,400	5,768	4,824	5,768	5,046
37,400	37,450	5,780	4,831	5,780	5,054
37,450	37,500	5,793	4,839	5,793	5,061
37,500	37,550	5,805	4,846	5,805	5,069
37,550	37,600	5,818	4,854	5,818	5,076
37,600	37,650	5,830	4,861	5,830	5,084
37,650	37,700	5,843	4,869	5,843	5,091
37,700	37,750	5,855	4,876	5,855	5,099
37,750	37,800	5,868	4,884	5,868	5,106
37,800	37,850	5,880	4,891	5,880	5,114
37,850	37,900	5,893	4,899	5,893	5,121
37,900	37,950	5,905	4,906	5,905	5,129
37,950	38,000	5,918	4,914	5,918	5,136

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
38,000					
38,000	38,050	5,930	4,921	5,930	5,144
38,050	38,100	5,943	4,929	5,943	5,151
38,100	38,150	5,955	4,936	5,955	5,159
38,150	38,200	5,968	4,944	5,968	5,166
38,200	38,250	5,980	4,951	5,980	5,174
38,250	38,300	5,993	4,959	5,993	5,181
38,300	38,350	6,005	4,966	6,005	5,189
38,350	38,400	6,018	4,974	6,018	5,196
38,400	38,450	6,030	4,981	6,030	5,204
38,450	38,500	6,043	4,989	6,043	5,211
38,500	38,550	6,055	4,996	6,055	5,219
38,550	38,600	6,068	5,004	6,068	5,226
38,600	38,650	6,080	5,011	6,080	5,234
38,650	38,700	6,093	5,019	6,093	5,241
38,700	38,750	6,105	5,026	6,105	5,249
38,750	38,800	6,118	5,034	6,118	5,256
38,800	38,850	6,130	5,041	6,130	5,264
38,850	38,900	6,143	5,049	6,143	5,271
38,900	38,950	6,155	5,056	6,155	5,279
38,950	39,000	6,168	5,064	6,168	5,286
39,000					
39,000	39,050	6,180	5,071	6,180	5,294
39,050	39,100	6,193	5,079	6,193	5,301
39,100	39,150	6,205	5,086	6,205	5,309
39,150	39,200	6,218	5,094	6,218	5,316
39,200	39,250	6,230	5,101	6,230	5,324
39,250	39,300	6,243	5,109	6,243	5,331
39,300	39,350	6,255	5,116	6,255	5,339
39,350	39,400	6,268	5,124	6,268	5,346
39,400	39,450	6,280	5,131	6,280	5,354
39,450	39,500	6,293	5,139	6,293	5,361
39,500	39,550	6,305	5,146	6,305	5,369
39,550	39,600	6,318	5,154	6,318	5,376
39,600	39,650	6,330	5,161	6,330	5,384
39,650	39,700	6,343	5,169	6,343	5,391
39,700	39,750	6,355	5,176	6,355	5,399
39,750	39,800	6,368	5,184	6,368	5,406
39,800	39,850	6,380	5,191	6,380	5,414
39,850	39,900	6,393	5,199	6,393	5,421
39,900	39,950	6,405	5,206	6,405	5,429
39,950	40,000	6,418	5,214	6,418	5,436
40,000					
40,000	40,050	6,430	5,221	6,430	5,444
40,050	40,100	6,443	5,229	6,443	5,451
40,100	40,150	6,455	5,236	6,455	5,459
40,150	40,200	6,468	5,244	6,468	5,466
40,200	40,250	6,480	5,251	6,480	5,474
40,250	40,300	6,493	5,259	6,493	5,481
40,300	40,350	6,505	5,266	6,505	5,489
40,350	40,400	6,518	5,274	6,518	5,496
40,400	40,450	6,530	5,281	6,530	5,504
40,450	40,500	6,543	5,289	6,543	5,511
40,500	40,550	6,555	5,296	6,555	5,519
40,550	40,600	6,568	5,304	6,568	5,526
40,600	40,650	6,580	5,311	6,580	5,534
40,65					

2007 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
41,000					
41,000	41,050	6,680	5,371	6,680	5,594
41,050	41,100	6,693	5,379	6,693	5,601
41,100	41,150	6,705	5,386	6,705	5,609
41,150	41,200	6,718	5,394	6,718	5,616
41,200	41,250	6,730	5,401	6,730	5,624
41,250	41,300	6,743	5,409	6,743	5,631
41,300	41,350	6,755	5,416	6,755	5,639
41,350	41,400	6,768	5,424	6,768	5,646
41,400	41,450	6,780	5,431	6,780	5,654
41,450	41,500	6,793	5,439	6,793	5,661
41,500	41,550	6,805	5,446	6,805	5,669
41,550	41,600	6,818	5,454	6,818	5,676
41,600	41,650	6,830	5,461	6,830	5,684
41,650	41,700	6,843	5,469	6,843	5,691
41,700	41,750	6,855	5,476	6,855	5,699
41,750	41,800	6,868	5,484	6,868	5,706
41,800	41,850	6,880	5,491	6,880	5,714
41,850	41,900	6,893	5,499	6,893	5,721
41,900	41,950	6,905	5,506	6,905	5,729
41,950	42,000	6,918	5,514	6,918	5,736
42,000					
42,000	42,050	6,930	5,521	6,930	5,744
42,050	42,100	6,943	5,529	6,943	5,751
42,100	42,150	6,955	5,536	6,955	5,759
42,150	42,200	6,968	5,544	6,968	5,766
42,200	42,250	6,980	5,551	6,980	5,774
42,250	42,300	6,993	5,559	6,993	5,781
42,300	42,350	7,005	5,566	7,005	5,789
42,350	42,400	7,018	5,574	7,018	5,796
42,400	42,450	7,030	5,581	7,030	5,804
42,450	42,500	7,043	5,589	7,043	5,811
42,500	42,550	7,055	5,596	7,055	5,819
42,550	42,600	7,068	5,604	7,068	5,826
42,600	42,650	7,080	5,611	7,080	5,834
42,650	42,700	7,093	5,619	7,093	5,844
42,700	42,750	7,105	5,626	7,105	5,856
42,750	42,800	7,118	5,634	7,118	5,869
42,800	42,850	7,130	5,641	7,130	5,881
42,850	42,900	7,143	5,649	7,143	5,894
42,900	42,950	7,155	5,656	7,155	5,906
42,950	43,000	7,168	5,664	7,168	5,919
43,000					
43,000	43,050	7,180	5,671	7,180	5,931
43,050	43,100	7,193	5,679	7,193	5,944
43,100	43,150	7,205	5,686	7,205	5,956
43,150	43,200	7,218	5,694	7,218	5,969
43,200	43,250	7,230	5,701	7,230	5,981
43,250	43,300	7,243	5,709	7,243	5,994
43,300	43,350	7,255	5,716	7,255	6,006
43,350	43,400	7,268	5,724	7,268	6,019
43,400	43,450	7,280	5,731	7,280	6,031
43,450	43,500	7,293	5,739	7,293	6,044
43,500	43,550	7,305	5,746	7,305	6,056
43,550	43,600	7,318	5,754	7,318	6,069
43,600	43,650	7,330	5,761	7,330	6,081
43,650	43,700	7,343	5,769	7,343	6,094
43,700	43,750	7,355	5,776	7,355	6,106
43,750	43,800	7,368	5,784	7,368	6,119
43,800	43,850	7,380	5,791	7,380	6,131
43,850	43,900	7,393	5,799	7,393	6,144
43,900	43,950	7,405	5,806	7,405	6,156
43,950	44,000	7,418	5,814	7,418	6,169

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
44,000					
44,000	44,050	7,430	5,821	7,430	6,181
44,050	44,100	7,443	5,829	7,443	6,194
44,100	44,150	7,455	5,836	7,455	6,206
44,150	44,200	7,468	5,844	7,468	6,219
44,200	44,250	7,480	5,851	7,480	6,231
44,250	44,300	7,493	5,859	7,493	6,244
44,300	44,350	7,505	5,866	7,505	6,256
44,350	44,400	7,518	5,874	7,518	6,269
44,400	44,450	7,530	5,881	7,530	6,281
44,450	44,500	7,543	5,889	7,543	6,294
44,500	44,550	7,555	5,896	7,555	6,306
44,550	44,600	7,568	5,904	7,568	6,319
44,600	44,650	7,580	5,911	7,580	6,331
44,650	44,700	7,593	5,919	7,593	6,344
44,700	44,750	7,605	5,926	7,605	6,356
44,750	44,800	7,618	5,934	7,618	6,369
44,800	44,850	7,630	5,941	7,630	6,381
44,850	44,900	7,643	5,949	7,643	6,394
44,900	44,950	7,655	5,956	7,655	6,406
44,950	45,000	7,668	5,964	7,668	6,419
45,000					
45,000	45,050	7,680	5,971	7,680	6,431
45,050	45,100	7,693	5,979	7,693	6,444
45,100	45,150	7,705	5,986	7,705	6,456
45,150	45,200	7,718	5,994	7,718	6,469
45,200	45,250	7,730	6,001	7,730	6,481
45,250	45,300	7,743	6,009	7,743	6,494
45,300	45,350	7,755	6,016	7,755	6,506
45,350	45,400	7,768	6,024	7,768	6,519
45,400	45,450	7,780	6,031	7,780	6,531
45,450	45,500	7,793	6,039	7,793	6,544
45,500	45,550	7,805	6,046	7,805	6,556
45,550	45,600	7,818	6,054	7,818	6,569
45,600	45,650	7,830	6,061	7,830	6,581
45,650	45,700	7,843	6,069	7,843	6,594
45,700	45,750	7,855	6,076	7,855	6,606
45,750	45,800	7,868	6,084	7,868	6,619
45,800	45,850	7,880	6,091	7,880	6,631
45,850	45,900	7,893	6,099	7,893	6,644
45,900	45,950	7,905	6,106	7,905	6,656
45,950	46,000	7,918	6,114	7,918	6,669
46,000					
46,000	46,050	7,930	6,121	7,930	6,681
46,050	46,100	7,943	6,129	7,943	6,694
46,100	46,150	7,955	6,136	7,955	6,706
46,150	46,200	7,968	6,144	7,968	6,719
46,200	46,250	7,980	6,151	7,980	6,731
46,250	46,300	7,993	6,159	7,993	6,744
46,300	46,350	8,005	6,166	8,005	6,756
46,350	46,400	8,018	6,174	8,018	6,769
46,400	46,450	8,030	6,181	8,030	6,781
46,450	46,500	8,043	6,189	8,043	6,794
46,500	46,550	8,055	6,196	8,055	6,806
46,550	46,600	8,068	6,204	8,068	6,819
46,600	46,650	8,080	6,211	8,080	6,831
46,650	46,700	8,093	6,219	8,093	6,844
46,700	46,750	8,105	6,226	8,105	6,856
46,750	46,800	8,118	6,234	8,118	6,869
46,800	46,850	8,130	6,241	8,130	6,881
46,850	46,900	8,143	6,249	8,143	6,894
46,900	46,950	8,155	6,256	8,155	6,906
46,950	47,000	8,168	6,264	8,168	6,919

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
47,000					
47,000	47,050	8,180	6,271	8,180	6,931
47,050	47,100	8,193	6,279	8,193	6,944
47,100	47,150	8,205	6,286	8,205	6,956
47,150	47,200	8,218	6,294	8,218	6,969
47,200	47,250	8,230	6,301	8,230	6,981
47,250	47,300	8,243	6,309	8,243	6,994
47,300	47,350	8,255	6,316	8,255	7,006
47,350	47,400	8,268	6,324	8,268	7,019
47,400	47,450	8,280	6,331	8,280	7,031
47,450	47,500	8,293	6,339	8,293	7,044
47,500	47,550	8,305	6,346	8,305	7,056
47,550	47,600	8,318	6,354	8,318	7,069
47,600	47,650	8,330	6,361	8,330	7,081
47,650	47,700	8,343	6,369	8,343	7,094
47,700	47,750	8,355	6,376	8,355	7,106
47,750	47,800	8,368	6,384	8,368	7,119
47,800	47,850	8,380	6,391	8,380	7,131
47,850	47,900	8,393	6,399	8,393	7,144
47,900	47,950	8,405	6,406	8,405	7,156
47,950	48,000	8,418	6,414	8,418	7,169
48,000					
48,000	48,050	8,430	6,421	8,430	7,181
48,050	48,100	8,443	6,429	8,443	7,194
48,100	48,150	8,455	6,436	8,455	7,206
48,150	48,200	8,468	6,444	8,468	7,219
48,200	48,250	8,480	6,451	8,480	7,231
48,250	48,300	8,493	6,459	8,493	7,244
48,300	48,350	8,505	6,466	8,505	7,256
48,350	48,400	8,518	6,474	8,518	7,269
48,400	48,450	8,530	6,481	8,530	7,281
48,450	48,500	8,543	6,489	8,543	7,294
48,500	48,550	8,555	6,496	8,555	7,306
48,550	48,600	8,568	6,504	8,568	7,319
48,600	48,650	8,580	6,511	8,580	7,331
48,650	48,700	8,593	6,519	8,593	7,344
48,700	48,750	8,605	6,526	8,605	7,356
48,750	48,800	8,618	6,534	8,618	7,369
48,800	48,850	8,630	6,541	8,630	7,381
48,850	48,900	8,643	6,549	8,643	7,394
48,900	48,950	8,655	6,556	8,655	7,406
48,950	49,000	8,668	6,564	8,668	7,419
49,000					
49,000	49,050	8,680	6,571	8,680	7,431
49,050	49,100	8,693	6,579	8,693	7,444
49,100	49,150	8,705	6,586	8,705	7,456
49,150	49,200	8,718	6,594	8,718	7,469
49,200	49,250	8,730	6,601	8,730	7,481
49,250	49,300	8,743	6,609	8,743	7,494
49,300	49,350	8,755	6,616	8,755	7,506
49,350	49,400	8,768	6,624	8,768	7,519
49,400	49,450	8,780	6,631	8,780	7,531
49,450	49,500	8,793	6,639	8,793	7,544
49,500	49,550	8,805	6,646	8,805	7,556
49,550	49,600	8,818	6,654	8,818	7,569
49,600	49,650	8,830	6,661	8,830	7,581
49,650					

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
50,000					
50,000	50,050	8,930	6,721	8,930	7,681
50,050	50,100	8,943	6,729	8,943	7,694
50,100	50,150	8,955	6,736	8,955	7,706
50,150	50,200	8,968	6,744	8,968	7,719
50,200	50,250	8,980	6,751	8,980	7,731
50,250	50,300	8,993	6,759	8,993	7,744
50,300	50,350	9,005	6,766	9,005	7,756
50,350	50,400	9,018	6,774	9,018	7,769
50,400	50,450	9,030	6,781	9,030	7,781
50,450	50,500	9,043	6,789	9,043	7,794
50,500	50,550	9,055	6,796	9,055	7,806
50,550	50,600	9,068	6,804	9,068	7,819
50,600	50,650	9,080	6,811	9,080	7,831
50,650	50,700	9,093	6,819	9,093	7,844
50,700	50,750	9,105	6,826	9,105	7,856
50,750	50,800	9,118	6,834	9,118	7,869
50,800	50,850	9,130	6,841	9,130	7,881
50,850	50,900	9,143	6,849	9,143	7,894
50,900	50,950	9,155	6,856	9,155	7,906
50,950	51,000	9,168	6,864	9,168	7,919
51,000					
51,000	51,050	9,180	6,871	9,180	7,931
51,050	51,100	9,193	6,879	9,193	7,944
51,100	51,150	9,205	6,886	9,205	7,956
51,150	51,200	9,218	6,894	9,218	7,969
51,200	51,250	9,230	6,901	9,230	7,981
51,250	51,300	9,243	6,909	9,243	7,994
51,300	51,350	9,255	6,916	9,255	8,006
51,350	51,400	9,268	6,924	9,268	8,019
51,400	51,450	9,280	6,931	9,280	8,031
51,450	51,500	9,293	6,939	9,293	8,044
51,500	51,550	9,305	6,946	9,305	8,056
51,550	51,600	9,318	6,954	9,318	8,069
51,600	51,650	9,330	6,961	9,330	8,081
51,650	51,700	9,343	6,969	9,343	8,094
51,700	51,750	9,355	6,976	9,355	8,106
51,750	51,800	9,368	6,984	9,368	8,119
51,800	51,850	9,380	6,991	9,380	8,131
51,850	51,900	9,393	6,999	9,393	8,144
51,900	51,950	9,405	7,006	9,405	8,156
51,950	52,000	9,418	7,014	9,418	8,169
52,000					
52,000	52,050	9,430	7,021	9,430	8,181
52,050	52,100	9,443	7,029	9,443	8,194
52,100	52,150	9,455	7,036	9,455	8,206
52,150	52,200	9,468	7,044	9,468	8,219
52,200	52,250	9,480	7,051	9,480	8,231
52,250	52,300	9,493	7,059	9,493	8,244
52,300	52,350	9,505	7,066	9,505	8,256
52,350	52,400	9,518	7,074	9,518	8,269
52,400	52,450	9,530	7,081	9,530	8,281
52,450	52,500	9,543	7,089	9,543	8,294
52,500	52,550	9,555	7,096	9,555	8,306
52,550	52,600	9,568	7,104	9,568	8,319
52,600	52,650	9,580	7,111	9,580	8,331
52,650	52,700	9,593	7,119	9,593	8,344
52,700	52,750	9,605	7,126	9,605	8,356
52,750	52,800	9,618	7,134	9,618	8,369
52,800	52,850	9,630	7,141	9,630	8,381
52,850	52,900	9,643	7,149	9,643	8,394
52,900	52,950	9,655	7,156	9,655	8,406
52,950	53,000	9,668	7,164	9,668	8,419

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
53,000					
53,000	53,050	9,680	7,171	9,680	8,431
53,050	53,100	9,693	7,179	9,693	8,444
53,100	53,150	9,705	7,186	9,705	8,456
53,150	53,200	9,718	7,194	9,718	8,469
53,200	53,250	9,730	7,201	9,730	8,481
53,250	53,300	9,743	7,209	9,743	8,494
53,300	53,350	9,755	7,216	9,755	8,506
53,350	53,400	9,768	7,224	9,768	8,519
53,400	53,450	9,780	7,231	9,780	8,531
53,450	53,500	9,793	7,239	9,793	8,544
53,500	53,550	9,805	7,246	9,805	8,556
53,550	53,600	9,818	7,254	9,818	8,569
53,600	53,650	9,830	7,261	9,830	8,581
53,650	53,700	9,843	7,269	9,843	8,594
53,700	53,750	9,855	7,276	9,855	8,606
53,750	53,800	9,868	7,284	9,868	8,619
53,800	53,850	9,880	7,291	9,880	8,631
53,850	53,900	9,893	7,299	9,893	8,644
53,900	53,950	9,905	7,306	9,905	8,656
53,950	54,000	9,918	7,314	9,918	8,669
54,000					
54,000	54,050	9,930	7,321	9,930	8,681
54,050	54,100	9,943	7,329	9,943	8,694
54,100	54,150	9,955	7,336	9,955	8,706
54,150	54,200	9,968	7,344	9,968	8,719
54,200	54,250	9,980	7,351	9,980	8,731
54,250	54,300	9,993	7,359	9,993	8,744
54,300	54,350	10,005	7,366	10,005	8,756
54,350	54,400	10,018	7,374	10,018	8,769
54,400	54,450	10,030	7,381	10,030	8,781
54,450	54,500	10,043	7,389	10,043	8,794
54,500	54,550	10,055	7,396	10,055	8,806
54,550	54,600	10,068	7,404	10,068	8,819
54,600	54,650	10,080	7,411	10,080	8,831
54,650	54,700	10,093	7,419	10,093	8,844
54,700	54,750	10,105	7,426	10,105	8,856
54,750	54,800	10,118	7,434	10,118	8,869
54,800	54,850	10,130	7,441	10,130	8,881
54,850	54,900	10,143	7,449	10,143	8,894
54,900	54,950	10,155	7,456	10,155	8,906
54,950	55,000	10,168	7,464	10,168	8,919
55,000					
55,000	55,050	10,180	7,471	10,180	8,931
55,050	55,100	10,193	7,479	10,193	8,944
55,100	55,150	10,205	7,486	10,205	8,956
55,150	55,200	10,218	7,494	10,218	8,969
55,200	55,250	10,230	7,501	10,230	8,981
55,250	55,300	10,243	7,509	10,243	8,994
55,300	55,350	10,255	7,516	10,255	9,006
55,350	55,400	10,268	7,524	10,268	9,019
55,400	55,450	10,280	7,531	10,280	9,031
55,450	55,500	10,293	7,539	10,293	9,044
55,500	55,550	10,305	7,546	10,305	9,056
55,550	55,600	10,318	7,554	10,318	9,069
55,600	55,650	10,330	7,561	10,330	9,081
55,650	55,700	10,343	7,569	10,343	9,094
55,700	55,750	10,355	7,576	10,355	9,106
55,750	55,800	10,368	7,584	10,368	9,119
55,800	55,850	10,380	7,591	10,380	9,131
55,850	55,900	10,393	7,599	10,393	9,144
55,900	55,950	10,405	7,606	10,405	9,156
55,950	56,000	10,418	7,614	10,418	9,169

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
56,000					
56,000	56,050	10,430	7,621	10,430	9,181
56,050	56,100	10,443	7,629	10,443	9,194
56,100	56,150	10,455	7,636	10,455	9,206
56,150	56,200	10,468	7,644	10,468	9,219
56,200	56,250	10,480	7,651	10,480	9,231
56,250	56,300	10,493	7,659	10,493	9,244
56,300	56,350	10,505	7,666	10,505	9,256
56,350	56,400	10,518	7,674	10,518	9,269
56,400	56,450	10,530	7,681	10,530	9,281
56,450	56,500	10,543	7,689	10,543	9,294
56,500	56,550	10,555	7,696	10,555	9,306
56,550	56,600	10,568	7,704	10,568	9,319
56,600	56,650	10,580	7,711	10,580	9,331
56,650	56,700	10,593	7,719	10,593	9,344
56,700	56,750	10,605	7,726	10,605	9,356
56,750	56,800	10,618	7,734	10,618	9,369
56,800	56,850	10,630	7,741	10,630	9,381
56,850	56,900	10,643	7,749	10,643	9,394
56,900	56,950	10,655	7,756	10,655	9,406
56,950	57,000	10,668	7,764	10,668	9,419
57,000					
57,000	57,050	10,680	7,771	10,680	9,431
57,050	57,100	10,693	7,779	10,693	9,444
57,100	57,150	10,705	7,786	10,705	9,456
57,150	57,200	10,718	7,794	10,718	9,469
57,200	57,250	10,730	7,801	10,730	9,481
57,250	57,300	10,743	7,809	10,743	9,494
57,300	57,350	10,755	7,816	10,755	9,506
57,350	57,400	10,768	7,824	10,768	9,519
57,400	57,450	10,780	7,831	10,780	9,531
57,450	57,500	10,793	7,839	10,793	9,544
57,500	57,550	10,805	7,846	10,805	9,556
57,550	57,600	10,818	7,854	10,818	9,569
57,600	57,650	10,830	7,861	10,830	9,5

2007 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
59,000					
59,000	59,050	11,180	8,071	11,180	9,931
59,050	59,100	11,193	8,079	11,193	9,944
59,100	59,150	11,205	8,086	11,205	9,956
59,150	59,200	11,218	8,094	11,218	9,969
59,200	59,250	11,230	8,101	11,230	9,981
59,250	59,300	11,243	8,109	11,243	9,994
59,300	59,350	11,255	8,116	11,255	10,006
59,350	59,400	11,268	8,124	11,268	10,019
59,400	59,450	11,280	8,131	11,280	10,031
59,450	59,500	11,293	8,139	11,293	10,044
59,500	59,550	11,305	8,146	11,305	10,056
59,550	59,600	11,318	8,154	11,318	10,069
59,600	59,650	11,330	8,161	11,330	10,081
59,650	59,700	11,343	8,169	11,343	10,094
59,700	59,750	11,355	8,176	11,355	10,106
59,750	59,800	11,368	8,184	11,368	10,119
59,800	59,850	11,380	8,191	11,380	10,131
59,850	59,900	11,393	8,199	11,393	10,144
59,900	59,950	11,405	8,206	11,405	10,156
59,950	60,000	11,418	8,214	11,418	10,169
60,000					
60,000	60,050	11,430	8,221	11,430	10,181
60,050	60,100	11,443	8,229	11,443	10,194
60,100	60,150	11,455	8,236	11,455	10,206
60,150	60,200	11,468	8,244	11,468	10,219
60,200	60,250	11,480	8,251	11,480	10,231
60,250	60,300	11,493	8,259	11,493	10,244
60,300	60,350	11,505	8,266	11,505	10,256
60,350	60,400	11,518	8,274	11,518	10,269
60,400	60,450	11,530	8,281	11,530	10,281
60,450	60,500	11,543	8,289	11,543	10,294
60,500	60,550	11,555	8,296	11,555	10,306
60,550	60,600	11,568	8,304	11,568	10,319
60,600	60,650	11,580	8,311	11,580	10,331
60,650	60,700	11,593	8,319	11,593	10,344
60,700	60,750	11,605	8,326	11,605	10,356
60,750	60,800	11,618	8,334	11,618	10,369
60,800	60,850	11,630	8,341	11,630	10,381
60,850	60,900	11,643	8,349	11,643	10,394
60,900	60,950	11,655	8,356	11,655	10,406
60,950	61,000	11,668	8,364	11,668	10,419
61,000					
61,000	61,050	11,680	8,371	11,680	10,431
61,050	61,100	11,693	8,379	11,693	10,444
61,100	61,150	11,705	8,386	11,705	10,456
61,150	61,200	11,718	8,394	11,718	10,469
61,200	61,250	11,730	8,401	11,730	10,481
61,250	61,300	11,743	8,409	11,743	10,494
61,300	61,350	11,755	8,416	11,755	10,506
61,350	61,400	11,768	8,424	11,768	10,519
61,400	61,450	11,780	8,431	11,780	10,531
61,450	61,500	11,793	8,439	11,793	10,544
61,500	61,550	11,805	8,446	11,805	10,556
61,550	61,600	11,818	8,454	11,818	10,569
61,600	61,650	11,830	8,461	11,830	10,581
61,650	61,700	11,843	8,469	11,843	10,594
61,700	61,750	11,855	8,476	11,855	10,606
61,750	61,800	11,868	8,484	11,868	10,619
61,800	61,850	11,880	8,491	11,880	10,631
61,850	61,900	11,893	8,499	11,893	10,644
61,900	61,950	11,905	8,506	11,905	10,656
61,950	62,000	11,918	8,514	11,918	10,669

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
62,000					
62,000	62,050	11,930	8,521	11,930	10,681
62,050	62,100	11,943	8,529	11,943	10,694
62,100	62,150	11,955	8,536	11,955	10,706
62,150	62,200	11,968	8,544	11,968	10,719
62,200	62,250	11,980	8,551	11,980	10,731
62,250	62,300	11,993	8,559	11,993	10,744
62,300	62,350	12,005	8,566	12,005	10,756
62,350	62,400	12,018	8,574	12,018	10,769
62,400	62,450	12,030	8,581	12,030	10,781
62,450	62,500	12,043	8,589	12,043	10,794
62,500	62,550	12,055	8,596	12,055	10,806
62,550	62,600	12,068	8,604	12,068	10,819
62,600	62,650	12,080	8,611	12,080	10,831
62,650	62,700	12,093	8,619	12,093	10,844
62,700	62,750	12,105	8,626	12,105	10,856
62,750	62,800	12,118	8,634	12,118	10,869
62,800	62,850	12,130	8,641	12,130	10,881
62,850	62,900	12,143	8,649	12,143	10,894
62,900	62,950	12,155	8,656	12,155	10,906
62,950	63,000	12,168	8,664	12,168	10,919
63,000					
63,000	63,050	12,180	8,671	12,180	10,931
63,050	63,100	12,193	8,679	12,193	10,944
63,100	63,150	12,205	8,686	12,205	10,956
63,150	63,200	12,218	8,694	12,218	10,969
63,200	63,250	12,230	8,701	12,230	10,981
63,250	63,300	12,243	8,709	12,243	10,994
63,300	63,350	12,255	8,716	12,255	11,006
63,350	63,400	12,268	8,724	12,268	11,019
63,400	63,450	12,280	8,731	12,280	11,031
63,450	63,500	12,293	8,739	12,293	11,044
63,500	63,550	12,305	8,746	12,305	11,056
63,550	63,600	12,318	8,754	12,318	11,069
63,600	63,650	12,330	8,761	12,330	11,081
63,650	63,700	12,343	8,769	12,343	11,094
63,700	63,750	12,355	8,777	12,355	11,106
63,750	63,800	12,368	8,791	12,368	11,119
63,800	63,850	12,380	8,804	12,380	11,131
63,850	63,900	12,393	8,816	12,393	11,144
63,900	63,950	12,405	8,829	12,405	11,156
63,950	64,000	12,418	8,841	12,418	11,169
64,000					
64,000	64,050	12,430	8,854	12,430	11,181
64,050	64,100	12,443	8,866	12,443	11,194
64,100	64,150	12,455	8,879	12,455	11,206
64,150	64,200	12,468	8,891	12,468	11,219
64,200	64,250	12,480	8,904	12,480	11,231
64,250	64,300	12,493	8,916	12,493	11,244
64,300	64,350	12,505	8,929	12,507	11,256
64,350	64,400	12,518	8,941	12,521	11,269
64,400	64,450	12,530	8,954	12,535	11,281
64,450	64,500	12,543	8,966	12,549	11,294
64,500	64,550	12,555	8,979	12,563	11,306
64,550	64,600	12,568	8,991	12,577	11,319
64,600	64,650	12,580	9,004	12,591	11,331
64,650	64,700	12,593	9,016	12,605	11,344
64,700	64,750	12,605	9,029	12,619	11,356
64,750	64,800	12,618	9,041	12,633	11,369
64,800	64,850	12,630	9,054	12,647	11,381
64,850	64,900	12,643	9,066	12,661	11,394
64,900	64,950	12,655	9,079	12,675	11,406
64,950	65,000	12,668	9,091	12,689	11,419

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
65,000					
65,000	65,050	12,680	9,104	12,703	11,431
65,050	65,100	12,693	9,116	12,717	11,444
65,100	65,150	12,705	9,129	12,731	11,456
65,150	65,200	12,718	9,141	12,745	11,469
65,200	65,250	12,730	9,154	12,759	11,481
65,250	65,300	12,743	9,166	12,773	11,494
65,300	65,350	12,755	9,179	12,787	11,506
65,350	65,400	12,768	9,191	12,801	11,519
65,400	65,450	12,780	9,204	12,815	11,531
65,450	65,500	12,793	9,216	12,829	11,544
65,500	65,550	12,805	9,229	12,843	11,556
65,550	65,600	12,818	9,241	12,857	11,569
65,600	65,650	12,830	9,254	12,871	11,581
65,650	65,700	12,843	9,266	12,885	11,594
65,700	65,750	12,855	9,279	12,899	11,606
65,750	65,800	12,868	9,291	12,913	11,619
65,800	65,850	12,880	9,304	12,927	11,631
65,850	65,900	12,893	9,316	12,941	11,644
65,900	65,950	12,905	9,329	12,955	11,656
65,950	66,000	12,918	9,341	12,969	11,669
66,000					
66,000	66,050	12,930	9,354	12,983	11,681
66,050	66,100	12,943	9,366	12,997	11,694
66,100	66,150	12,955	9,379	13,011	11,706
66,150	66,200	12,968	9,391	13,025	11,719
66,200	66,250	12,980	9,404	13,039	11,731
66,250	66,300	12,993	9,416	13,053	11,744
66,300	66,350	13,005	9,429	13,067	11,756
66,350	66,400	13,018	9,441	13,081	11,769
66,400	66,450	13,030	9,454	13,095	

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
68,000					
68,000	68,050	13,430	9,854	13,543	12,181
68,050	68,100	13,443	9,866	13,557	12,194
68,100	68,150	13,455	9,879	13,571	12,206
68,150	68,200	13,468	9,891	13,585	12,219
68,200	68,250	13,480	9,904	13,599	12,231
68,250	68,300	13,493	9,916	13,613	12,244
68,300	68,350	13,505	9,929	13,627	12,256
68,350	68,400	13,518	9,941	13,641	12,269
68,400	68,450	13,530	9,954	13,655	12,281
68,450	68,500	13,543	9,966	13,669	12,294
68,500	68,550	13,555	9,979	13,683	12,306
68,550	68,600	13,568	9,991	13,697	12,319
68,600	68,650	13,580	10,004	13,711	12,331
68,650	68,700	13,593	10,016	13,725	12,344
68,700	68,750	13,605	10,029	13,739	12,356
68,750	68,800	13,618	10,041	13,753	12,369
68,800	68,850	13,630	10,054	13,767	12,381
68,850	68,900	13,643	10,066	13,781	12,394
68,900	68,950	13,655	10,079	13,795	12,406
68,950	69,000	13,668	10,091	13,809	12,419
69,000					
69,000	69,050	13,680	10,104	13,823	12,431
69,050	69,100	13,693	10,116	13,837	12,444
69,100	69,150	13,705	10,129	13,851	12,456
69,150	69,200	13,718	10,141	13,865	12,469
69,200	69,250	13,730	10,154	13,879	12,481
69,250	69,300	13,743	10,166	13,893	12,494
69,300	69,350	13,755	10,179	13,907	12,506
69,350	69,400	13,768	10,191	13,921	12,519
69,400	69,450	13,780	10,204	13,935	12,531
69,450	69,500	13,793	10,216	13,949	12,544
69,500	69,550	13,805	10,229	13,963	12,556
69,550	69,600	13,818	10,241	13,977	12,569
69,600	69,650	13,830	10,254	13,991	12,581
69,650	69,700	13,843	10,266	14,005	12,594
69,700	69,750	13,855	10,279	14,019	12,606
69,750	69,800	13,868	10,291	14,033	12,619
69,800	69,850	13,880	10,304	14,047	12,631
69,850	69,900	13,893	10,316	14,061	12,644
69,900	69,950	13,905	10,329	14,075	12,656
69,950	70,000	13,918	10,341	14,089	12,669
70,000					
70,000	70,050	13,930	10,354	14,103	12,681
70,050	70,100	13,943	10,366	14,117	12,694
70,100	70,150	13,955	10,379	14,131	12,706
70,150	70,200	13,968	10,391	14,145	12,719
70,200	70,250	13,980	10,404	14,159	12,731
70,250	70,300	13,993	10,416	14,173	12,744
70,300	70,350	14,005	10,429	14,187	12,756
70,350	70,400	14,018	10,441	14,201	12,769
70,400	70,450	14,030	10,454	14,215	12,781
70,450	70,500	14,043	10,466	14,229	12,794
70,500	70,550	14,055	10,479	14,243	12,806
70,550	70,600	14,068	10,491	14,257	12,819
70,600	70,650	14,080	10,504	14,271	12,831
70,650	70,700	14,093	10,516	14,285	12,844
70,700	70,750	14,105	10,529	14,299	12,856
70,750	70,800	14,118	10,541	14,313	12,869
70,800	70,850	14,130	10,554	14,327	12,881
70,850	70,900	14,143	10,566	14,341	12,894
70,900	70,950	14,155	10,579	14,355	12,906
70,950	71,000	14,168	10,591	14,369	12,919

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
71,000					
71,000	71,050	14,180	10,604	14,383	12,931
71,050	71,100	14,193	10,616	14,397	12,944
71,100	71,150	14,205	10,629	14,411	12,956
71,150	71,200	14,218	10,641	14,425	12,969
71,200	71,250	14,230	10,654	14,439	12,981
71,250	71,300	14,243	10,666	14,453	12,994
71,300	71,350	14,255	10,679	14,467	13,006
71,350	71,400	14,268	10,691	14,481	13,019
71,400	71,450	14,280	10,704	14,495	13,031
71,450	71,500	14,293	10,716	14,509	13,044
71,500	71,550	14,305	10,729	14,523	13,056
71,550	71,600	14,318	10,741	14,537	13,069
71,600	71,650	14,330	10,754	14,551	13,081
71,650	71,700	14,343	10,766	14,565	13,094
71,700	71,750	14,355	10,779	14,579	13,106
71,750	71,800	14,368	10,791	14,593	13,119
71,800	71,850	14,380	10,804	14,607	13,131
71,850	71,900	14,393	10,816	14,621	13,144
71,900	71,950	14,405	10,829	14,635	13,156
71,950	72,000	14,418	10,841	14,649	13,169
72,000					
72,000	72,050	14,430	10,854	14,663	13,181
72,050	72,100	14,443	10,866	14,677	13,194
72,100	72,150	14,455	10,879	14,691	13,206
72,150	72,200	14,468	10,891	14,705	13,219
72,200	72,250	14,480	10,904	14,719	13,231
72,250	72,300	14,493	10,916	14,733	13,244
72,300	72,350	14,505	10,929	14,747	13,256
72,350	72,400	14,518	10,941	14,761	13,269
72,400	72,450	14,530	10,954	14,775	13,281
72,450	72,500	14,543	10,966	14,789	13,294
72,500	72,550	14,555	10,979	14,803	13,306
72,550	72,600	14,568	10,991	14,817	13,319
72,600	72,650	14,580	11,004	14,831	13,331
72,650	72,700	14,593	11,016	14,845	13,344
72,700	72,750	14,605	11,029	14,859	13,356
72,750	72,800	14,618	11,041	14,873	13,369
72,800	72,850	14,630	11,054	14,887	13,381
72,850	72,900	14,643	11,066	14,901	13,394
72,900	72,950	14,655	11,079	14,915	13,406
72,950	73,000	14,668	11,091	14,929	13,419
73,000					
73,000	73,050	14,680	11,104	14,943	13,431
73,050	73,100	14,693	11,116	14,957	13,444
73,100	73,150	14,705	11,129	14,971	13,456
73,150	73,200	14,718	11,141	14,985	13,469
73,200	73,250	14,730	11,154	14,999	13,481
73,250	73,300	14,743	11,166	15,013	13,494
73,300	73,350	14,755	11,179	15,027	13,506
73,350	73,400	14,768	11,191	15,041	13,519
73,400	73,450	14,780	11,204	15,055	13,531
73,450	73,500	14,793	11,216	15,069	13,544
73,500	73,550	14,805	11,229	15,083	13,556
73,550	73,600	14,818	11,241	15,097	13,569
73,600	73,650	14,830	11,254	15,111	13,581
73,650	73,700	14,843	11,266	15,125	13,594
73,700	73,750	14,855	11,279	15,139	13,606
73,750	73,800	14,868	11,291	15,153	13,619
73,800	73,850	14,880	11,304	15,167	13,631
73,850	73,900	14,893	11,316	15,181	13,644
73,900	73,950	14,905	11,329	15,195	13,656
73,950	74,000	14,918	11,341	15,209	13,669

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
At least	But less than	Your tax is—			
74,000					
74,000	74,050	14,930	11,354	15,223	13,681
74,050	74,100	14,943	11,366	15,237	13,694
74,100	74,150	14,955	11,379	15,251	13,706
74,150	74,200	14,968	11,391	15,265	13,719
74,200	74,250	14,980	11,404	15,279	13,731
74,250	74,300	14,993	11,416	15,293	13,744
74,300	74,350	15,005	11,429	15,307	13,756
74,350	74,400	15,018	11,441	15,321	13,769
74,400	74,450	15,030	11,454	15,335	13,781
74,450	74,500	15,043	11,466	15,349	13,794
74,500	74,550	15,055	11,479	15,363	13,806
74,550	74,600	15,068	11,491	15,377	13,819
74,600	74,650	15,080	11,504	15,391	13,831
74,650	74,700	15,093	11,516	15,405	13,844
74,700	74,750	15,105	11,529	15,419	13,856
74,750	74,800	15,118	11,541	15,433	13,869
74,800	74,850	15,130	11,554	15,447	13,881
74,850	74,900	15,143	11,566	15,461	13,894
74,900	74,950	15,155	11,579	15,475	13,906
74,950	75,000	15,168	11,591	15,489	13,919
75,000					
75,000	75,050	15,180	11,604	15,503	13,931
75,050	75,100	15,193	11,616	15,517	13,944
75,100	75,150	15,205	11,629	15,531	13,956
75,150	75,200	15,218	11,641	15,545	13,969
75,200	75,250	15,230	11,654	15,559	13,981
75,250	75,300	15,243	11,666	15,573	13,994
75,300	75,350	15,255	11,679	15,587	14,006
75,350	75,400	15,268	11,691	15,601	14,019
75,400	75,450	15,280	11,704	15,615	14,031
75,450	75,500	15,293	11,716	15,629	14,044
75,500	75,550	15,305	11,729	15,643	14,056
75,550	75,600	15,318	11,741	15,657	14,069
75,600	75,650	15,330	11,754	15,671	14,081
75,650	75,700	15,343	11,766	15,685	14,094
75,700	75,750	15,355	11,779	15,699	14,106
75,750	75,800	15,368	11,791	15,713	14,119
75,800	75,850	15,380	11,804	15,727	14,131
75,850	75,900	15,393	11,816	15,741	14,144
75,900	75,950	15,405	11,829	15,755	14,156
75,950	76,000	15,418	11,841	15,769	14,169
76,000					
76,000	76,050	15,430	11,854	15,783	14,181
76,050	76,100	15,443	11,866	15,797	14,194
76,100	76,150	15,455	11,879	15,811	14,206
76,150					

2007 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
77,000					
77,000	77,050	15,680	12,104	16,063	14,431
77,050	77,100	15,693	12,116	16,077	14,444
77,100	77,150	15,706	12,129	16,091	14,456
77,150	77,200	15,720	12,141	16,105	14,469
77,200	77,250	15,734	12,154	16,119	14,481
77,250	77,300	15,748	12,166	16,133	14,494
77,300	77,350	15,762	12,179	16,147	14,506
77,350	77,400	15,776	12,191	16,161	14,519
77,400	77,450	15,790	12,204	16,175	14,531
77,450	77,500	15,804	12,216	16,189	14,544
77,500	77,550	15,818	12,229	16,203	14,556
77,550	77,600	15,832	12,241	16,217	14,569
77,600	77,650	15,846	12,254	16,231	14,581
77,650	77,700	15,860	12,266	16,245	14,594
77,700	77,750	15,874	12,279	16,259	14,606
77,750	77,800	15,888	12,291	16,273	14,619
77,800	77,850	15,902	12,304	16,287	14,631
77,850	77,900	15,916	12,316	16,301	14,644
77,900	77,950	15,930	12,329	16,315	14,656
77,950	78,000	15,944	12,341	16,329	14,669
78,000					
78,000	78,050	15,958	12,354	16,343	14,681
78,050	78,100	15,972	12,366	16,357	14,694
78,100	78,150	15,986	12,379	16,371	14,706
78,150	78,200	16,000	12,391	16,385	14,719
78,200	78,250	16,014	12,404	16,399	14,731
78,250	78,300	16,028	12,416	16,413	14,744
78,300	78,350	16,042	12,429	16,427	14,756
78,350	78,400	16,056	12,441	16,441	14,769
78,400	78,450	16,070	12,454	16,455	14,781
78,450	78,500	16,084	12,466	16,469	14,794
78,500	78,550	16,098	12,479	16,483	14,806
78,550	78,600	16,112	12,491	16,497	14,819
78,600	78,650	16,126	12,504	16,511	14,831
78,650	78,700	16,140	12,516	16,525	14,844
78,700	78,750	16,154	12,529	16,539	14,856
78,750	78,800	16,168	12,541	16,553	14,869
78,800	78,850	16,182	12,554	16,567	14,881
78,850	78,900	16,196	12,566	16,581	14,894
78,900	78,950	16,210	12,579	16,595	14,906
78,950	79,000	16,224	12,591	16,609	14,919
79,000					
79,000	79,050	16,238	12,604	16,623	14,931
79,050	79,100	16,252	12,616	16,637	14,944
79,100	79,150	16,266	12,629	16,651	14,956
79,150	79,200	16,280	12,641	16,665	14,969
79,200	79,250	16,294	12,654	16,679	14,981
79,250	79,300	16,308	12,666	16,693	14,994
79,300	79,350	16,322	12,679	16,707	15,006
79,350	79,400	16,336	12,691	16,721	15,019
79,400	79,450	16,350	12,704	16,735	15,031
79,450	79,500	16,364	12,716	16,749	15,044
79,500	79,550	16,378	12,729	16,763	15,056
79,550	79,600	16,392	12,741	16,777	15,069
79,600	79,650	16,406	12,754	16,791	15,081
79,650	79,700	16,420	12,766	16,805	15,094
79,700	79,750	16,434	12,779	16,819	15,106
79,750	79,800	16,448	12,791	16,833	15,119
79,800	79,850	16,462	12,804	16,847	15,131
79,850	79,900	16,476	12,816	16,861	15,144
79,900	79,950	16,490	12,829	16,875	15,156
79,950	80,000	16,504	12,841	16,889	15,169

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
80,000					
80,000	80,050	16,518	12,854	16,903	15,181
80,050	80,100	16,532	12,866	16,917	15,194
80,100	80,150	16,546	12,879	16,931	15,206
80,150	80,200	16,560	12,891	16,945	15,219
80,200	80,250	16,574	12,904	16,959	15,231
80,250	80,300	16,588	12,916	16,973	15,244
80,300	80,350	16,602	12,929	16,987	15,256
80,350	80,400	16,616	12,941	17,001	15,269
80,400	80,450	16,630	12,954	17,015	15,281
80,450	80,500	16,644	12,966	17,029	15,294
80,500	80,550	16,658	12,979	17,043	15,306
80,550	80,600	16,672	12,991	17,057	15,319
80,600	80,650	16,686	13,004	17,071	15,331
80,650	80,700	16,700	13,016	17,085	15,344
80,700	80,750	16,714	13,029	17,099	15,356
80,750	80,800	16,728	13,041	17,113	15,369
80,800	80,850	16,742	13,054	17,127	15,381
80,850	80,900	16,756	13,066	17,141	15,394
80,900	80,950	16,770	13,079	17,155	15,406
80,950	81,000	16,784	13,091	17,169	15,419
81,000					
81,000	81,050	16,798	13,104	17,183	15,431
81,050	81,100	16,812	13,116	17,197	15,444
81,100	81,150	16,826	13,129	17,211	15,456
81,150	81,200	16,840	13,141	17,225	15,469
81,200	81,250	16,854	13,154	17,239	15,481
81,250	81,300	16,868	13,166	17,253	15,494
81,300	81,350	16,882	13,179	17,267	15,506
81,350	81,400	16,896	13,191	17,281	15,519
81,400	81,450	16,910	13,204	17,295	15,531
81,450	81,500	16,924	13,216	17,309	15,544
81,500	81,550	16,938	13,229	17,323	15,556
81,550	81,600	16,952	13,241	17,337	15,569
81,600	81,650	16,966	13,254	17,351	15,581
81,650	81,700	16,980	13,266	17,365	15,594
81,700	81,750	16,994	13,279	17,379	15,606
81,750	81,800	17,008	13,291	17,393	15,619
81,800	81,850	17,022	13,304	17,407	15,631
81,850	81,900	17,036	13,316	17,421	15,644
81,900	81,950	17,050	13,329	17,435	15,656
81,950	82,000	17,064	13,341	17,449	15,669
82,000					
82,000	82,050	17,078	13,354	17,463	15,681
82,050	82,100	17,092	13,366	17,477	15,694
82,100	82,150	17,106	13,379	17,491	15,706
82,150	82,200	17,120	13,391	17,505	15,719
82,200	82,250	17,134	13,404	17,519	15,731
82,250	82,300	17,148	13,416	17,533	15,744
82,300	82,350	17,162	13,429	17,547	15,756
82,350	82,400	17,176	13,441	17,561	15,769
82,400	82,450	17,190	13,454	17,575	15,781
82,450	82,500	17,204	13,466	17,589	15,794
82,500	82,550	17,218	13,479	17,603	15,806
82,550	82,600	17,232	13,491	17,617	15,819
82,600	82,650	17,246	13,504	17,631	15,831
82,650	82,700	17,260	13,516	17,645	15,844
82,700	82,750	17,274	13,529	17,659	15,856
82,750	82,800	17,288	13,541	17,673	15,869
82,800	82,850	17,302	13,554	17,687	15,881
82,850	82,900	17,316	13,566	17,701	15,894
82,900	82,950	17,330	13,579	17,715	15,906
82,950	83,000	17,344	13,591	17,729	15,919

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
83,000					
83,000	83,050	17,358	13,604	17,743	15,931
83,050	83,100	17,372	13,616	17,757	15,944
83,100	83,150	17,386	13,629	17,771	15,956
83,150	83,200	17,400	13,641	17,785	15,969
83,200	83,250	17,414	13,654	17,799	15,981
83,250	83,300	17,428	13,666	17,813	15,994
83,300	83,350	17,442	13,679	17,827	16,006
83,350	83,400	17,456	13,691	17,841	16,019
83,400	83,450	17,470	13,704	17,855	16,031
83,450	83,500	17,484	13,716	17,869	16,044
83,500	83,550	17,498	13,729	17,883	16,056
83,550	83,600	17,512	13,741	17,897	16,069
83,600	83,650	17,526	13,754	17,911	16,081
83,650	83,700	17,540	13,766	17,925	16,094
83,700	83,750	17,554	13,779	17,939	16,106
83,750	83,800	17,568	13,791	17,953	16,119
83,800	83,850	17,582	13,804	17,967	16,131
83,850	83,900	17,596	13,816	17,981	16,144
83,900	83,950	17,610	13,829	17,995	16,156
83,950	84,000	17,624	13,841	18,009	16,169
84,000					
84,000	84,050	17,638	13,854	18,023	16,181
84,050	84,100	17,652	13,866	18,037	16,194
84,100	84,150	17,666	13,879	18,051	16,206
84,150	84,200	17,680	13,891	18,065	16,219
84,200	84,250	17,694	13,904	18,079	16,231
84,250	84,300	17,708	13,916	18,093	16,244
84,300	84,350	17,722	13,929	18,107	16,256
84,350					

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly	Married filing separately	Head of a household
At least	But less than	Your tax is—			
86,000					
86,000	86,050	18,198	14,354	18,583	16,681
86,050	86,100	18,212	14,366	18,597	16,694
86,100	86,150	18,226	14,379	18,611	16,706
86,150	86,200	18,240	14,391	18,625	16,719
86,200	86,250	18,254	14,404	18,639	16,731
86,250	86,300	18,268	14,416	18,653	16,744
86,300	86,350	18,282	14,429	18,667	16,756
86,350	86,400	18,296	14,441	18,681	16,769
86,400	86,450	18,310	14,454	18,695	16,781
86,450	86,500	18,324	14,466	18,709	16,794
86,500	86,550	18,338	14,479	18,723	16,806
86,550	86,600	18,352	14,491	18,737	16,819
86,600	86,650	18,366	14,504	18,751	16,831
86,650	86,700	18,380	14,516	18,765	16,844
86,700	86,750	18,394	14,529	18,779	16,856
86,750	86,800	18,408	14,541	18,793	16,869
86,800	86,850	18,422	14,554	18,807	16,881
86,850	86,900	18,436	14,566	18,821	16,894
86,900	86,950	18,450	14,579	18,835	16,906
86,950	87,000	18,464	14,591	18,849	16,919
87,000					
87,000	87,050	18,478	14,604	18,863	16,931
87,050	87,100	18,492	14,616	18,877	16,944
87,100	87,150	18,506	14,629	18,891	16,956
87,150	87,200	18,520	14,641	18,905	16,969
87,200	87,250	18,534	14,654	18,919	16,981
87,250	87,300	18,548	14,666	18,933	16,994
87,300	87,350	18,562	14,679	18,947	17,006
87,350	87,400	18,576	14,691	18,961	17,019
87,400	87,450	18,590	14,704	18,975	17,031
87,450	87,500	18,604	14,716	18,989	17,044
87,500	87,550	18,618	14,729	19,003	17,056
87,550	87,600	18,632	14,741	19,017	17,069
87,600	87,650	18,646	14,754	19,031	17,081
87,650	87,700	18,660	14,766	19,045	17,094
87,700	87,750	18,674	14,779	19,059	17,106
87,750	87,800	18,688	14,791	19,073	17,119
87,800	87,850	18,702	14,804	19,087	17,131
87,850	87,900	18,716	14,816	19,101	17,144
87,900	87,950	18,730	14,829	19,115	17,156
87,950	88,000	18,744	14,841	19,129	17,169
88,000					
88,000	88,050	18,758	14,854	19,143	17,181
88,050	88,100	18,772	14,866	19,157	17,194
88,100	88,150	18,786	14,879	19,171	17,206
88,150	88,200	18,800	14,891	19,185	17,219
88,200	88,250	18,814	14,904	19,199	17,231
88,250	88,300	18,828	14,916	19,213	17,244
88,300	88,350	18,842	14,929	19,227	17,256
88,350	88,400	18,856	14,941	19,241	17,269
88,400	88,450	18,870	14,954	19,255	17,281
88,450	88,500	18,884	14,966	19,269	17,294
88,500	88,550	18,898	14,979	19,283	17,306
88,550	88,600	18,912	14,991	19,297	17,319
88,600	88,650	18,926	15,004	19,311	17,331
88,650	88,700	18,940	15,016	19,325	17,344
88,700	88,750	18,954	15,029	19,339	17,356
88,750	88,800	18,968	15,041	19,353	17,369
88,800	88,850	18,982	15,054	19,367	17,381
88,850	88,900	18,996	15,066	19,381	17,394
88,900	88,950	19,010	15,079	19,395	17,406
88,950	89,000	19,024	15,091	19,409	17,419

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly	Married filing separately	Head of a household
At least	But less than	Your tax is—			
89,000					
89,000	89,050	19,038	15,104	19,423	17,431
89,050	89,100	19,052	15,116	19,437	17,444
89,100	89,150	19,066	15,129	19,451	17,456
89,150	89,200	19,080	15,141	19,465	17,469
89,200	89,250	19,094	15,154	19,479	17,481
89,250	89,300	19,108	15,166	19,493	17,494
89,300	89,350	19,122	15,179	19,507	17,506
89,350	89,400	19,136	15,191	19,521	17,519
89,400	89,450	19,150	15,204	19,535	17,531
89,450	89,500	19,164	15,216	19,549	17,544
89,500	89,550	19,178	15,229	19,563	17,556
89,550	89,600	19,192	15,241	19,577	17,569
89,600	89,650	19,206	15,254	19,591	17,581
89,650	89,700	19,220	15,266	19,605	17,594
89,700	89,750	19,234	15,279	19,619	17,606
89,750	89,800	19,248	15,291	19,633	17,619
89,800	89,850	19,262	15,304	19,647	17,631
89,850	89,900	19,276	15,316	19,661	17,644
89,900	89,950	19,290	15,329	19,675	17,656
89,950	90,000	19,304	15,341	19,689	17,669
90,000					
90,000	90,050	19,318	15,354	19,703	17,681
90,050	90,100	19,332	15,366	19,717	17,694
90,100	90,150	19,346	15,379	19,731	17,706
90,150	90,200	19,360	15,391	19,745	17,719
90,200	90,250	19,374	15,404	19,759	17,731
90,250	90,300	19,388	15,416	19,773	17,744
90,300	90,350	19,402	15,429	19,787	17,756
90,350	90,400	19,416	15,441	19,801	17,769
90,400	90,450	19,430	15,454	19,815	17,781
90,450	90,500	19,444	15,466	19,829	17,794
90,500	90,550	19,458	15,479	19,843	17,806
90,550	90,600	19,472	15,491	19,857	17,819
90,600	90,650	19,486	15,504	19,871	17,831
90,650	90,700	19,500	15,516	19,885	17,844
90,700	90,750	19,514	15,529	19,899	17,856
90,750	90,800	19,528	15,541	19,913	17,869
90,800	90,850	19,542	15,554	19,927	17,881
90,850	90,900	19,556	15,566	19,941	17,894
90,900	90,950	19,570	15,579	19,955	17,906
90,950	91,000	19,584	15,591	19,969	17,919
91,000					
91,000	91,050	19,598	15,604	19,983	17,931
91,050	91,100	19,612	15,616	19,997	17,944
91,100	91,150	19,626	15,629	20,011	17,956
91,150	91,200	19,640	15,641	20,025	17,969
91,200	91,250	19,654	15,654	20,039	17,981
91,250	91,300	19,668	15,666	20,053	17,994
91,300	91,350	19,682	15,679	20,067	18,006
91,350	91,400	19,696	15,691	20,081	18,019
91,400	91,450	19,710	15,704	20,095	18,031
91,450	91,500	19,724	15,716	20,109	18,044
91,500	91,550	19,738	15,729	20,123	18,056
91,550	91,600	19,752	15,741	20,137	18,069
91,600	91,650	19,766	15,754	20,151	18,081
91,650	91,700	19,780	15,766	20,165	18,094
91,700	91,750	19,794	15,779	20,179	18,106
91,750	91,800	19,808	15,791	20,193	18,119
91,800	91,850	19,822	15,804	20,207	18,131
91,850	91,900	19,836	15,816	20,221	18,144
91,900	91,950	19,850	15,829	20,235	18,156
91,950	92,000	19,864	15,841	20,249	18,169

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly	Married filing separately	Head of a household
At least	But less than	Your tax is—			
92,000					
92,000	92,050	19,878	15,854	20,263	18,181
92,050	92,100	19,892	15,866	20,277	18,194
92,100	92,150	19,906	15,879	20,291	18,206
92,150	92,200	19,920	15,891	20,305	18,219
92,200	92,250	19,934	15,904	20,319	18,231
92,250	92,300	19,948	15,916	20,333	18,244
92,300	92,350	19,962	15,929	20,347	18,256
92,350	92,400	19,976	15,941	20,361	18,269
92,400	92,450	19,990	15,954	20,375	18,281
92,450	92,500	20,004	15,966	20,389	18,294
92,500	92,550	20,018	15,979	20,403	18,306
92,550	92,600	20,032	15,991	20,417	18,319
92,600	92,650	20,046	16,004	20,431	18,331
92,650	92,700	20,060	16,016	20,445	18,344
92,700	92,750	20,074	16,029	20,459	18,356
92,750	92,800	20,088	16,041	20,473	18,369
92,800	92,850	20,102	16,054	20,487	18,381
92,850	92,900	20,116	16,066	20,501	18,394
92,900	92,950	20,130	16,079	20,515	18,406
92,950	93,000	20,144	16,091	20,529	18,419
93,000					
93,000	93,050	20,158	16,104	20,543	18,431
93,050	93,100	20,172	16,116	20,557	18,444
93,100	93,150	20,186	16,129	20,571	18,456
93,150	93,200	20,200	16,141	20,585	18,469
93,200	93,250	20,214	16,154	20,599	18,481
93,250	93,300	20,228	16,166	20,613	18,494
93,300	93,350	20,242	16,179	20,627	18,506
93,350	93,400	20,256	16,191	20,641	18,519
93,400	93,450	20,270	16,204	20,655	18,531
93,450	93,500	20,284	16,216	20,669	18,544
93,500	93,550	20,298	16,229	20,683	18,556
93,550	93,600	20,312	16,241	20,697	18,569
93,600	93,650	20,326	16,254	20,711	18,581
93,650	93,700	20,340	16,266	20,725	18,594
93,700	93,750	20,354	16,279	20,739	18,606
93,750	93,800	20,368	16,291	20,753	18,619
93,800	93,850	20,382	16,304	20,767	18,631
93,850	93,900	20,396	16,316	20,781	18,644
93,900	93,950	20,410	16,329	20,795	18,656
93,950	94,000	20,424	16,341	20,809	18,669
94,000					
94,000	94,050	20,438	16,354	20,823	18,681
94,050	94,100	20,452	16,366	20,837	18,694
94,100	94,150	20,466	16,379	20,851	18,706

2007 Tax Table—Continued

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
95,000					
95,000	95,050	20,718	16,604	21,103	18,931
95,050	95,100	20,732	16,616	21,117	18,944
95,100	95,150	20,746	16,629	21,131	18,956
95,150	95,200	20,760	16,641	21,145	18,969
95,200	95,250	20,774	16,654	21,159	18,981
95,250	95,300	20,788	16,666	21,173	18,994
95,300	95,350	20,802	16,679	21,187	19,006
95,350	95,400	20,816	16,691	21,201	19,019
95,400	95,450	20,830	16,704	21,215	19,031
95,450	95,500	20,844	16,716	21,229	19,044
95,500	95,550	20,858	16,729	21,243	19,056
95,550	95,600	20,872	16,741	21,257	19,069
95,600	95,650	20,886	16,754	21,271	19,081
95,650	95,700	20,900	16,766	21,285	19,094
95,700	95,750	20,914	16,779	21,299	19,106
95,750	95,800	20,928	16,791	21,313	19,119
95,800	95,850	20,942	16,804	21,327	19,131
95,850	95,900	20,956	16,816	21,341	19,144
95,900	95,950	20,970	16,829	21,355	19,156
95,950	96,000	20,984	16,841	21,369	19,169
96,000					
96,000	96,050	20,998	16,854	21,383	19,181
96,050	96,100	21,012	16,866	21,397	19,194
96,100	96,150	21,026	16,879	21,411	19,206
96,150	96,200	21,040	16,891	21,425	19,219
96,200	96,250	21,054	16,904	21,439	19,231
96,250	96,300	21,068	16,916	21,453	19,244
96,300	96,350	21,082	16,929	21,467	19,256
96,350	96,400	21,096	16,941	21,481	19,269
96,400	96,450	21,110	16,954	21,495	19,281
96,450	96,500	21,124	16,966	21,509	19,294
96,500	96,550	21,138	16,979	21,523	19,306
96,550	96,600	21,152	16,991	21,537	19,319
96,600	96,650	21,166	17,004	21,551	19,331
96,650	96,700	21,180	17,016	21,565	19,344
96,700	96,750	21,194	17,029	21,579	19,356
96,750	96,800	21,208	17,041	21,593	19,369
96,800	96,850	21,222	17,054	21,607	19,381
96,850	96,900	21,236	17,066	21,621	19,394
96,900	96,950	21,250	17,079	21,635	19,406
96,950	97,000	21,264	17,091	21,649	19,419

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
97,000					
97,000	97,050	21,278	17,104	21,663	19,431
97,050	97,100	21,292	17,116	21,677	19,444
97,100	97,150	21,306	17,129	21,691	19,456
97,150	97,200	21,320	17,141	21,705	19,469
97,200	97,250	21,334	17,154	21,719	19,481
97,250	97,300	21,348	17,166	21,733	19,494
97,300	97,350	21,362	17,179	21,747	19,506
97,350	97,400	21,376	17,191	21,761	19,519
97,400	97,450	21,390	17,204	21,775	19,531
97,450	97,500	21,404	17,216	21,789	19,544
97,500	97,550	21,418	17,229	21,803	19,556
97,550	97,600	21,432	17,241	21,817	19,569
97,600	97,650	21,446	17,254	21,831	19,581
97,650	97,700	21,460	17,266	21,845	19,594
97,700	97,750	21,474	17,279	21,859	19,606
97,750	97,800	21,488	17,291	21,873	19,619
97,800	97,850	21,502	17,304	21,887	19,631
97,850	97,900	21,516	17,316	21,901	19,644
97,900	97,950	21,530	17,329	21,915	19,656
97,950	98,000	21,544	17,341	21,932	19,669
98,000					
98,000	98,050	21,558	17,354	21,948	19,681
98,050	98,100	21,572	17,366	21,965	19,694
98,100	98,150	21,586	17,379	21,981	19,706
98,150	98,200	21,600	17,391	21,998	19,719
98,200	98,250	21,614	17,404	22,014	19,731
98,250	98,300	21,628	17,416	22,031	19,744
98,300	98,350	21,642	17,429	22,047	19,756
98,350	98,400	21,656	17,441	22,064	19,769
98,400	98,450	21,670	17,454	22,080	19,781
98,450	98,500	21,684	17,466	22,097	19,794
98,500	98,550	21,698	17,479	22,113	19,806
98,550	98,600	21,712	17,491	22,130	19,819
98,600	98,650	21,726	17,504	22,146	19,831
98,650	98,700	21,740	17,516	22,163	19,844
98,700	98,750	21,754	17,529	22,179	19,856
98,750	98,800	21,768	17,541	22,196	19,869
98,800	98,850	21,782	17,554	22,212	19,881
98,850	98,900	21,796	17,566	22,229	19,894
98,900	98,950	21,810	17,579	22,245	19,906
98,950	99,000	21,824	17,591	22,262	19,919

If line 43 (taxable income) is—		And you are—			
		Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
99,000					
99,000	99,050	21,838	17,604	22,278	19,931
99,050	99,100	21,852	17,616	22,295	19,944
99,100	99,150	21,866	17,629	22,311	19,956
99,150	99,200	21,880	17,641	22,328	19,969
99,200	99,250	21,894	17,654	22,344	19,981
99,250	99,300	21,908	17,666	22,361	19,994
99,300	99,350	21,922	17,679	22,377	20,006
99,350	99,400	21,936	17,691	22,394	20,019
99,400	99,450	21,950	17,704	22,410	20,031
99,450	99,500	21,964	17,716	22,427	20,044
99,500	99,550	21,978	17,729	22,443	20,056
99,550	99,600	21,992	17,741	22,460	20,069
99,600	99,650	22,006	17,754	22,476	20,081
99,650	99,700	22,020	17,766	22,493	20,094
99,700	99,750	22,034	17,779	22,509	20,106
99,750	99,800	22,048	17,791	22,526	20,119
99,800	99,850	22,062	17,804	22,542	20,131
99,850	99,900	22,076	17,816	22,559	20,144
99,900	99,950	22,090	17,829	22,575	20,156
99,950	100,000	22,104	17,841	22,592	20,169
<div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 0 auto;"> <p>\$100,000 or over — use the Tax Computation Worksheet on page 75</p> </div>					

* This column must also be used by a qualifying widow(er)

2007 Tax Computation Worksheet—Line 44



See the instructions for line 44 that begin on page 33 to see if you must use the worksheet below to figure your tax.

Note. If you are required to use this worksheet to figure the tax on an amount from another form or worksheet, such as the Qualified Dividends and Capital Gain Tax Worksheet, the Schedule D Tax Worksheet, Schedule J, Form 8615, or the Foreign Earned Income Tax Worksheet, enter the amount from that form or worksheet in column (a) of the row that applies to the amount you are looking up. Enter the result on the appropriate line of the form or worksheet that you are completing.

Section A—Use if your filing status is **Single**. Complete the row below that applies to you.

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$160,850	\$	× 28% (.28)	\$	\$ 5,889.25	\$
Over \$160,850 but not over \$349,700	\$	× 33% (.33)	\$	\$ 13,931.75	\$
Over \$349,700	\$	× 35% (.35)	\$	\$ 20,925.75	\$

Section B—Use if your filing status is **Married filing jointly** or **Qualifying widow(er)**. Complete the row below that applies to you.

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$128,500	\$	× 25% (.25)	\$	\$ 7,152.50	\$
Over \$128,500 but not over \$195,850	\$	× 28% (.28)	\$	\$ 11,007.50	\$
Over \$195,850 but not over \$349,700	\$	× 33% (.33)	\$	\$ 20,800.00	\$
Over \$349,700	\$	× 35% (.35)	\$	\$ 27,794.00	\$

Section C—Use if your filing status is **Married filing separately**. Complete the row below that applies to you.

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$174,850	\$	× 33% (.33)	\$	\$ 10,400.00	\$
Over \$174,850	\$	× 35% (.35)	\$	\$ 13,897.00	\$

Section D—Use if your filing status is **Head of household**. Complete the row below that applies to you.

Taxable income. If line 43 is—	(a) Enter the amount from line 43	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	Tax. Subtract (d) from (c). Enter the result here and on Form 1040, line 44
At least \$100,000 but not over \$110,100	\$	× 25% (.25)	\$	\$ 4,825.00	\$
Over \$110,100 but not over \$178,350	\$	× 28% (.28)	\$	\$ 8,128.00	\$
Over \$178,350 but not over \$349,700	\$	× 33% (.33)	\$	\$ 17,045.50	\$
Over \$349,700	\$	× 35% (.35)	\$	\$ 24,039.50	\$

General Information

How To Avoid Common Mistakes

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

- Make sure you entered the correct name and social security number (SSN) for each dependent you claim on line 6c. Check that each dependent's name and SSN agrees with his or her social security card. For each child under age 17 who is a qualifying child for the child tax credit, make sure you either checked the box in line 6c, column (4), or completed Form 8901.

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

- Be sure you use the correct method to figure your tax. See the instructions for line 44 that begin on page 33.

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

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

- If you are taking the standard deduction and you checked any box on line 39a or 39b or you (or your spouse if filing jointly) can be claimed as a dependent on someone else's 2007 return, see page 31 to be sure you entered the correct amount on line 40.

- If you received capital gain distributions but were not required to file Schedule D, make sure you checked the box on line 13.

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

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

- Attach your Form(s) W-2 and other required forms and schedules. Put all forms and schedules in the proper order. See *Assemble Your Return* on page 62.

- If you owe tax and are paying by check or money order, be sure to include all the required information on your payment.

See the instructions for line 76 that begin on page 60 for details.

What Are Your Rights as a Taxpayer?

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

Innocent Spouse Relief

Generally, both you and your spouse are each responsible for paying the full amount of tax, interest, and penalties on your joint return. However, you may qualify for relief from liability for tax on a joint return if (a) there is an understatement of tax because your spouse omitted income or claimed false deductions or credits, (b) you are divorced, separated, or no longer living with your spouse, or (c) given all the facts and circumstances, it would not be fair to hold you liable for the tax. To request relief, you generally must file Form 8857 no later than 2 years after the date on which the IRS first attempted to collect the tax from you. For more information, see Pub. 971 and Form 8857 or you can call the Innocent Spouse office toll-free at 1-866-897-4270.

Income Tax Withholding and Estimated Tax Payments for 2008

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 2008 pay. For details on how to complete Form W-4, see Pub. 919. If you have pension or annuity income, use Form W-4P. If you receive certain government payments (such as unemployment compensation or social security benefits) you can have tax withheld from those payments by giving the payer Form W-4V.

In general, you do not have to make estimated tax payments if you expect that your 2008 Form 1040 will show a tax refund or a tax balance due of less than \$1,000. If your total estimated tax for 2008 is \$1,000 or more, see Form 1040-ES. It

has a worksheet you can use to see if you have to make estimated tax payments. For more details, see Pub. 505.

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

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

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

Call the IRS at 1-800-829-1040 if you think your identity has been used inappropriately for tax purposes.

Victims of identity theft who are experiencing economic harm or a systemic problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes. Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common form is the act of sending an email to a user falsely claiming to be an established legitimate enterprise in

an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request detailed personal information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward the message to phishing@irs.gov. You may also report misuse of the IRS name, logo, forms, or other IRS property to the Treasury Inspector General for Tax Administration toll-free at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit the IRS website at www.irs.gov to learn more about identity theft and how to reduce your risk.

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

If you wish to do so, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, P.O. Box 2188, Parkersburg, WV 26106-2188. Or you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. See page 60 for details on how to pay any tax you owe.



You may be able to deduct this gift on your 2008 tax return.

How Long Should Records Be Kept?

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

Amended Return

File Form 1040X to change a return you already filed. Generally, Form 1040X must be filed within 3 years after the date the

original return was filed or within 2 years after the date the tax was paid, whichever is later. But you may have more time to file Form 1040X if you live in a Presidentially declared disaster area or you are physically or mentally unable to manage your financial affairs. See Pub. 556 for details.

Need a Copy of Your Tax Return?

If you need a copy of your tax return, use Form 4506. There is a \$39 fee (subject to change) for each return requested. If your main home, principal place of business, or tax records are located in a Presidentially declared disaster area, this fee will be waived. If you want a free transcript of your tax return or account, use Form 4506-T or call us. See page 81 for the number.

Death of a Taxpayer

If a taxpayer died before filing a return for 2007, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. A personal representative can be an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund. The person who files the return must enter "Deceased," the deceased taxpayer's name, and the date of death across the top of the return. If this information is not provided, it may delay the processing of the return.

If your spouse died in 2007 and you did not remarry in 2007, or if your spouse died in 2008 before filing a return for 2007, you can file a joint return. A joint return should show your spouse's 2007 income before death and your income for all of 2007. 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 request-

ing the deceased taxpayer's refund must file the return and attach Form 1310.

For more details, use TeleTax topic 356 (see page 79) or see Pub. 559.

Past Due Returns

The integrity of our tax system and well-being of our country depend, to a large degree, on the timely filing and payment of taxes by each individual, family, and business in this country. Those choosing not to file and pay their fair share increase the burden on the rest of us to support our schools, maintain and repair roadways, and the many other ways our tax dollars help to make life easier for all citizens.

Some people don't know they should file a tax return; some don't file because they expect a refund; and some don't file because they owe taxes. Encourage your family, neighbors, friends, and coworkers to do their fair share by filing their federal tax returns and paying any tax due on time.

If you or someone you know needs to file past due tax returns, use TeleTax topic 153 (see page 79) or visit www.irs.gov and click on "Individuals" for help in filing those returns.

Other Ways To Get Help

Send Your Written Tax Questions to the IRS

You should get an answer in about 30 days. For the mailing address, call us at 1-800-829-1040 (deaf customers with access to TTY/TDD equipment may call 1-800-829-4059). Do not send questions with your return.

Research Your Tax Questions Online

You can find answers to many of your tax questions online in several ways by accessing the IRS website at www.irs.gov/help and then clicking on "Help With Tax Questions." Here are some of the methods you may want to try.

- Frequently asked questions. This section contains an extensive list of questions and answers. You can select your question by category or keyword.
- Tax trails. This is an interactive section which asks questions you can answer by selecting "Yes" or "No."
- Tax topics. This is an online version of the TeleTax topics listed on pages 79 and 80.

Free Help With Your Return

Free help in preparing your return is available nationwide from IRS-sponsored volunteers. These volunteers are trained and certified to prepare federal income tax re-

turns by passing an IRS test. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers. The Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 or older with their tax return preparation. VITA/TCE tax preparation sites must adhere to strict quality standards necessary to prepare accurate returns. Free electronic filing is offered by IRS authorized *e-file* providers at many of the VITA/TCE locations nationwide. Volunteers will help you with claiming the credits and deductions you may be entitled to. If you are a member of the military, you can also get assistance on military tax benefits, such as combat zone tax benefits, at an office within your installation. For more information on these programs, go to www.irs.gov and enter keyword "VITA" in the upper right corner. Or, call us at 1-800-829-1040. To find the nearest AARP Tax-Aide site, visit AARP's website at www.aarp.org/taxaide or call 1-888-227-7669.

When you go for help, take proof of identity and social security numbers (or individual taxpayer identification numbers) for your spouse, your dependents, and yourself. Also take a copy of your 2006 tax return (if available), all your Forms W-2, 1099, and 1098 for 2007, and any other information about your 2007 income and expenses.

Everyday Tax Solutions

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

Online Services

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

Help for People With Disabilities

Telephone help is available using TTY/TDD equipment by calling 1-800-829-4059. Braille materials are available at libraries that have special services for people with disabilities.

Interest and Penalties

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

If you include interest or penalties (other than the estimated tax penalty) with your payment, identify and enter the amount in the bottom margin of Form 1040, page 2. Do not include interest or penalties (other than the estimated tax penalty) in the amount you owe on line 76.

Interest

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

Penalties

Late filing. If you do not file your return by the due date (including extensions), the

penalty is usually 5% of the amount due for each month or part of a month your return is late, unless you have a reasonable explanation. If you do, attach it to your return. The penalty can be as much as 25% of the tax due. The penalty is 15% per month, up to a maximum of 75%, if the failure to file is fraudulent. If your return is more than 60 days late, the minimum penalty will be \$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 ½ of 1% of the unpaid amount for each month or part of a month the tax is not paid. The penalty can be as much as 25% of the unpaid amount. It applies to any unpaid tax on the return. This penalty is in addition to interest charges on late payments.

Frivolous return. In addition to any other penalties, the law imposes a penalty of \$5,000 for filing a frivolous return. A frivolous return is one that does not contain information needed to figure the correct tax or shows a substantially incorrect tax because you take a frivolous position or desire to delay or interfere with the tax laws. This includes altering or striking out the preprinted language above the space where you sign. For a list of positions identified as frivolous, see Notice 2007-30, 2007-14 I.R.B. 883, available at www.irs.gov/irb/2007-14_IRB/ar20.html.

Other. Other penalties can be imposed for negligence, substantial understatement of tax, reportable transaction understatements, filing an erroneous refund claim, and fraud. Criminal penalties may be imposed for willful failure to file, tax evasion, or making a false statement. See Pub. 17 for details on some of these penalties.

Refund Information

You can check on the status of your 2007 refund if it has been at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). But if you filed Form 8379 with your return, allow 14 weeks (11 weeks if you filed electronically).

Be sure to have a copy of your 2007 tax return available because you will need to know the filing status and the exact whole-dollar amount of your refund. Then, do one of the following.

- Go to www.irs.gov and click on *Where's My Refund*.
- Call 1-800-829-4477 24 hours a day, 7 days a week, for automated refund information.

- Call 1-800-829-1954 during the hours shown on page 81.



Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.

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

To get a refund, you generally must file your return within 3 years from the date the return was due (including extensions).

What Is TeleTax?

Recorded Tax Information

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

Topics by Internet

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

TeleTax Topics

All topics are available in Spanish.

Topic No.	Subject
IRS Help Available	
101	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Tax help for small businesses and the self-employed
104	Taxpayer Advocate Service—Help for problem situations
105	Armed Forces tax information
107	Tax relief in disaster situations
IRS Procedures	
151	Your appeal rights
152	Refund information
153	What to do if you haven't filed your tax return
154	Forms W-2 and Form 1099-R—What to do if not received
155	Forms and publications—How to order
156	Copy of your tax return—How to get one

Topic No.	Subject
157	Change of address—How to notify IRS
158	Ensuring proper credit of payments
159	Prior year(s) Form W-2—How to get a copy of
160	Form 1099-A (Acquisition or Abandonment of Secured Property) and Form 1099-C (Cancellation of Debt)
Collection	
201	The collection process
202	Tax payment options
203	Failure to pay child support and federal nontax and state income tax obligations
204	Offers in compromise
205	Innocent spouse relief (and separation of liability and equitable relief)
Alternative Filing Methods	
253	Substitute tax forms
General Information	
301	When, where, and how to file
303	Checklist of common errors when preparing your tax return
304	Extension of time to file your tax return

Topic No.	Subject
305	Recordkeeping
306	Penalty for underpayment of estimated tax
307	Backup withholding
308	Amended returns
309	Roth IRA contributions
310	Coverdell education savings accounts
311	Power of attorney information
312	Disclosure authorizations
313	Qualified tuition programs (QTPs)
Filing Requirements, Filing Status, and Exemptions	
352	Which form—1040, 1040A, or 1040EZ?
356	Decedents
Types of Income	
401	Wages and salaries
403	Interest received
404	Dividends
407	Business income
409	Capital gains and losses
410	Pensions and annuities
411	Pensions—The general rule and the simplified method
412	Lump-sum distributions
413	Rollovers from retirement plans
414	Rental income and expenses

TeleTax Topics

(Continued)

Topic No.	Subject
415	Renting residential and vacation property
416	Farming and fishing income
417	Earnings for clergy
418	Unemployment compensation
419	Gambling income and expenses
420	Bartering income
421	Scholarship and fellowship grants
423	Social security and equivalent railroad retirement benefits
424	401(k) plans
425	Passive activities—Losses and credits
427	Stock options
429	Traders in securities (information for Form 1040 filers)
430	Exchange of policyholder interest for stock
Adjustments to Income	
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
455	Moving expenses
456	Student loan interest deduction
457	Tuition and fees deduction
458	Educator expense deduction
Itemized Deductions	
501	Should I itemize?
502	Medical and dental expenses
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty and theft losses
508	Miscellaneous expenses
509	Business use of home
510	Business use of car
511	Business travel expenses
512	Business entertainment expenses
513	Educational expenses
514	Employee business expenses
515	Casualty, disaster, and theft losses

Topic No.	Subject
Tax Computation	
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
555	Ten-year tax option for lump-sum distributions
556	Alternative minimum tax
557	Tax on early distributions from traditional and Roth IRAs
558	Tax on early distributions from retirement plans
Tax Credits	
601	Earned income credit (EIC)
602	Child and dependent care credit
607	Adoption credit
608	Excess social security and RRTA tax withheld
610	Retirement savings contributions credit
IRS Notices	
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills, penalties, and interest charges
Basis of Assets, Depreciation, and Sale of Assets	
701	Sale of your home
703	Basis of assets
704	Depreciation
705	Installment sales
Employer Tax Information	
751	Social security and Medicare withholding rates
752	Form W-2—Where, when, and how to file
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit
755	Employer identification number (EIN)—How to apply

Topic No.	Subject
756	Employment taxes for household employees
757	Forms 941 and 944—Deposit requirements
758	Form 941—Employer's Quarterly Federal Tax Return and Form 944—Employer's Annual Federal Tax Return
761	Tips—Withholding and reporting
762	Independent contractor vs. employee
Magnetic Media Filers—1099 Series and Related Information Returns	
801	Who must file magnetically
802	Applications, forms, and information
803	Waivers and extensions
804	Test files and combined federal and state filing
805	Electronic filing of information returns
Tax Information for Aliens and U.S. Citizens Living Abroad	
851	Resident and nonresident aliens
856	Foreign tax credit
857	Individual taxpayer identification number (ITIN)—Form W-7
858	Alien tax clearance
Tax Information for Residents of Puerto Rico (in Spanish only)	
901	Is a person with income from Puerto Rican sources required to file a U.S. federal income tax return?
902	Credits and deductions for taxpayers with Puerto Rican source income that is exempt from U.S. tax
903	Federal employment tax in Puerto Rico
904	Tax assistance for residents of Puerto Rico
Topic numbers are effective January 1, 2008.	

Calling the IRS

If you cannot find the answer to your question in these instructions or online, please call us for assistance. See *Making the Call* below. You will not be charged for the call unless your phone company charges you for toll-free calls. Our normal hours of operation are Monday through Friday from 7:00 a.m. to 10:00 p.m. local time. Assistance provided to callers from Alaska and Hawaii will be based on the hours of operation in the Pacific time zone.



If you want to check the status of your 2007 refund, see Refund Information on page 79.

Before You Call

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

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

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

- Your social security number.
- The amount of refund and filing status shown on your tax return.
- The “Caller ID Number” shown at the top of any notice you received.

- Your personal identification number (PIN) if you have one.
- Your date of birth.
- The numbers in your street address.
- Your ZIP code.

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

Evaluation of services provided. The IRS uses several methods to evaluate our telephone service. One method is to record telephone calls for quality purposes only. A random sample of recorded calls is selected for review through the quality assurance process. Other methods include listening to live calls in progress and random selection of customers for participation in a customer satisfaction survey.

Making the Call

Call 1-800-829-1040 (deaf customers with access to TTY/TDD equipment may call

1-800-829-4059). Our menu allows you to speak your responses or use your keypad to select a menu option. After receiving your menu selection, the system will direct your call to the appropriate assistance.

Before You Hang Up

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

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

Quick and Easy Access to Tax Help and Tax Products




If you live outside the United States, see Pub. 54 to find out how to get help and tax products.



Internet

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

Online services and help. Go to www.irs.gov to:

-  Access Free File, a free commercial income tax preparation and electronic filing service available to taxpayers with adjusted gross income of \$54,000 or less.
- Check the status of your 2007 refund. Click on “Where’s My Refund.”
- See answers to many questions. Click on “Frequently Asked Questions.”
- Figure your withholding allowances using our Withholding Calculator at www.irs.gov/individuals.
- Sign up for e-News Subscriptions to get the latest tax news on a variety of topics by email.
- Send us your comments or request help.
- Get disaster relief information. Enter keyword “Disaster.”
- Safeguard your privacy. Enter keyword “Privacy Policy.”

View and download products. Click on “More Forms and Publications” or go to www.irs.gov/formspubs.

- For forms and instructions, click on “Form and Instruction number.”
- For publications, click on “Publication number.”
- For a subject index to forms, instructions, and publications, click on “Topical index.”
- For prior year forms, instructions, and publications, click on “Previous years.”

Online ordering of products. To order tax products delivered by mail, go to www.irs.gov/formspubs.

- For current year products, click on “Forms and publications by U.S. mail.”
- For a tax booklet of forms and instructions, click on “Tax packages.”
- For tax products on a CD, click on “Tax products on CD-ROM (Pub. 1796).” See *CD/DVD* on this page.



Phone

Tax forms and publications. Call 1-800-TAX-FORM (1-800-829-3676) to order current and prior year forms, instruc-

tions, and publications. You should receive your order within 10 working days.

Tax help and questions. Call 1-800-829-1040.

Hearing Impaired TTY/TDD. Call 1-800-829-4059.

TeleTax information - 24 hour tax information. Call 1-800-829-4477. See pages 79 and 80 for topic numbers and details.

Refund hotline. Call 1-800-829-1954.



Walk-In

You can pick up some of the most requested forms, instructions, and publications at many IRS offices, post offices, and libraries. Also, some grocery stores, copy centers, city and county government offices, credit unions, and

office supply stores have reproducible tax products available to photocopy or print from a CD.



Mail

You can order forms, instructions, and publications by completing the order blank on page 85. You should receive your order within 10 days after we receive your request.



CD/DVD

Buy IRS Publication 1796 (IRS Tax Products CD) for \$35. Price is subject to change. There may be a handling fee. The CD includes current-year and prior-year forms, instructions, and publications; Internal Revenue Bulletins; and toll-free and email technical support. As a bonus, you will get the IRS Tax Products DVD. The CD is released twice during the year. The first release will ship the beginning of January 2008 and the final release (including the bonus DVD) will ship the beginning of March 2008. The CD does not support electronic filing.

Internet. Buy the CD from:

- National Technical Information Service (NTIS) at www.irs.gov/cdorders
- Government Printing Office (GPO) at <http://bookstore.gpo.gov> (search for Pub. 1796)

Telephone. Buy the CD from:

- NTIS at 1-877-233-6767
- GPO at 1-866-512-1800

Other ways to get help. See page 77 for information.

Disclosure, Privacy Act, and Paperwork Reduction Act Notice

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

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

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

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become

material in the administration of any Internal Revenue law.

We ask for tax return information to carry out the tax laws of the United States. We need it to figure and collect the right amount of tax.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, you may be charged penalties and be subject to criminal prosecution. We may also have to disallow the exemptions, exclusions, credits, deductions, or adjustments shown on the tax return. This could make the tax higher or delay any refund. Interest may also be charged.

Generally, tax returns and return information are confidential, as stated in Code section 6103. However, Code section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, U.S. commonwealths or possessions, and certain foreign governments to carry out their tax laws. We may disclose your tax information to the Department of Treasury and contractors for tax administration purposes; and to other persons as necessary to obtain information which we cannot get in any other way in order to determine the amount of or to collect the tax you owe. We may disclose your tax information to the Comptroller General of the United States to permit the Comptroller General to review the Internal Revenue Service. We may disclose your tax information to committees of Congress; federal, state, and local child support agencies; and

to other federal agencies for the purposes of determining entitlement for benefits or the eligibility for and the repayment of loans. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

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

We Welcome Comments on Forms

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

If you have suggestions for making these forms simpler, we would be happy to hear from you. You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Enter "Forms Comment" on the subject line. Or you can write to Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send your return to this address. Instead, see the back cover.

Estimates of Taxpayer Burden

The table below shows burden estimates by form type and type of taxpayer. Time burden is further broken out by taxpayer activity. The largest component of time burden for all taxpayers is recordkeeping, as opposed to form completion and submission. In addition, the time burden associated with form completion and submission activities is closely tied to preparation method (self-prepared without software, self-prepared with software, and prepared by paid preparer).

Time spent and out-of-pocket costs are estimated separately. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples of out-of-pocket costs include tax return preparation and submission fees, postage, tax prepara-

tion software costs, photocopying costs, and phone calls (if not toll-free).

Both time and cost burdens are national averages and do not necessarily reflect a "typical" case. For instance, the average time burden for all taxpayers filing a 1040, 1040A, or 1040EZ was 26.4 hours, with an average cost of \$207 per return. This average includes all associated forms and schedules, across all preparation methods and all taxpayer activities. Taxpayers filing Form 1040 had an average burden of about 34 hours, and taxpayers filing Form 1040A and Form 1040EZ averaged about 10 hours. However, within each of these estimates, there is significant variation in taxpayer activity. Similarly, tax preparation fees vary extensively depending on the taxpayer's tax situation and issues, the type of professional preparer, and the geographic area.

The data shown are the best estimates available as of September 24, 2007, from tax returns filed for 2006. The method used to estimate taxpayer burden incorporates results from a taxpayer burden survey conducted in 2000 and 2001. The estimates are subject to change as new data becomes available. The estimates do not include burden associated with post-filing activities. However, operational IRS data indicates that electronically prepared and e-filed returns have fewer errors, implying a lower overall post-filing burden.

If you have comments concerning the time and cost estimates below, you can contact us at either one of the addresses shown under *We Welcome Comments on Forms* on page 83.

Estimated Average Taxpayer Burden for Individuals by Activity

The average time and costs required to complete and file Form 1040, Form 1040A, Form 1040EZ, their schedules, and accompanying forms will vary depending on individual circumstances. The estimated averages are:

Major Form Filed or Type of Taxpayer	Percentage of Returns	Average Time Burden (Hours)						Average Cost (Dollars)
		Total Time	Record Keeping	Tax Planning	Form Completion	Form Submission	All Other	
All taxpayers	100	26.4	15.0	4.7	3.3	0.6	2.8	\$207
Major forms filed								
1040	69	33.5	19.8	5.9	3.7	0.6	3.4	267
1040A & 1040EZ	31	10.4	4.2	1.8	2.5	0.5	1.4	72
Type of taxpayer								
Nonbusiness*	71	14.1	5.6	3.3	3.0	0.5	1.6	114
Business*	29	56.9	38.4	8.0	4.2	0.7	5.7	440

* You are a "business" filer if you file one or more of the following with Form 1040: Schedule C, C-EZ, E, or F or Form 2106 or 2106-EZ. You are a "nonbusiness" filer if you did not file any of those schedules or forms with Form 1040.

Order Blank for Forms and Publications

The most frequently ordered forms and publications are listed on the order blank below. You will receive two copies of each form, one copy of the instructions, and one copy of each publication you order. To help reduce waste, please order only the items you need to prepare your return.



For faster ways of getting the items you need, go to www.irs.gov/formspubs.

How To Use the Order 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 to en-

sure delivery of your order. Enclose the order blank in an envelope and mail it to the IRS address shown on this page. You should receive your order within 10 days after receipt of your request.

Do not send your tax return to the address shown on this page. Instead, see the back cover.

Mail Your Order Blank To:

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P.O. Box 8903
Bloomington, IL 61702-8903

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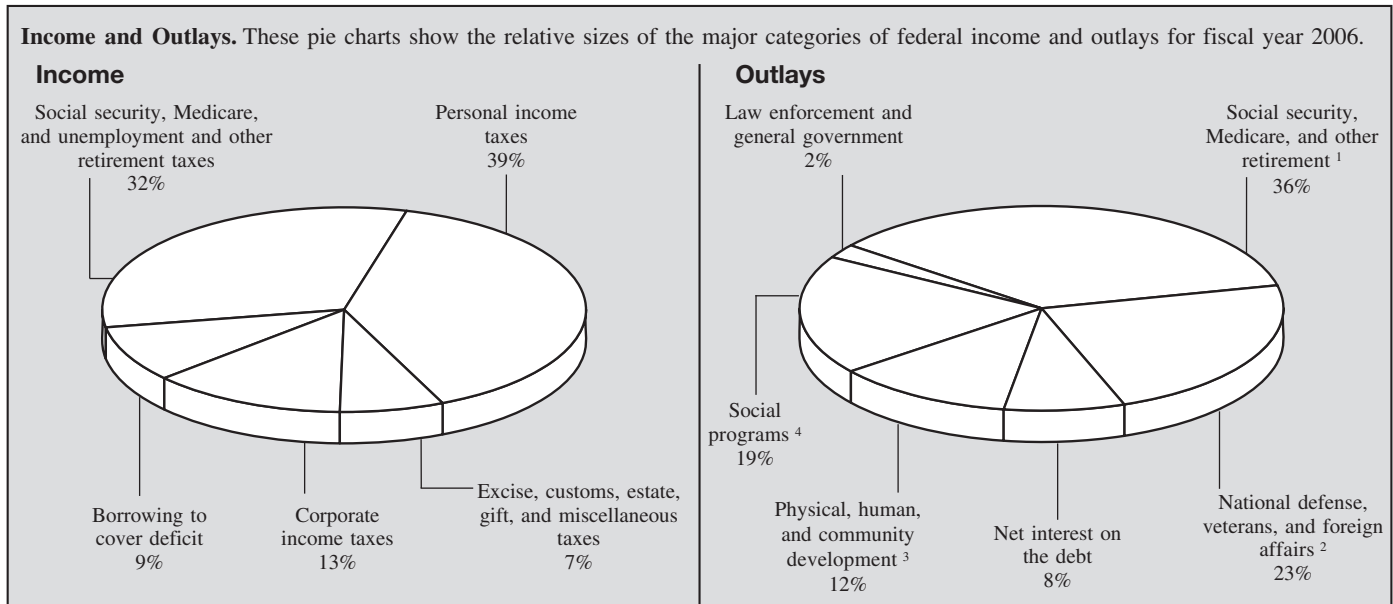
Circle the forms and publications you need. The instructions for any form you order will be included.

Use the **blank spaces** to order items not listed.

1040	Schedule H (1040)	1040-ES (2008)	4868	9465	Pub. 525	Pub. 575	Pub. 970
Schedules A&B (1040)	Schedule J (1040)	1040-V	6251	Pub. 1	Pub. 526	Pub. 583	Pub. 972
Schedule C (1040)	Schedule R (1040)	1040X	8283	Pub. 17	Pub. 527	Pub. 587	
Schedule C-EZ (1040)	Schedule SE (1040)	2106	8606	Pub. 334	Pub. 529	Pub. 590	
Schedule D (1040)	1040A	2441	8812	Pub. 463	Pub. 535	Pub. 596	
Schedule D-1 (1040)	Schedule 1 (1040A)	4506	8822	Pub. 501	Pub. 547	Pub. 910	
Schedule E (1040)	Schedule 2 (1040A)	4506-T	8829	Pub. 502	Pub. 550	Pub. 915	
Schedule EIC (1040A or 1040)	Schedule 3 (1040A)	4562	8863	Pub. 505	Pub. 551	Pub. 919	
Schedule F (1040)	1040EZ	4684	8917	Pub. 523	Pub. 554	Pub. 946	

N

Major Categories of Federal Income and Outlays for Fiscal Year 2006



On or before the first Monday in February of each year, the President is required by law to submit to the Congress a budget proposal for the fiscal year that begins the following October. The budget plan sets forth the President's proposed receipts, spending, and the surplus or deficit for the Federal Government. The plan includes recommendations for new legislation as well as recommendations to change, eliminate, and add programs. After receiving the President's proposal, the Congress reviews it and makes changes. It first passes a budget resolution setting its own targets for receipts, outlays, and the surplus or deficit. Next, individual spending and revenue bills that are consistent with the goals of the budget resolution are enacted.

In fiscal year 2006 (which began on October 1, 2005, and ended on September 30, 2006), federal income was \$2.407 trillion

and outlays were \$2.655 trillion, leaving a deficit of \$0.248 trillion.

Footnotes for Certain Federal Outlays

1. **Social security, Medicare, and other retirement:** These programs provide income support for the retired and disabled and medical care for the elderly.

2. **National defense, veterans, and foreign affairs:** About 19% of outlays were to equip, modernize, and pay our armed forces and to fund the Global War on Terrorism and other national defense activities; about 3% were for veterans benefits and services; and about 1% were for international activities, including military and economic assistance to foreign countries and the maintenance of U.S. embassies abroad.

3. **Physical, human, and community development:** These outlays were for agriculture; natural resources; environment; transportation; aid for elementary and secondary education and direct assistance to college students; job training; deposit insurance, commerce and housing credit, and community development; and space, energy, and general science programs.

4. **Social programs:** About 13% of total outlays were for Medicaid, food stamps, temporary assistance for needy families, supplemental security income, and related programs; and the remaining outlays were for health research and public health programs, unemployment compensation, assisted housing, and social services.

Note. The percentages on this page exclude undistributed offsetting receipts, which were \$68 billion in fiscal year 2006. In the budget, these receipts are offset against spending in figuring the outlay totals shown above. These receipts are for the U.S. Government's share of its employee retirement programs, rents and royalties on the Outer Continental Shelf, and proceeds from the sale of assets.

2007 Tax Rate Schedules



The Tax Rate Schedules are shown so you can see the tax rate that applies to all levels of taxable income. Do not use them to figure your tax. Instead, see the instructions for line 44 that begin on page 33.

Schedule X—If your filing status is **Single**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$7,825	..... 10%	\$0
7,825	31,850	\$782.50 + 15%	7,825
31,850	77,100	4,386.25 + 25%	31,850
77,100	160,850	15,698.75 + 28%	77,100
160,850	349,700	39,148.75 + 33%	160,850
349,700	.....	101,469.25 + 35%	349,700

Schedule Y-1—If your filing status is **Married filing jointly** or **Qualifying widow(er)**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$15,650	..... 10%	\$0
15,650	63,700	\$1,565.00 + 15%	15,650
63,700	128,500	8,772.50 + 25%	63,700
128,500	195,850	24,972.50 + 28%	128,500
195,850	349,700	43,830.50 + 33%	195,850
349,700	.....	94,601.00 + 35%	349,700

Schedule Y-2—If your filing status is **Married filing separately**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$7,825	..... 10%	\$0
7,825	31,850	\$782.50 + 15%	7,825
31,850	64,250	4,386.25 + 25%	31,850
64,250	97,925	12,486.25 + 28%	64,250
97,925	174,850	21,915.25 + 33%	97,925
174,850	.....	47,300.50 + 35%	174,850

Schedule Z—If your filing status is **Head of household**

If your taxable income is:		The tax is:	
Over—	But not over—		of the amount over—
\$0	\$11,200	..... 10%	\$0
11,200	42,650	\$1,120.00 + 15%	11,200
42,650	110,100	5,837.50 + 25%	42,650
110,100	178,350	22,700.00 + 28%	110,100
178,350	349,700	41,810.00 + 33%	178,350
349,700	.....	98,355.50 + 35%	349,700



2007 Instructions for Schedules A & B (Form 1040)

Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) to figure your itemized deductions. In most cases, your federal income tax will be less if you take the larger of your itemized deductions or your standard deduction.

If you itemize, you can deduct a part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You can also deduct certain casualty and theft losses.

If you and your spouse paid expenses jointly and are filing separate returns for 2007, see Pub. 504 to figure the portion of joint expenses that you can claim as itemized deductions.



Do not include on Schedule A items deducted elsewhere, such as on Form 1040 or Schedule C, C-EZ, E, or F.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Standard mileage rates. The 2007 rate for use of your vehicle to get medical care is 20 cents a mile. The special rate for charitable use of your vehicle to provide relief related to Hurricane Katrina has expired.

State and local general sales taxes. The option to deduct state and local general sales taxes instead of state and local income taxes was extended through 2007. See the instructions for line 5 that begin on page A-2.

Mortgage insurance premiums. Mortgage insurance premiums for mortgage insurance contracts issued after December 31, 2006, may be deductible on new line 13. See the instructions for line 13 on page A-7.

New recordkeeping requirements for contributions of money. For charitable contributions made in cash, regardless of the amount, you must maintain as a record of the contribution a bank record (such as a canceled check) or a written record from the charity. The written record must include the name of the charity, date, and amount of the contribution. See *Gifts to Charity* that begins on page A-7.

Medical and Dental Expenses

You can deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 38.

Pub. 502 discusses the types of expenses that you can and cannot deduct. It

also explains when you can deduct capital expenses and special care expenses for disabled persons.



If you received a distribution from a health savings account or a medical savings account in 2007, see Pub. 969 to figure your deduction.

Examples of Medical and Dental Payments You Can Deduct

To the extent you were not reimbursed, you can deduct what you paid for:

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see *Limit on long-term care premiums you can deduct* on page A-2. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29. You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form(s) W-2. If you are a retired public safety officer, you cannot deduct any premiums you paid to the extent they were paid for with a tax-free distribution from your retirement plan.



If, during 2007, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychia-

trists, psychoanalysts (medical care only), and psychologists.

- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and housework, you can deduct only the cost of the nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- The premiums you pay for Medicare Part D insurance.
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Do not deduct more than \$50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for

gas and oil to go to and from the place you received the care; or you can claim 20 cents a mile. Add parking and tolls to the amount you claim under either method.

Note. Certain medical expenses paid out of a deceased taxpayer's estate can be claimed on the deceased taxpayer's final return. See Pub. 502 for details.

Limit on long-term care premiums you can deduct. The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2007, of the person for whom the premiums were paid. See the chart below for details.

IF the person was, at the end of 2007, age . . .	THEN the most you can deduct is . . .
40 or under	\$ 290
41–50	\$ 550
51–60	\$ 1,110
61–70	\$ 2,950
71 or older	\$ 3,680

Examples of Medical and Dental Payments You Cannot Deduct

- The cost of diet food.
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.

TIP *If you were age 65 or older but not entitled to social security benefits, you can deduct premiums you voluntarily paid for Medicare A coverage.*

- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 47.
- Illegal operations or drugs.
- Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.
- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
- Funeral, burial, or cremation costs.

Line 1 Medical and Dental Expenses

Enter the total of your medical and dental expenses (see page A-1), after you reduce these expenses by any payments received from insurance or other sources. See *Reimbursements* below.



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 29, reduce the premiums by the amount on line 29.

Note. If, during 2007, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include:

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

Whose medical and dental expenses can you include? You can include medical and dental bills you paid for:

- Yourself and your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return except that person received \$3,400 or more of gross income or filed a joint return.
- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2007 return.

Example. You provided over half of your mother's support but cannot claim her as a dependent because she received wages of \$3,400 in 2007. You can include on line 1 any medical and dental expenses you paid in 2007 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 only the amount you paid. If you received a reimbursement in 2007 for medical or dental expenses you paid in 2007, reduce your 2007 expenses by this amount. If you received a reimbursement in 2007 for prior year medical or dental expenses, do not reduce your 2007 expenses by this amount.

But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See Pub. 502 for details on how to figure the amount to include.

Cafeteria plans. Do not include on line 1 insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 1 of your Form(s) W-2. Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your Form(s) W-2.

Taxes You Paid

Taxes You Cannot Deduct

- Federal income and excise taxes.
- Social security, Medicare, federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 28 on page A-10.
- Certain state and local taxes, including: tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Line 5



You can elect to deduct state and local general sales taxes instead of state and local income taxes. You cannot deduct

both.

State and Local Income Taxes

If you deduct state and local income taxes, check **box a** on line 5. Include on this line the state and local income taxes listed below.

- State and local income taxes withheld from your salary during 2007. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.
- State and local income taxes paid in 2007 for a prior year, such as taxes paid with your 2006 state or local income tax return. Do not include penalties or interest.
- State and local estimated tax payments made during 2007, including any part of a prior year refund that you chose to have credited to your 2007 state or local income taxes.
- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

- Mandatory contributions to the Alaska, New Jersey, or Pennsylvania state unemployment fund.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2007, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2007. Instead, see the instructions for Form 1040, line 10.

State and Local General Sales Taxes

If you elect to deduct state and local general sales taxes, you **must** check **box b** on line 5. To figure your deduction, you can use either your actual expenses or the optional sales tax tables.

Actual Expenses

Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2007 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. If you paid sales tax on a motor vehicle at a rate higher than the general sales tax rate, you can deduct only the amount of tax that you would have paid at the general sales tax rate on that vehicle. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle. Do not include sales taxes paid on items used in your trade or business.



You must keep your actual receipts showing general sales taxes paid to use this method.

Refund of general sales taxes. If you received a refund of state or local general sales taxes in 2007 for amounts paid in 2007, reduce your **actual** 2007 state and local general sales taxes by this amount. If you received a refund of state or local general sales taxes in 2007 for prior year purchases, do not reduce your 2007 state and local general sales taxes by this amount. But if you deducted your **actual** state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form 1040, line 21. See *Recoveries* in Pub. 525 for details.

Optional Sales Tax Tables

Instead of using your actual expenses, you can use the tables on pages A-11 through A-13 to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, complete the worksheet on page A-4 or use the 2007 Sales Tax Deduction Calculator on the IRS website. To use the 2007 Sales Tax Deduction Calculator, go to www.irs.gov

and enter "Sales tax deduction calculator" in the search box.



If your filing status is married filing separately, both you and your spouse elect to deduct sales taxes, and your spouse elects to use the optional sales tax tables, you also must use the tables to figure your state and local general sales tax deduction.

Instructions for Line 5b Worksheet

Line 1. If you lived in the same state for all of 2007, enter the applicable amount, based on your 2007 income and exemptions, from the optional state sales tax table for your state on page A-11 or A-12. Read down the "At least–But less than" columns for your state and find the line that includes your 2007 income. If married filing separately, do not include your spouse's income. Your 2007 income is the amount shown on your Form 1040, line 38, **plus** any nontaxable items, such as the following.

- Tax-exempt interest.
- Veterans' benefits.
- Nontaxable combat pay.
- Workers' compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions. Do not include rollovers.
- Public assistance payments.

The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one state? If you lived in more than one state during 2007, look up the table amount for each state using the above rules. If there is no table for your state, the table amount is considered to be zero. Multiply the table amount for each state you lived in by a fraction. The numerator of the fraction is the number of days you lived in the state during 2007 and the denominator is the total number of days in the year (365). Enter the total of the prorated table amounts for each state on line 1. However, if you also lived in a locality during 2007 that imposed a local general sales tax, do not enter the total on line 1. Instead, complete a separate worksheet for each state you lived in and enter the prorated amount for that state on line 1.

Example. You lived in State A from January 1 through August 31, 2007 (243 days), and in State B from September 1 through December 31, 2007 (122 days). The table amount for State A is \$500. The table amount for State B is \$400. You would figure your state general sales tax as follows.

State A:	$\$500 \times 243/365 =$	\$333
State B:	$\$400 \times 122/365 =$	134
Total		= \$467

If none of the localities in which you lived during 2007 imposed a local general sales tax, enter \$467 on line 1 of your worksheet. Otherwise, complete a separate worksheet for State A and State B. Enter

\$333 on line 1 of the State A worksheet and \$134 on line 1 of the State B worksheet.

Line 2. If you checked the "No" box, enter -0- on line 2, and go to line 3. If you checked the "Yes" box and lived in the same locality for all of 2007, enter the applicable amount, based on your 2007 income and exemptions, from the optional local sales tax table for your locality on page A-13. Read down the "At least–But less than" columns for your locality and find the line that includes your 2007 income. See the line 1 instructions on this page to figure your 2007 income. The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d.

What if you lived in more than one locality? If you lived in more than one locality during 2007, look up the table amount for each locality using the above rules. If there is no table for your locality, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2007 and the denominator is the total number of days in the year (365). If you lived in more than one locality in the same state and the local general sales tax rate was the same for each locality, enter the total of the prorated table amounts for each locality in that state on line 2. Otherwise, complete a separate worksheet for lines 2 through 6 for each locality and enter each prorated table amount on line 2 of the applicable worksheet.

Example. You lived in Locality 1 from January 1 through August 31, 2007 (243 days), and in Locality 2 from September 1 through December 31, 2007 (122 days). The table amount for Locality 1 is \$100. The table amount for Locality 2 is \$150. You would figure the amount to enter on line 2 as follows. Note that this amount may not equal your local sales tax deduction, which is figured on line 6 of the worksheet.

Locality 1:	$\$100 \times 243/365 =$	\$ 67
Locality 2:	$\$150 \times 122/365 =$	50
Total		= \$117

Line 3. If you lived in California, check the "No" box if your combined state and local general sales tax rate is 7.25%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 7.25%.

If you lived in Nevada, check the "No" box if your combined state and local general sales tax rate is 6.5%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 6.5%.

If you lived in Texarkana, Arkansas, check the "Yes" box and enter "4.0" on line 3. Your local general sales tax rate of 4.0% includes the additional 2.5% sales tax rate for Texarkana and the 1.5% sales tax rate for Miller County.

What if your local general sales tax rate changed during 2007? If you checked the "Yes" box and your local general sales tax rate changed during 2007, figure the rate to enter on line 3 as follows. Multiply each tax

rate for the period it was in effect by a fraction. The numerator of the fraction is the number of days the rate was in effect during 2007 and the denominator is the total number of days in the year (365). Enter the total of the prorated tax rates on line 3.

Example. Locality 1 imposed a 1% local general sales tax from January 1 through September 30, 2007 (273 days). The rate increased to 1.75% for the period

from October 1 through December 31, 2007 (92 days). You would enter "1.189" on line 3, figured as follows.

January 1 –		
September 30:	$1.00 \times 273/365 =$	0.748
October 1 –		
December 31:	$1.75 \times 92/365 =$	$\frac{0.441}{1.189}$
Total		

What if you lived in more than one locality in the same state during 2007? Complete a separate worksheet for lines 2 through 6 for each locality in your state if you lived in more than one locality in the same state during 2007 and either of the following applies.

- Each locality did not have the same local general sales tax rate.

State and Local General Sales Tax Deduction Worksheet—Line 5b
(See the *Instructions for Line 5b Worksheet* that begin on page A-3.)

Keep for Your Records



Before you begin: See the instructions for line 1 on page A-3 if:

- You lived in more than one state during 2007, or
- You had any **nontaxable** income in 2007.

1. Enter your **state** general sales taxes from the applicable table on page A-11 or A-12 (see page A-3 of the instructions) 1. \$ _____

Next. If, for all of 2007, you lived only in Connecticut, the District of Columbia, Hawaii, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Jersey, Rhode Island, Virginia, or West Virginia, skip lines 2 through 5, enter -0- on line 6, and go to line 7. Otherwise, go to line 2.

2. Did you live in Alaska, Arizona, Arkansas (Texarkana only), California (Los Angeles County only), Colorado, Georgia, Illinois, Louisiana, New York State, or North Carolina in 2007?

No. Enter -0-

Yes. Enter your **local** general sales taxes from the applicable table on page A-13 (see page A-3 of the instructions) 2. \$ _____

3. Did your locality impose a **local** general sales tax in 2007? Residents of California, Nevada, and Texarkana, Arkansas, see page A-3 of the instructions.

No. Skip lines 3 through 5, enter -0- on line 6, and go to line 7.

Yes. Enter your **local** general sales tax rate, but omit the percentage sign. For example, if your local general sales tax rate was 2.5%, enter 2.5. If your local general sales tax rate changed or you lived in more than one locality in the same state during 2007, see page A-3 of the instructions. (If you do not know your local general sales tax rate, contact your local government.) 3. _____

4. Did you enter -0- on line 2 above?

No. Skip lines 4 and 5 and go to line 6.

Yes. Enter your **state** general sales tax rate (shown in the table heading for your state), but omit the percentage sign. For example, if your state general sales tax rate is 6%, enter 6.0 4. _____

5. Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places) 5. _____

6. Did you enter -0- on line 2 above?

No. Multiply line 2 by line 3

Yes. Multiply line 1 by line 5. If you lived in more than one locality in the same state during 2007, see the instructions above 6. \$ _____

7. Enter your state and local general sales taxes paid on specified items, if any (see page A-5 of the instructions) 7. \$ _____

8. **Deduction for general sales taxes.** Add lines 1, 6, and 7. Enter the result here and the total from all your state and local general sales tax deduction worksheets, if you completed more than one, on Schedule A, line 5. Be sure to check **box b** on that line 8. \$ _____

• You lived in Texarkana, AR, or Los Angeles County, CA.

To figure the amount to enter on line 3 of the worksheet for each locality in which you lived (except a locality for which you used the table on page A-13 to figure your local general sales tax deduction), multiply the local general sales tax rate by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2007 and the denominator is the total number of days in the year (365).

Example. You lived in Locality 1 from January 1 through August 31, 2007 (243 days), and in Locality 2 from September 1 through December 31, 2007 (122 days). The local general sales tax rate for Locality 1 is 1%. The rate for Locality 2 is 1.75%. You would enter "0.666" on line 3 for the Locality 1 worksheet and "0.585" for the Locality 2 worksheet, figured as follows.

Locality 1:	$1.00 \times 243/365 =$	0.666
Locality 2:	$1.75 \times 122/365 =$	0.585

Line 6. If you lived in more than one locality in the same state during 2007, you should have completed line 1 only on the first worksheet for that state and separate worksheets for lines 2 through 6 for any other locality within that state in which you lived during 2007. If you checked the "Yes" box on line 6 of any of those worksheets, multiply line 5 of that worksheet by the amount that you entered on line 1 for that state on the first worksheet.

Line 7. Enter on line 7 any state and local general sales taxes paid on the following specified items. If you are completing more than one worksheet, include the total for line 7 on only one of the worksheets.

1. A motor vehicle (including a car, motorcycle, motor home, recreational vehicle, sport utility vehicle, truck, van, and off-road vehicle). Also include any state and local general sales taxes paid for a leased motor vehicle. If the state sales tax rate on these items is higher than the general sales tax rate, only include the amount of tax you would have paid at the general sales tax rate.

2. An aircraft or boat, if the tax rate was the same as the general sales tax rate.

3. A home (including a mobile home or prefabricated home) or substantial addition to or major renovation of a home, but only if the tax rate was the same as the general sales tax rate and any of the following applies.

a. Your state or locality imposes a general sales tax directly on the sale of a home or on the cost of a substantial addition or major renovation.

b. You purchased the materials to build a home or substantial addition or to perform a major renovation and paid the sales tax directly.

c. Under your state law, your contractor is considered your agent in the construction of the home or substantial addition or the performance of a major renovation. The contract must state that the contractor is authorized to act in your name and must

follow your directions on construction decisions. In this case, you will be considered to have purchased any items subject to a sales tax and to have paid the sales tax directly.

Do not include sales taxes paid on items used in your trade or business. If you received a refund of state or local general sales taxes in 2007, see *Refund of general sales taxes* on page A-3.

Line 6

Real Estate Taxes

Include taxes (state, local, or foreign) you paid on real estate you own that was not used for business, but only if the taxes are based on the assessed value of the property. Also, the assessment must be made uniformly on property throughout the community, and the proceeds must be used for general community or governmental purposes. Pub. 530 explains the deductions homeowners can take.

Do not include the following amounts on line 6.

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).

- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you can deduct only the amount the mortgage company actually paid to the taxing authority in 2007.

If you sold your home in 2007, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any Form 1099-S you received. This amount is considered a refund of real estate taxes. See *Refunds and rebates* below. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and rebates. If you received a refund or rebate in 2007 of real estate taxes you paid in 2007, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2007 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. See *Recoveries* in Pub. 525 for details on how to figure the amount to include in income.

Line 7

Personal Property Taxes

Enter the state and local personal property taxes you paid, but only if the taxes were based on value alone and were imposed on a yearly basis.

Example. You paid a yearly fee for the registration of your car. Part of the fee was based on the car's value and part was based on its weight. You can deduct only the part of the fee that was based on the car's value.

Line 8

Other Taxes

If you had any deductible tax not listed on line 5, 6, or 7, list the type and amount of tax. Enter only one total on line 8. Include on this line income tax you paid to a foreign country or U.S. possession.



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 51, for

details.

Interest You Paid

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. See Pub. 535 for details.

In general, if you paid interest in 2007 that applies to any period after 2007, you can deduct only amounts that apply for 2007.

Lines 10 and 11

Home Mortgage Interest

A home mortgage is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

A home can be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

Limit on home mortgage interest. If you took out any mortgages after October 13, 1987, your deduction may be limited. Any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date are treated as a mortgage taken out after October 13, 1987. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See Pub. 936 to figure your deduction if either (1) or (2) below applies. If you had more than one home at the same time, the

dollar amounts in (1) and (2) apply to the total mortgages on both homes.

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 2007. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 2007. The limit is \$500,000 if married filing separately.



If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See

Pub. 936.

Line 10

Enter on line 10 mortgage interest and points reported to you on Form 1098 under your social security number (SSN). If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the interest was reported on Form 1098 under the other person's SSN,

report your share of the interest on line 11 (as explained in the line 11 instructions below).

If you paid more interest to the recipient than is shown on Form 1098, see Pub. 936 to find out if you can deduct the additional interest. If you can, attach a statement explaining the difference and enter "See attached" to the right of line 10.



If you are claiming the mortgage interest credit (for holders of qualified mortgage credit certificates issued by state or local governmental units or agencies), subtract the amount shown on Form 8396, line 3, from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

Line 11

If you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 11.

If you bought your home from the recipient, be sure to show that recipient's name, identifying number, and address on the dotted lines next to line 11. If the recipient is an individual, the identifying number is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a \$50 penalty.

If you and at least one other person (other than your spouse if filing jointly)

were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. To the right of line 11, enter "See attached."

Line 12

Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid only to borrow money are generally deductible over the life of the loan. See Pub. 936 to figure the amount you can deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

Refinancing. Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home.

If you used part of the proceeds to improve your main home, you may be able to deduct the part of the points related to the improvement in the year paid. See Pub. 936 for details.



If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.

Line 13

Qualified Mortgage Insurance Premiums

Enter the qualified mortgage insurance premiums you paid under a mortgage insurance contract issued during 2007 in connection with home acquisition debt that was secured by your first or second home. See *Prepaid mortgage insurance* below if you paid any premiums allocable to any period after 2007. Box 4 of Form 1098 may show the amount of premiums you paid in 2007. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid the premiums in connection with the loan, and the premiums were reported on Form 1098 under the other person's SSN, report your share of the premiums on line 13.

Qualified mortgage insurance is mortgage insurance provided by the Department of Veterans Affairs, the Federal Housing Administration, or the Rural Housing Service, and private mortgage insurance (as defined in section 2 of the Homeowners Protection Act of 1998 as in effect on December 20, 2006).

Mortgage insurance provided by the Department of Veterans Affairs and the Rural Housing Service is commonly known as a funding fee and guarantee fee respectively. These fees can be deducted fully in 2007 if the mortgage insurance contract was issued in 2007. Contact the mortgage insurance issuer to determine the deductible amount if it is not included in box 4 of Form 1098.

Prepaid mortgage insurance. If you paid premiums for qualified mortgage insurance

that are allocable to periods after 2007, such premiums are treated as paid in the year to which they are allocated. No deduction is allowed for the unamortized balance if the mortgage is satisfied before its term. The two preceding sentences do not apply to qualified mortgage insurance provided by the Department of Veterans Affairs or the Rural Housing Service.

Limit on amount you can deduct. You cannot deduct your mortgage insurance premiums if the amount on Form 1040, line 38, is more than \$109,000 (\$54,500 if married filing separately). If the amount on Form 1040, line 38, is more than \$100,000 (\$50,000 if married filing separately), your deduction is limited and you must use the worksheet below to figure your deduction.

Line 14

Investment Interest

Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to passive activities or to securities that generate tax-exempt income.

Complete and attach Form 4952 to figure your deduction.

Exception. You do not have to file Form 4952 if all three of the following apply.

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.
2. You have no other deductible investment expenses.

3. You have no disallowed investment interest expense from 2006.



Alaska Permanent Fund dividends, including those reported on Form 8814, are not investment income.

For more details, see Pub. 550.

Gifts to Charity

You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals. Certain whaling captains may be able to deduct expenses paid in 2007 for Native Alaskan subsistence bowhead whale hunting activities. See Pub. 526 for details.

To verify an organization's charitable status, you can:

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See Pub. 78 for a list of most qualified organizations. You can access Pub. 78 on the IRS website at www.irs.gov under *Charities and Non-Profits*.
- Call our Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500. Assistance is available Monday through Friday from 8:30 a.m. to

Qualified Mortgage Insurance Premiums Deduction Worksheet—

Line 13

Keep for Your Records



Before you begin: ✓ See the instructions for line 13 above to see if you must use this worksheet to figure your deduction.

1. Enter the total premiums you paid in 2007 for qualified mortgage insurance for a contract issued in 2007	1.	
2. Enter the amount from Form 1040, line 38	2.	
3. Enter \$100,000 (\$50,000 if married filing separately)	3.	
4. Is the amount on line 2 more than the amount on line 3? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 13. Do not complete the rest of this worksheet. <input type="checkbox"/> Yes. Subtract line 3 from line 2. If the result is not a multiple of \$1,000 (\$500 if married filing separately), increase it to the next multiple of \$1,000 (\$500 if married filing separately). For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000; or if married filing separately, increase \$425 to \$500, increase \$2,025 to \$2,500, etc.	4.	
5. Divide line 4 by \$10,000 (\$5,000 if married filing separately). Enter the result as a decimal. If the result is 1.0 or more, enter 1.0	5.	.
6. Multiply line 1 by line 5	6.	
7. Qualified mortgage insurance premiums deduction. Subtract line 6 from line 1. Enter the result here and on Schedule A, line 13	7.	

6:30 p.m. Eastern time. These hours are subject to change.

Examples of Qualified Charitable Organizations

- Churches, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, etc.
- Fraternal orders, if the gifts will be used for the purposes listed on page A-7.
- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

Contributions You Can Deduct

Contributions can be in cash, property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you can take the actual cost of gas and oil or 14 cents a mile. Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts from which you benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you can generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see Pub. 526.

Example. You paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40. You can deduct only \$30.

Gifts of \$250 or more. You can deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in (1) and (2) below.

1. The amount of any money contributed and a description (but not value) of any property donated.
2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe or value the benefit.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See Pub. 526 if you made a separate gift of \$250 or more through payroll deduction.



You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.

Limit on the amount you can deduct. See Pub. 526 to figure the amount of your deduction if any of the following applies.

1. Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 38.
2. Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 38.
3. You gave gifts of property that increased in value or gave gifts of the use of property.

Contributions You Cannot Deduct

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 28. See page A-10 for details.
- Cost of tuition. But you may be able to deduct this expense on line 21 (see page A-9), or Form 1040, line 34, or take a credit for this expense (see Form 8863).
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to individuals and groups that are run for personal profit.
- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Israeli, and Mexican charities. See Pub. 526 for details.
- Gifts to organizations engaged in certain political activities that are of direct fi-

nancial interest to your trade or business. See section 170(f)(9).

- Gifts to groups whose purpose is to lobby for changes in the laws.
- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.
- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

Line 16

Gifts by Cash or Check

Enter on line 16 the total gifts you made in cash or by check (including out-of-pocket expenses).

Recordkeeping. For any contribution made in cash, regardless of the amount, you must maintain as a record of the contribution a bank record (such as a canceled check) or a written record from the charity. The written record must include the name of the charity, date, and amount of the contribution. Do not attach the record to your tax return. Instead, keep it with your other tax records.

Line 17

Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. For more details on determining the value of donated property, see Pub. 561.

If the amount of your deduction is more than \$500, you must complete and attach Form 8283. For this purpose, the "amount of your deduction" means your deduction before applying any income limits that could result in a carryover of contributions. If you deduct more than \$500 for a contribution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. The organization may use Form 1098-C to provide the required information. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. This amount is \$500 for certain contributions of clothing and household items (see below). See Form 8283 and its instructions for details.

Contributions of clothing and household items. A deduction for these contributions will be allowed only if the items are in good used condition or better. However, this rule does not apply to a contribution of any single item for which a deduction of more than \$500 is claimed and for which you include a qualified appraisal and Form 8283 with your tax return.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.
- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- Any conditions attached to the gift.



If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.

Line 18

Carryover From Prior Year

Enter any carryover of contributions that you could not deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details.

Casualty and Theft Losses

Line 20

Complete and attach Form 4684 to figure the amount of your loss to enter on line 20.

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You can deduct nonbusiness casualty or theft losses only to the extent that:

1. The amount of each separate casualty or theft loss is more than \$100, and
2. The total amount of all losses during the year (reduced by the \$100 limit discussed in (1) above) is more than 10% of the amount on Form 1040, line 38.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See Form 4684 and its instructions for details.

Use Schedule A, line 23, to deduct the costs of proving that you had a property

loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

For information on federal disaster area losses, see Pub. 547.

Job Expenses and Certain Miscellaneous Deductions

You can deduct only the part of these expenses that exceeds 2% of the amount on Form 1040, line 38.

Pub. 529 discusses the types of expenses that can and cannot be deducted.

Examples of Expenses You Cannot Deduct

- Political contributions.
- Legal expenses for personal matters that do not produce taxable income.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Commuting expenses. See Pub. 529 for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain federal employees.
- Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues. See Pub. 529 for exceptions.
- Expenses of adopting a child. But you may be able to take a credit for adoption expenses. See Form 8839 for details.
- Fines and penalties.
- Expenses of producing tax-exempt income.

Line 21

Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your Form W-2 are not considered reimbursements.)

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

But you must fill in and attach Form 2106 if either (1) or (2) below applies.

1. You claim any travel, transportation, meal, or entertainment expenses for your job.

2. Your employer paid you for any of your job expenses that you would otherwise report on line 21.



If you used your own vehicle and (2) above does not apply, you may be able to file Form 2106-EZ instead.

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted line next to line 21. If you need more space, attach a statement showing the type and amount of each expense. Enter the total of all these expenses on line 21.



Do not include on line 21 any educator expenses you deducted on Form 1040, line 23.

Examples of other expenses to include on line 21 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 79 of the Form 1040 instructions) or see Pub. 587.
- Certain educational expenses. For details, use TeleTax topic 513 (see page 79 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 34.



You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863 for details.

Line 22

Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit card, do not include the convenience fee you were charged.

Line 23

Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But do not include any personal expenses. List the type and amount of each expense on the dotted lines next to line 23. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 23.

Examples of expenses to include on line 23 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see Pub. 529.
- Casualty and theft losses of property used in performing services as an employee from Form 4684, lines 32 and 38b, or Form 4797, line 18a.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Other Miscellaneous Deductions

Line 28

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 28. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 28.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses of income-producing property from Form 4684, lines 32 and 38b, or Form 4797, line 18a.
- Loss from other activities from Schedule K-1 (Form 1065-B), box 2.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if over \$3,000. See Pub. 525 for details.

• Certain unrecovered investment in a pension.

• Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

Total Itemized Deductions

Line 29

Use the worksheet below to figure the amount to enter on line 29 if the amount on Form 1040, line 38, is over \$156,400 (\$78,200 if married filing separately).

Line 30

If you elect to itemize for state tax or other purposes even though your itemized deductions are less than your standard deduction, check the box on line 30.

Itemized Deductions Worksheet—Line 29

Keep for Your Records



1. Enter the total of the amounts from Schedule A, lines 4, 9, 15, 19, 20, 27, and 28	1.	_____
2. Enter the total of the amounts from Schedule A, lines 4, 14, and 20, plus any gambling and casualty or theft losses included on line 28.	2.	_____
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 28. </div>		
3. Is the amount on line 2 less than the amount on line 1? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. <input type="checkbox"/> Yes. Subtract line 2 from line 1	3.	_____
4. Multiply line 3 by 80% (.80)	4.	_____
5. Enter the amount from Form 1040, line 38.	5.	_____
6. Enter \$156,400 (\$78,200 if married filing separately)	6.	_____
7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> No. Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 29. <input type="checkbox"/> Yes. Subtract line 6 from line 5	7.	_____
8. Multiply line 7 by 3% (.03)	8.	_____
9. Enter the smaller of line 4 or line 8	9.	_____
10. Divide line 9 by 3.0	10.	_____
11. Subtract line 10 from line 9	11.	_____
12. Total itemized deductions. Subtract line 11 from line 1. Enter the result here and on Schedule A, line 29	12.	_____

Which Optional Local Sales Tax Table Should I Use?

IF you live in the state of...	AND you live in...	THEN use Local Table...
Alaska	Any locality	C
Arizona	Any locality	C
Arkansas	Texarkana	B
California	Los Angeles County	B
Colorado	City of Denver	B
	Arvada, Aurora, City of Boulder, Centennial, Colorado Springs, Fort Collins, Greeley, Jefferson County, Lakewood, Longmont, City of Pueblo, Thornton, or Westminster	C
	Boulder County, Denver County, Pueblo County, or any other locality	A
Georgia	DeKalb County, Rockdale County, Taliaferro County, or Webster	B
	Any other locality	C
Illinois	Any locality	C
Louisiana	Any locality	C
New York	New York City, or one of the following counties: Albany, Allegany, Cattaraugus, Cayuga, Chemung, Clinton, Cortland, Erie, Essex, Franklin, Fulton, Genesee, Herkimer, Jefferson, Lewis, Livingston, Madison, Monroe, Montgomery, Nassau, Niagara, Oneida, Onondaga, Ontario, Orange, Orleans, Oswego, Otsego, Putnam, Rensselaer, Rockland, St. Lawrence, Saratoga, Schoharie, Schoharie, Seneca, Steuben, Suffolk, Sullivan, Tompkins, Ulster, Warren, Washington, Westchester, Wyoming, or Yates	B
	Any other locality	D
North Carolina	Any locality	C

2007 Optional Local Sales Tax Tables for Certain Local Jurisdictions (Based on a local sales tax rate of 1 percent)

Income At least	But less than	Local Table A							Local Table B						
		Exemptions							Exemptions						
		1	2	3	4	5	Over 5	1	2	3	4	5	Over 5		
\$0	\$20,000	33	39	43	46	49	52	40	48	53	57	61	66		
20,000	30,000	54	64	70	75	80	86	65	77	86	93	98	106		
30,000	40,000	65	77	85	91	96	103	78	93	103	111	117	126		
40,000	50,000	75	88	97	104	110	118	89	106	117	126	134	144		
50,000	60,000	84	99	109	117	123	132	99	118	130	140	148	160		
60,000	70,000	92	108	119	128	135	145	108	129	143	153	162	175		
70,000	80,000	100	117	129	139	146	157	117	139	154	165	175	188		
80,000	90,000	107	126	139	149	157	168	125	149	165	177	187	201		
90,000	100,000	114	134	148	158	167	179	133	158	175	188	199	214		
100,000	120,000	123	145	160	171	180	193	143	170	188	202	214	230		
120,000	140,000	136	160	176	189	199	213	158	187	207	222	235	252		
140,000	160,000	147	173	191	204	215	231	170	202	223	239	253	272		
160,000	180,000	159	187	206	220	232	248	183	217	239	257	271	292		
180,000	200,000	169	199	219	234	247	264	194	230	254	273	288	310		
200,000	or more	223	262	288	308	324	347	252	298	329	352	372	400		

Income At least	But less than	Local Table C							Local Table D						
		Exemptions							Exemptions						
		1	2	3	4	5	Over 5	1	2	3	4	5	Over 5		
\$0	\$20,000	53	65	74	80	86	93	36	42	45	48	50	53		
20,000	30,000	82	100	112	122	131	142	60	69	74	79	82	87		
30,000	40,000	96	117	132	143	153	167	72	83	90	95	99	105		
40,000	50,000	108	132	149	161	172	188	83	95	103	109	114	121		
50,000	60,000	119	145	163	178	189	206	92	106	115	122	127	135		
60,000	70,000	129	157	177	192	205	223	101	116	126	133	139	148		
70,000	80,000	139	169	190	206	220	239	110	126	136	144	151	160		
80,000	90,000	147	179	201	219	233	254	118	135	146	154	161	171		
90,000	100,000	156	189	213	231	246	267	125	143	155	164	172	182		
100,000	120,000	167	203	227	247	263	286	135	155	167	177	185	196		
120,000	140,000	182	221	247	268	286	311	149	170	184	195	204	216		
140,000	160,000	195	237	265	287	306	332	161	184	199	211	220	233		
160,000	180,000	208	252	283	306	326	354	173	198	214	226	236	250		
180,000	200,000	220	267	298	323	344	374	184	210	227	240	251	266		
200,000	or more	280	338	378	409	435	472	239	273	295	312	326	345		

Instructions for Schedule B, Interest and Ordinary Dividends



You can list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate statements that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the statements and attach them at the end of your return.

Part I. Interest

Line 1 Interest

Report on line 1 all of your taxable interest. Interest should be shown on your Forms 1099-INT, Forms 1099-OID, or substitute statements. Include interest from series EE and I U.S. savings bonds. List each payer's name and show the amount.

Special Rules

Seller-Financed Mortgages

If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not show the buyer's name, address, and SSN, or let the buyer know your SSN, you may have to pay a \$50 penalty.

Nominees

If you received a Form 1099-INT that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Be-

Use Schedule B (Form 1040) if any of the following applies.

- You had over \$1,500 of taxable interest.
- Any of the *Special Rules* listed in the instructions for line 1 apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You had over \$1,500 of ordinary dividends.
- You received ordinary dividends as a nominee.
- You had a foreign account or you received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.



If you received interest as a nominee, you must give the actual owner a Form 1099-INT unless the owner is your spouse. You must also file a Form 1096 and a Form 1099-INT with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and the Instructions for Forms 1099-INT and 1099-OID.

Accrued Interest

When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules earlier under *Nominees* to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

Original Issue Discount (OID)

If you are reporting OID in an amount less than the amount shown on Form 1099-OID, follow the rules earlier under *Nominees* to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

Amortizable Bond Premium

If you are reducing your interest income on a bond by the amount of amortizable bond premium, follow the rules earlier under *Nominees* to see how to report the interest on Schedule B. But identify the amount to be subtracted as "ABP Adjustment."

Line 3

Excludable Interest on Series EE and I U.S. Savings Bonds Issued After 1989

If, during 2007, you cashed series EE or I U.S. savings bonds issued after 1989 and

you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See Form 8815 for details.

Part II. Ordinary Dividends



You may have to file Form 5471 if, in 2007, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2007, you owned 10% or more of the total (a) value of a foreign corporation's stock, or (b) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions.

Line 5 Ordinary Dividends

Report on line 5 all of your ordinary dividends. This amount should be shown in box 1a of your Forms 1099-DIV or substitute statements. List each payer's name and show the amount.

Nominees

If you received a Form 1099-DIV that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.



If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV unless the owner is your spouse. You must also file a Form 1096 and a Form 1099-DIV with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and the Instructions for Form 1099-DIV.

Part III. Foreign Accounts and Trusts

Lines 7a and 7b Foreign Accounts

Line 7a

Check the “Yes” box on line 7a if either (1) or (2) below applies.

1. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.
2. At any time during 2007 you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).



For line 7a, item (2) does not apply to foreign securities held in a U.S. securities account.

Exceptions. Check the “No” box if any of the following applies to you.

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
- You were an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account was in your employer’s name; and you did not have a personal financial interest in the account.

- You were an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$10 million and 500 or more shareholders of record; the account was in your employer’s name; you did not have a personal financial interest in the account; and the corporation’s chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

See Form TD F 90-22.1 to find out if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get Form TD F 90-22.1 by visiting the IRS website at www.irs.gov/pub/irs-pdf/f90221.pdf.

If you checked the “Yes” box on line 7a, file Form TD F 90-22.1 by June 30, 2008, with the Department of the Treasury at the address shown on that form. Do not attach it to Form 1040.



cases).

If you are required to file Form TD F 90-22.1 but do not do so, you may have to pay a penalty of up to \$10,000 (more in some cases).

Line 7b

If you checked the “Yes” box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

Line 8 Foreign Trusts

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See Form 3520 for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 2007, you may have to file Form 3520.

If you were treated as the owner of a foreign trust under the grantor trust rules, you are also responsible for ensuring that the foreign trust files Form 3520-A. Form 3520-A is due on March 17, 2008, for a calendar year trust. See the instructions for Form 3520-A for more details.



2007 Instructions for Schedule C

Profit or Loss From Business

Use Schedule C (Form 1040) to report income or loss from a business you operated or a profession you practiced as a sole proprietor. An activity qualifies as a business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. To report income from a nonbusiness activity, see the instructions for Form 1040, line 21, or Form 1040NR, line 21.

Also, use Schedule C to report (a) wages and expenses you had as a statutory employee, and (b) certain income shown on Form 1099-MISC, Miscellaneous Income. See the *Instructions for Recipients* (back of Copy B of Form 1099-MISC) for the types of income to report on Schedule C.

Small businesses and statutory employees with expenses of \$5,000 or less may be able to file Schedule C-EZ instead of Schedule C. See Schedule C-EZ for details.

You may be subject to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Revised activity codes. Some of the principal business or professional activity codes beginning on page C-8 have been revised and some codes have been deleted. Be sure to check the list before you enter your code on line B.

Indian employment credit has been extended. The Indian employment credit has been extended for qualified wages paid to an employee through December 31, 2007.

Work opportunity credit and welfare-to-work credit extended and combined. For 2007, both credits have been combined, modified, and extended for qualified wages paid to an employee.

Husband-wife business. Beginning in 2007, you and your spouse, if you are filing married filing jointly, may be able to make a joint election to be taxed as a qualified joint venture instead of a partnership. See *Exception—Qualified joint venture* under *Husband-wife business* on this page.

Section 179 deduction increased. For property placed in service in 2007, the limit for the section 179 deduction to expense certain depreciable business property has been increased to \$125,000. This limit will be reduced when the total cost of section 179 property placed in service during the tax year exceeds \$500,000.

Hurricane Katrina housing credit has expired. This credit was available for lodging furnished to qualified employees between January 1, 2006, and July 1, 2006, and was claimed on Section B of Form 5884-A.

General Instructions

Other Schedules and Forms You May Have To File

- Schedule A to deduct interest, taxes, and casualty losses not related to your business.
- Schedule E to report rental real estate and royalty income or (loss) that is not subject to self-employment tax.
- Schedule F to report profit or (loss) from farming.
- Schedule J to figure your tax by averaging your farming or fishing income over the previous 3 years. Doing so may reduce your tax.
- Schedule SE to pay self-employment tax on income from any trade or business.
- Form 4562 to claim depreciation on assets placed in service in 2007, to claim amortization that began in 2007, to make an election under section 179 to expense certain property, or to report information on listed property.
- Form 4684 to report a casualty or theft gain or loss involving property used in your trade or business or income-producing property.
- Form 4797 to report sales, exchanges, and involuntary conversions (not from a casualty or theft) of trade or business property.
- Form 8594 to report certain purchases or sales of groups of assets that constitute a trade or business.
- Form 8824 to report like-kind exchanges.
- Form 8826 to claim a credit for expenditures to improve access to your business for individuals with disabilities.
- Form 8829 to claim expenses for business use of your home.
- Form 8903 to take a deduction for income from domestic production activities.

- Form 8910 to claim a credit for placing a new alternative motor vehicle in service for business use.

- Form 8911 to claim a credit for placing qualified alternative fuel vehicle refueling property in service for business use.

Husband-wife business. If you and your spouse jointly own and operate a business and share in the profits and losses, you are partners in a partnership, whether or not you have a formal partnership agreement. Do not use Schedule C or C-EZ. Instead, file Form 1065. See Pub. 541 for more details.

Exception—Qualified joint venture. If you and your spouse materially participate (see *Material participation* beginning on page C-2) as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make a joint election to be taxed as a qualified joint venture instead of a partnership. To make this election, you must divide all items of income, gain, loss, deduction, and credit between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule C or C-EZ. On each line of your separate Schedule C or C-EZ, you must enter your share of the applicable income, deduction, or loss.

As long as you remain qualified, your election cannot be revoked without IRS consent.

Exception—Community income. If you and your spouse wholly own an unincorporated business as community property under the community property laws of a state, foreign country, or U.S. possession, you can treat the business either as a sole proprietorship (of the spouse who carried on the business) or a partnership. The only states with community property laws are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. A change in your reporting position will be treated as a conversion of the entity.

Single-member limited liability company (LLC). Generally, a single-member domestic LLC is not treated as a separate entity for federal income tax purposes. If you are the sole member of a domestic LLC, file Schedule C or C-EZ (or Schedule E or F, if applicable). However, you can elect to treat a domestic LLC as a corporation. See Form 8832 for details on the election and the tax treatment of a foreign LLC.

Heavy highway vehicle use tax. If you use certain highway trucks, truck-trailers, tractor-trailers, or buses in your trade or business, you may have to pay a federal highway motor vehicle use tax. See the Instructions for Form 2290 to find out if you owe this tax.

Information returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For details, see the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than \$10,000 in one or more related transactions in your trade or business, you may have to file Form 8300. For details, see Pub. 1544.

Reportable Transaction Disclosure Statement

Use Form 8886 to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. You may also have to pay interest and penalties on any reportable transaction understatements. The following are reportable transactions.

- Any listed transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.
- Any transaction offered under conditions of confidentiality for which you paid an advisor a fee of at least \$50,000.
- Certain transactions for which you have contractual protection against disallowance of the tax benefits.
- Certain transactions resulting in a loss of at least \$2 million in any single tax year or \$4 million in any combination of tax years. (At least \$50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)
- Certain transactions resulting in a tax credit of more than \$250,000, if you held the asset generating the credit for 45 days or less.

See the Instructions for Form 8886 for more details.

Capital Construction Fund

Do not claim on Schedule C or C-EZ the deduction for amounts contributed to a capital construction fund set up under the Merchant Marine Act of 1936. Instead, reduce the amount you would otherwise enter on Form 1040, line 43, by the amount of the deduction. Next to line 43, enter "CCF" and the amount of the deduction. For details, see Pub. 595.

Additional Information

See Pub. 334 for more information for small businesses.

Specific Instructions

Filers of Form 1041. Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. If you owned more than one business, you must complete a separate Schedule C for each business. Give the general field or activity and the type of product or service. If your general field or activity is wholesale or retail trade, or services connected with production services (mining, construction, or manufacturing), also give the type of customer or client. For example, "wholesale sale of hardware to retailers" or "appraisal of real estate for lending institutions."

Line D

You need an employer identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, or alcohol, tobacco, and firearms tax return. If you need an EIN, see the Instructions for Form SS-4. If you do not have an EIN, leave line D blank. Do not enter your SSN.

Line E

Enter your business address. Show a street address instead of a box number. Include the suite or room number, if any. If you conducted the business from your home located at the address shown on Form 1040, page 1, you do not have to complete this line.

Line F

Generally, you can use the cash method, accrual method, or any other method permitted by the Internal Revenue Code. In all cases, the method used must clearly reflect income. Unless you are a qualifying taxpayer or a qualifying small business taxpayer (see the Part III instructions on page C-7), you must use the accrual method for sales and purchases of inventory items.

Special rules apply to long-term contracts. See section 460 for details.

If you use the cash method, show all items of taxable income actually or constructively received during the year (in cash, property, or services). Income is constructively received when it is credited to your account or set aside for you to use. Also, show amounts actually paid during the year for deductible expenses. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See Pub. 535.

If you use the accrual method, report income when you earn it and deduct expenses when you incur them even if you do not pay them during the tax year. Accrual-basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See Pub. 538.

To change your accounting method, you generally must file Form 3115. You may also have to make an adjustment to prevent amounts of income or expense from being duplicated or omitted. This is called a section 481(a) adjustment.

Example. You change to the cash method of accounting and choose to account for inventoriable items in the same manner as materials and supplies that are not incidental. You accrued sales in 2006 for which you received payment in 2007. You must report those sales in both years as a result of changing your accounting method and must make a section 481(a) adjustment to prevent duplication of income.

A net negative section 481(a) adjustment is taken into account entirely in the year of the change. A net positive section 481(a) adjustment is generally taken into account over a period of 4 years. Include any net positive section 481(a) adjustments on line 6. If the net section 481(a) adjustment is negative, report it in Part V.

For details on figuring section 481(a) adjustments, see the Instructions for Form 3115, and Rev. Proc. 2006-12, 2006-3 I.R.B. 310, available at www.irs.gov/irb/2006-03_IRB/ar14.html.

Line G

If your business activity was not a rental activity and you met any of the material participation tests below or the exception for oil and gas applies (explained on page C-3), check the "Yes" box. Otherwise, check the "No" box. If you check the "No" box, this business is a passive activity. If you have a loss from this business, see *Limit on losses* on page C-3. If you have a profit from this business activity but have current year losses from other passive activities or you have prior year unallowed passive activity losses, see the Instructions for Form 8582.

Material participation. Participation, for purposes of the seven material participation tests listed on page C-3, generally includes any work you did in connection with an ac-

tivity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter. However, work is not treated as participation if it is work that an owner would not customarily do in the same type of activity and one of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

Work you did as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the activity. Work done as an investor includes:

- Studying and reviewing financial statements or reports on the activity,
- Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
- Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Participation by your spouse during the tax year in an activity you own can be counted as your participation in the activity. This applies even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return. However, this does not apply if you and your spouse elect to have your business taxed as a qualified joint venture (see *Husband-wife business* on page C-1).

For purposes of the passive activity rules, you materially participated in the operation of this trade or business activity during 2007 if you met any of the following seven tests.

1. You participated in the activity for more than 500 hours during the tax year.
2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the tax year.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year. This includes individuals who did not own any interest in the activity.
4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities for more than 500 hours during the year. An activity is a "significant participation activity" if it involves the conduct of a trade or business, you participated in the activity for more than 100 hours during the tax year, and you did not materially participate under any of the material participation tests (other than this test 4).
5. You materially participated in the activity for any 5 of the prior 10 tax years.
6. The activity is a personal service activity in which you materially participated for any 3 prior tax years. A personal service activity is an activity that involves performing personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.
7. Based on all the facts and circumstances, you participated in the activity on a

regular, continuous, and substantial basis for more than 100 hours during the tax year. Your participation in managing the activity does not count in determining if you meet this test if any person (except you) (a) received compensation for performing management services in connection with the activity or (b) spent more hours during the tax year than you spent performing management services in connection with the activity (regardless of whether the person was compensated for the services).

Rental of personal property. A rental activity (such as long-term equipment leasing) is a passive activity even if you materially participated in the activity. However, if you met any of the five exceptions listed under *Rental Activities* in the Instructions for Form 8582, the rental of the property is not treated as a rental activity and the material participation rules above apply.

Exception for oil and gas. If you are filing Schedule C to report income and deductions from an oil or gas well in which you own a working interest directly or through an entity that does not limit your liability, check the "Yes" box. The activity of owning a working interest is not a passive activity, regardless of your participation.

Limit on losses. If you checked the "No" box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule C, line 31. Generally, you can deduct losses from passive activities only to the extent of income from passive activities. For details, see Pub. 925.

Line H

If you started or acquired this business in 2007, check the box on line H. Also check the box if you are reopening or restarting this business after temporarily closing it, and you did not file a 2006 Schedule C or C-EZ for this business.

Part I. Income

Except as otherwise provided in the Internal Revenue Code, gross income includes income from whatever source derived. In certain circumstances, however, gross income does not include extraterritorial income that is qualifying foreign trade income. Use Form 8873 to figure the extraterritorial income exclusion. Report it on Schedule C as explained in the Instructions for Form 8873.

If you were a debtor in a chapter 11 bankruptcy case during 2007, see page 18 of the instructions for Form 1040 and page SE-2 of the instructions for Schedule SE (Form 1040).

Line 1

Enter gross receipts from your trade or business. Include amounts you received in your trade or business that were properly shown on Forms 1099-MISC. If the total

amounts that were reported in box 7 of Forms 1099-MISC are more than the total you are reporting on line 1, attach a statement explaining the difference.

Statutory employees. If you received a Form W-2 and the "Statutory employee" box in box 13 of that form was checked, report your income and expenses related to that income on Schedule C or C-EZ. Enter your statutory employee income from box 1 of Form W-2 on line 1 of Schedule C or C-EZ and check the box on that line. Social security and Medicare tax should have been withheld from your earnings; therefore, you do not owe self-employment tax on these earnings. Statutory employees include full-time life insurance agents, certain agent or commission drivers and traveling salespersons, and certain homeworkers.

If you had both self-employment income and statutory employee income, you must file two Schedules C. You cannot use Schedule C-EZ or combine these amounts on a single Schedule C.

Installment sales. Generally, the installment method cannot be used to report income from the sale of (a) personal property regularly sold under the installment method, or (b) real property held for resale to customers. But the installment method can be used to report income from sales of certain residential lots and timeshares if you elect to pay interest on the tax due on that income after the year of sale. See section 453(l)(2)(B) for details. If you make this election, include the interest in the total on Form 1040, line 63. Also, enter "453(l)(3)" and the amount of the interest on the dotted line to the left of line 63.

If you use the installment method, attach a schedule to your return. Show separately for 2007 and the 3 preceding years: gross sales, cost of goods sold, gross profit, percentage of gross profit to gross sales, amounts collected, and gross profit on amounts collected.

Line 6

Report on line 6 amounts from finance reserve income, scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you got in 2007, credit for biodiesel and renewable diesel fuels claimed on Form 8864, credit for alcohol used as fuel claimed on Form 6478, credit for federal tax paid on gasoline or other fuels claimed on your 2006 Form 1040, prizes and awards related to your trade or business, and other kinds of miscellaneous business income. Include amounts you received in your trade or business as shown on Form 1099-PATR. Also, include any recapture of the deduction for clean-fuel vehicles and clean-fuel vehicle refueling property used in your business. See Regulations section 1.179A-1 for details.

If, in 2007, you received or accrued a credit or refund of the federal telephone excise tax, include in income:

- The interest part of the credit or refund, and

- The smaller of the amounts deducted or the amount from Form 8913, line 15, column (d), if you deducted the federal telephone excise tax as a business expense in one or more prior years, except to the extent the deduction did not reduce federal income tax in the prior year(s).

If the business use percentage of any listed property (defined in the instructions for line 13 on this page) decreased to 50% or less in 2007, report on this line any recapture of excess depreciation, including any section 179 expense deduction. Use Form 4797 to figure the recapture. Also, if the business use percentage drops to 50% or less on leased listed property (other than a vehicle), include on this line any inclusion amount. See Pub. 946 to figure the amount.

Part II. Expenses

Capitalizing costs of property. If you produced real or tangible personal property or acquired property for resale, certain expenses attributable to the property generally must be included in inventory costs or capitalized. In addition to direct costs, producers of inventory property generally must also include part of certain indirect costs in their inventory. Purchasers of personal property acquired for resale must include part of certain indirect costs in inventory only if the average annual gross receipts for the 3 prior tax years exceed \$10 million. Also, you must capitalize part of the indirect costs that benefit real or tangible personal property constructed for use in a trade or business, or noninventory property produced for sale to customers. Reduce the amounts on lines 8 through 26 and Part V by amounts capitalized. See Pub. 538 for a discussion of uniform capitalization rules.

Exception for certain producers. Producers who account for inventoriable items in the same manner as materials and supplies that are not incidental can currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See *Part III. Cost of Goods Sold* on page C-7 for more details.

Exception for creative property. If you are an artist, author, or photographer, you may be exempt from the capitalization rules. However, your personal efforts must have created (or reasonably be expected to create) the property. This exception does not apply to any expense related to printing, photographic plates, motion picture films, video tapes, or similar items. These expenses are subject to the capitalization rules. For details, see Pub. 538.

Line 9

You can deduct the actual expenses of running your car or truck or take the standard mileage rate. You must use actual expenses if you used your vehicle for hire (such as a taxicab) or you used five or more vehicles simultaneously in your business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previ-

ously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2007 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you take the standard mileage rate:

- Multiply the number of business miles driven by 48.5 cents, and
- Add to this amount your parking fees and tolls, and enter the total on line 9.

Do not deduct depreciation, rent or lease payments, or your actual operating expenses.

If you deduct actual expenses:

- Include on line 9 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 13 and rent or lease payments on line 20a.

For details, see Pub. 463.

Information on your vehicle. If you claim any car and truck expenses, you must provide certain information on the use of your vehicle by completing one of the following.

- Schedule C, Part IV, or Schedule C-EZ, Part III, if: (a) you are claiming the standard mileage rate, you lease your vehicle, or your vehicle is fully depreciated, and (b) you are not required to file Form 4562 for any other reason. If you used more than one vehicle during the year, attach your own schedule with the information requested in Schedule C, Part IV, or Schedule C-EZ, Part III, for each additional vehicle.
- Form 4562, Part V, if you are claiming depreciation on your vehicle or you are required to file Form 4562 for any other reason (see the instructions for line 13).

Line 11

Enter the total cost of contract labor for the tax year. Contract labor includes payments to persons you do not treat as employees (for example, independent contractors) for services performed for your trade or business. Do not include contract labor deducted elsewhere on your return, such as contract labor that is includible on line 17, 21, 26, or 37. Also, do not include salaries and wages paid to your employees, instead see line 26.

You must file Form 1099-MISC, Miscellaneous Income, to report contract labor payments of \$600 or more during the year. See the Instructions for Form 1099-MISC for details.

Line 12

Enter your deduction for depletion on this line. If you have timber depletion, attach Form T. See Pub. 535 for details.

Line 13

Depreciation and section 179 expense deduction. Depreciation is the annual deduction allowed to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. You can also depreciate improvements made to leased business property. However, stock in trade, inventories, and land are not depreciable. Depreciation starts when you first use the property in your business or for the production of income. It ends when you take the property out of service, deduct all your depreciable cost or other basis, or no longer use the property in your business or for the production of income. You can also elect under section 179 to expense part or all of the cost of certain property you bought in 2007 for use in your business. See the Instructions for Form 4562 and Pub. 946 to figure the amount to enter on line 13.

When to attach Form 4562. You must complete and attach Form 4562 only if:

- You are claiming depreciation on property placed in service during 2007;
- You are claiming depreciation on listed property (defined below), regardless of the date it was placed in service; or
- You are claiming a section 179 expense deduction.

If you acquired depreciable property for the first time in 2007, see Pub. 946.

Listed property generally includes, but is not limited to:

- Passenger automobiles weighing 6,000 pounds or less;
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, etc.;
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment);
- Cellular telephones or other similar telecommunications equipment; and
- Computers or peripheral equipment.

Exceptions. Listed property does not include photographic, phonographic, communication, or video equipment used exclusively in your trade or business or at your regular business establishment. It also does not include any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment. For purposes of these exceptions, a portion of your home is treated as a regular business establishment only if that portion meets the requirements under section 280A(c)(1) for deducting expenses for the business use of your home.

See the instructions for line 6 beginning on page C-3 if the business use percentage of any listed property decreased to 50% or less in 2007.

Line 14

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on

line 19. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

You cannot deduct contributions you made on your behalf as a self-employed person for group-term life insurance.

Do not include on line 14 any contributions you made on your behalf as a self-employed person to an accident and health plan. However, you may be able to deduct on Form 1040, line 29, or Form 1040NR, line 28, the amount you paid for health insurance on behalf of yourself, your spouse, and dependents, even if you do not itemize your deductions. See the instructions for Form 1040, line 29, or Form 1040NR, line 28, for details.

Line 15

Deduct premiums paid for business insurance on line 15. Deduct on line 14 amounts paid for employee accident and health insurance. Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability. For details, see Pub. 535.

Lines 16a and 16b

Interest allocation rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted (or capitalized) on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule C or C-EZ.

Generally, you allocate interest expense by tracing how the proceeds of the loan were used. See Pub. 535 for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in connection with your trade or business, see Pub. 535 to figure the amount that is deductible on Schedule C or C-EZ.

How to report. If you have a mortgage on real property used in your business (other than your main home), enter on line 16a the interest you paid for 2007 to banks or other financial institutions for which you received a Form 1098 (or similar statement). If you did not receive a Form 1098, enter the interest on line 16b.

If you paid more mortgage interest than is shown on Form 1098, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 16a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 16a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on

the mortgage and the other person received the Form 1098, include your share of the interest on line 16b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 16b, enter "See attached."

If you paid interest in 2007 that also applies to future years, deduct only the part that applies to 2007.

Line 17

Include on this line fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to operating your business.

Include fees for tax advice related to your business and for preparation of the tax forms related to your business. Also, include expenses incurred in resolving asserted tax deficiencies relating to your business.

For more information, see Pub. 334 or 535.

Line 18

Include on this line your expenses for office supplies and postage.

Line 19

Enter your deduction for contributions to a pension, profit-sharing, or annuity plan, or plan for the benefit of your employees. If the plan included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 28, or Form 1040NR, line 27, not on Schedule C.

Generally, you must file the applicable form listed below if you maintain a pension, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

Form 5500-EZ. File this form if you have a one-participant retirement plan that meets certain requirements. A one-participant plan is a plan that covers only you (or you and your spouse).

Form 5500. File this form for a plan that does not meet the requirements for filing Form 5500-EZ.

For details, see Pub. 560.

Lines 20a and 20b

If you rented or leased vehicles, machinery, or equipment, enter on line 20a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an amount called the inclusion amount. See *Leasing a Car* in Pub. 463 to figure your inclusion amount.

Enter on line 20b amounts paid to rent or lease other property, such as office space in a building.

Line 21

Deduct the cost of incidental repairs and maintenance that do not add to the value of the property or appreciably prolong its life. Do not deduct the value of your own labor. Do not deduct amounts spent to restore or replace property; they must be capitalized.

Line 22

Generally, you can deduct the cost of materials and supplies only to the extent you actually consumed and used them in your business during the tax year (unless you deducted them in a prior tax year). However, if you had incidental materials and supplies on hand for which you kept no inventories or records of use, you can deduct the cost of those you actually purchased during the tax year, provided that method clearly reflects income.

You can also deduct the cost of books, professional instruments, equipment, etc., if you normally use them within a year. However, if their usefulness extends substantially beyond the year they are placed in service, you must generally recover their costs through depreciation.

Line 23

You can deduct the following taxes and licenses on this line.

- State and local sales taxes imposed on you as the seller of goods or services. If you collected this tax from the buyer, you must also include the amount collected in gross receipts or sales on line 1.
- Real estate and personal property taxes on business assets.
- Licenses and regulatory fees for your trade or business paid each year to state or local governments. But some licenses, such as liquor licenses, may have to be amortized. See Pub. 535 for details.
- Social security and Medicare taxes paid to match required withholding from your employees' wages. Reduce your deduction by the amount shown on Form 8846, line 4.
- Federal unemployment tax paid.
- Federal highway use tax.

Do not deduct the following.

- Federal income taxes, including your self-employment tax. However, you can deduct one-half of your self-employment tax on Form 1040, line 27.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal use property.
- State and local sales taxes on property purchased for use in your business. Instead, treat these taxes as part of the cost of the property.

- State and local sales taxes imposed on the buyer that you were required to collect and pay over to state or local governments. These taxes are not included in gross receipts or sales nor are they a deductible expense. However, if the state or local government allowed you to retain any part of the sales tax you collected, you must include that amount as income on line 6.

- Other taxes and license fees not related to your business.

Line 24a

Enter your expenses for lodging and transportation connected with overnight travel for business while away from your tax home. Generally, your tax home is your main place of business, regardless of where you maintain your family home. You cannot deduct expenses paid or incurred in connection with employment away from home if that period of employment exceeds 1 year. Also, you cannot deduct travel expenses for your spouse, your dependent, or any other individual unless that person is your employee, the travel is for a bona fide business purpose, and the expenses would otherwise be deductible by that person.

Do not include expenses for meals and entertainment on this line. Instead, see the instructions for line 24b on this page.

Instead of keeping records of your actual incidental expenses, you can use an optional method for deducting incidental expenses only if you did not pay or incur meal expenses on a day you were traveling away from your tax home. The amount of the deduction is \$3 a day. Incidental expenses include fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships, and hotel servants in foreign countries. They do not include expenses for laundry, cleaning and pressing of clothing, lodging taxes, or the costs of telegrams or telephone calls. You cannot use this method on any day that you use the standard meal allowance (as explained in the instructions for line 24b).

You cannot deduct expenses for attending a convention, seminar, or similar meeting held outside the North American area unless the meeting is directly related to your trade or business and it is as reasonable for the meeting to be held outside the North American area as within it. These rules apply to both employers and employees. Other rules apply to luxury water travel.

For details on travel expenses, see Pub. 463.

Line 24b

Enter your total deductible business meal and entertainment expenses. This includes expenses for meals while traveling away from home for business and for meals that are business-related entertainment.

Deductible expenses. Business meal expenses are deductible only if they are (a) directly related to or associated with the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred

while you or your employee is present at the meal.

You cannot deduct any expense paid or incurred for a facility (such as a yacht or hunting lodge) used for any activity usually considered entertainment, amusement, or recreation.

Also, you cannot deduct membership dues for any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion. But it does not include civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards, unless a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests.

There are exceptions to these rules as well as other rules that apply to sky-box rentals and tickets to entertainment events. See Pub. 463.

Standard meal allowance. Instead of deducting the actual cost of your meals while traveling away from home, you can use the standard meal allowance for your daily meals and incidental expenses. Under this method, you deduct a specified amount, depending on where you travel, instead of keeping records of your actual meal expenses. However, you must still keep records to prove the time, place, and business purpose of your travel.

The standard meal allowance is the federal M&IE rate. You can find these rates on the Internet at www.gsa.gov. Click on "Per Diem Rates" for links to locations inside and outside the continental United States.

See Pub. 463 for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel.

Amount of deduction. Generally, you can deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. For individuals subject to the Department of Transportation (DOT) hours of service limits, that percentage is increased to 75% for business meals consumed during, or incident to, any period of duty for which those limits are in effect. Individuals subject to the DOT hours of service limits include the following.

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are under Federal Aviation Administration regulations.

- Interstate truck operators who are under DOT regulations.

- Certain merchant mariners who are under Coast Guard regulations.

However, you can fully deduct meals, incidentals, and entertainment furnished or reimbursed to an employee if you properly treat the expense as wages subject to withholding. You can also fully deduct meals, incidentals, and entertainment provided to a nonemployee to the extent the expenses

are includible in the gross income of that person and reported on Form 1099-MISC. See Pub. 535 for details and other exceptions.

Daycare providers. If you qualify as a family daycare provider, you can use the standard meal and snack rates, instead of actual costs, to compute the deductible cost of meals and snacks provided to eligible children. See Pub. 587 for details, including recordkeeping requirements.

Line 25

Deduct utility expenses only for your trade or business.

Local telephone service. If you used your home phone for business, do not deduct the base rate (including taxes) of the first phone line into your residence. But you can deduct expenses for any additional costs you incurred for business that are more than the cost of the base rate for the first phone line. For example, if you had a second line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Line 26

Enter the total salaries and wages for the tax year. Do not include salaries and wages deducted elsewhere on your return or amounts paid to yourself. Reduce your deduction by the amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 8844, Empowerment Zone and Renewal Community Employment Credit, line 2; and
- Form 8861, Welfare-to-Work Credit, line 2.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as wages the amount applicable to depreciation and other expenses claimed elsewhere.

Generally, you are required to file Form W-2, Wage and Tax Statement, for each employee. See the Instructions for Forms W-2 and W-3.

Line 30

Business use of your home. You may be able to deduct certain expenses for business use of your home, subject to limitations. You must attach Form 8829 if you claim this deduction. For details, see the Instructions for Form 8829 and Pub. 587.

Line 31

If you have a loss, the amount of loss you can deduct this year may be limited. Go to line 32 before entering your loss on line 31. If you answered "No" on Schedule C, line G, also see the Instructions for Form 8582. Enter the net profit or deductible loss here. Combine this amount with any profit or loss from other businesses, and enter the

total on both Form 1040, line 12, and Schedule SE, line 2, or on Form 1040NR, line 13. Estates and trusts should enter the total on Form 1041, line 3.

Rental real estate activity. Unless you are a qualifying real estate professional, a rental real estate activity is a passive activity, even if you materially participated in the activity. If you have a loss, you may need to file Form 8582 to figure your deductible loss to enter on line 31. See the Instructions for Form 8582.

Statutory employees. Include your net profit or deductible loss from line 31 with other Schedule C amounts on Form 1040, line 12, or on Form 1040NR, line 13. However, do not report this amount on Schedule SE, line 2. If you are required to file Schedule SE because of other self-employment income, see the Instructions for Schedule SE.

Notary public. Do not enter your net profit from line 31 on Schedule SE, line 2, unless you are required to file Schedule SE because of other self-employment income. See page SE-3 of the instructions for Schedule SE.

Community income. If you and your spouse had community income and are filing separate returns, see page SE-2 of the instructions for Schedule SE before figuring self-employment tax.

Earned income credit. If you have a net profit on line 31, this amount is earned income and may qualify you for the earned income credit (EIC).



To figure your EIC, use the instructions for Form 1040, lines 66a and 66b. Complete all applicable steps plus Worksheet B. If you are required to file Schedule SE, remember to subtract one-half of your self-employment tax in Part 1 of Worksheet B.

Line 32

At-risk rules. Generally, if you have a business loss and amounts invested in the business for which you are not at risk, you must complete Form 6198 to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the business.

Check box 32b if you have amounts invested in this business for which you are not at risk, such as the following.

- Nonrecourse loans used to finance the business, to acquire property used in the business, or to acquire the business that are not secured by your own property (other than property used in the business). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.

- Cash, property, or borrowed amounts used in the business (or contributed to the business, or used to acquire the business) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the business from a person who has an interest in the business, other than as a creditor, or who is related under section 465(b)(3)(C) to a person (other than you) having such an interest.

Figuring your deductible loss. If all amounts are at risk in this business, check box 32a. If you answered "Yes" on line G, enter your loss on line 31. But if you answered "No" on line G, you may need to complete Form 8582 to figure your allowable loss to enter on line 31. See the Instructions for Form 8582 for details.

If you checked box 32b, first complete Form 6198 to determine the amount of your deductible loss. If you answered "Yes" on line G, enter that amount on line 31. But if you answered "No" on line G, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter -0- on line 31. Be sure to attach Form 6198 to your return. If you checked box 32b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this business not allowed for 2007 only because of the at-risk rules is treated as a deduction allocable to the business in 2008.

For details, see the Instructions for Form 6198 and Pub. 925.

Part III. Cost of Goods Sold

Generally, if you engaged in a trade or business in which the production, purchase, or sale of merchandise was an income-producing factor, you must take inventories into account at the beginning and end of your tax year.

However, if you are a qualifying taxpayer or a qualifying small business taxpayer, you can account for inventoriable items in the same manner as materials and supplies that are not incidental. To change your accounting method, see the instructions for line F on page C-2.

A qualifying taxpayer is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are \$1 million or less, and (b) whose business is not a tax shelter (as defined in section 448(d)(3)).

A qualifying small business taxpayer is a taxpayer (a) whose average annual gross receipts for the 3 prior tax years are \$10 million or less, (b) whose business is not a tax shelter (as defined in section 448(d)(3)), and (c) whose principal business activity is not an ineligible activity as explained in Rev. Proc. 2002-28. You can find Rev. Proc. 2002-28 on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.

Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash

method). Enter amounts paid for all raw materials and merchandise during 2007 on line 36. The amount you can deduct for 2007 is figured on line 42.

Additional information. For additional guidance on this method of accounting for inventoriable items, see the following.

- Pub. 538 discusses both exceptions.
- If you are a qualifying taxpayer, see Rev. Proc. 2001-10, on page 272 of Internal Revenue Bulletin 2001-2 at www.irs.gov/pub/irs-irbs/irb01-02.pdf.
- If you are a qualifying small business taxpayer, see Rev. Proc. 2002-28, on page 815 of Internal Revenue Bulletin 2002-18 at www.irs.gov/pub/irs-irbs/irb02-18.pdf.



Certain direct and indirect expenses may have to be capitalized or included in inventory. See the instructions for Part II beginning on page C-4. See Pub. 538 for additional information.

Line 33

Your inventories can be valued at cost; cost or market value, whichever is lower; or any other method approved by the IRS. However, you are required to use cost if you are using the cash method of accounting.

Line 35

If you are changing your method of accounting beginning with 2007, refigure last year's closing inventory using your new method of accounting and enter the result on line 35. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring your section 481(a) adjustment. For details, see the example on page C-2 under *Line F*.

Line 41

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, enter on line 41 the portion of your raw materials and merchandise purchased for resale that is included on line 40 and was not sold during the year.

Part IV. Information on Your Vehicle

Line 44b

Generally, commuting is travel between your home and a work location. If you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business. For information on certain travel that is considered a business expense rather than commuting, see the Instructions for Form 2106.

Part V. Other Expenses

Include all ordinary and necessary business expenses not deducted elsewhere on Schedule C. List the type and amount of each expense separately in the space provided. Enter the total on lines 48 and 27. Do not include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. Do not include charitable contributions. Also, you cannot deduct fines or penalties paid to a government for violating any law. For details on business expenses, see Pub. 535.

Amortization. Include amortization in this part. For amortization that begins in 2007, you must complete and attach Form 4562.

You can elect to amortize such costs as:

- The cost of pollution-control facilities.
- Amounts paid for research and experimentation.
- Qualified revitalization expenditures.
- Amounts paid to acquire, protect, expand, register, or defend trademarks or trade names.
- Goodwill and certain other intangibles.
- Certain expenses paid or incurred to create or acquire a musical composition or its copyright.

In general, you cannot amortize real property construction period interest and taxes. Special rules apply for allocating interest to real or personal property produced in your trade or business.

For a complete list, see the Instructions for Form 4562, Part VI.

At-risk loss deduction. Any loss from this business that was not allowed as a deduction last year only because of the at-risk rules is treated as a deduction allocable to this business in 2007. For the loss to be deductible, the amount that is "at risk" must be increased.

Bad debts. Include debts and partial debts from sales or services that were included in income and are definitely known to be worthless. If you later collect a debt that you deducted as a bad debt, include it as income in the year collected. For details, see Pub. 535.

Business start-up costs. If your business began in 2007, you can elect to deduct up to \$5,000 of certain business start-up costs. This limit is reduced (but not below zero) by the amount by which your total start-up costs exceed \$50,000. Your remaining start-up costs can be amortized over a 180-month period, beginning with the month the business began.

For details, see Pub. 535. For amortization that begins in 2007, you must complete and attach Form 4562.

Deduction for removing barriers to individuals with disabilities and the elderly. You may be able to deduct up to \$15,000 of costs paid or incurred in 2007 to remove architectural or transportation barriers to individuals with disabilities and the elderly. However, you cannot take both the credit (discussed on page C-1) and the deduction on the same expenditures.

Film and television production expenses. You can elect to deduct costs of certain qualified film and television productions. For details, see Pub. 535.

Forestation and reforestation costs. Reforestation costs are generally capital expenditures. However, for each qualified timber property you can elect to expense up to \$10,000 (\$5,000 if married filing separately) of qualifying reforestation costs paid or incurred in 2007. This limit is increased for small timber producers with qualified timber property located in the GO Zone, the Rita GO Zone, or the Wilma GO Zone. For GO Zone information, see Pub. 4492.

You can elect to amortize the remaining costs over 84 months. For amortization that begins in 2007, you must complete and attach Form 4562.

The amortization election does not apply to trusts and the expense election does not apply to estates and trusts. For details on reforestation expenses, see Pub. 535.

GO Zone clean-up costs. You can deduct 50% of qualified GO Zone clean-up costs paid or incurred in 2007 for the removal of debris from, or the demolition of structures on, real property located in the GO Zone. The property must be held for use in a trade or business, for the production of income, or as inventory. The remaining 50% of these costs must be capitalized. See Pub. 4492 for the areas included in the GO Zone.

Costs of making commercial buildings energy efficient. You may be able to deduct part or all of the cost of modifying existing commercial buildings to make them energy efficient. For details, see section 179D and Notice 2006-52. You can find Notice 2006-52 on page 1175 of Internal Revenue Bulletin 2006-26 at www.irs.gov/irb/2006-26_IRB/ar11.html.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control number 1545-1974 and is shown below.

Recordkeeping	1 hr., 18 min.
Learning about the law or the form	24 min.
Preparing the form	1 hr.
Copying, assembling, and sending the form to the IRS	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Principal Business or Professional Activity Codes

These codes for the Principal Business or Professional Activity classify sole proprietorships by the type of activity they are engaged in to facilitate the administration of the Internal Revenue Code. These six-digit codes are based on the North American Industry Classification System (NAICS).

Select the category that best describes your primary business activity (for example, Real Estate). Then select the activity that best identifies the principal source of your sales or receipts (for example, real estate agent). Now find the six-digit code assigned to this activity (for example, 531210, the code for offices

of real estate agents and brokers) and enter it on Schedule C or C-EZ, line B.

Note. If your principal source of income is from farming activities, you should file Schedule F.

Accommodation, Food Services, & Drinking Places Accommodation	Food Services & Drinking Places	Administrative & Support and Waste Management & Remediation Services	Administrative & Support Services
721310 Rooming & boarding houses	722410 Drinking places (alcoholic beverages)	561430 Business service centers (including private mail centers & copy shops)	561440 Collection agencies
721210 RV (recreational vehicle) parks & recreational camps	722110 Full-service restaurants	561740 Carpet & upholstery cleaning services	561450 Credit bureaus
721100 Traveler accommodation (including hotels, motels, & bed & breakfast inns)	722210 Limited-service eating places		561410 Document preparation services
	722300 Special food services (including food service contractors & caterers)		561300 Employment services
			561710 Exterminating & pest control services
			561210 Facilities support (management) services

Principal Business or Professional Activity Codes (continued)

561600 Investigation & security services	Heavy and Civil Engineering Construction 237310 Highway, street, & bridge construction 237210 Land subdivision 237100 Utility system construction 237990 Other heavy & civil engineering construction Specialty Trade Contractors 238310 Drywall & insulation contractors 238210 Electrical contractors 238350 Finish carpentry contractors 238330 Flooring contractors 238130 Framing carpentry contractors 238150 Glass & glazing contractors 238140 Masonry contractors 238320 Painting & wall covering contractors 238220 Plumbing, heating & air-conditioning contractors 238110 Poured concrete foundation & structure contractors 238160 Roofing contractors 238170 Siding contractors 238910 Site preparation contractors 238120 Structural steel & precast concrete construction contractors 238340 Tile & terrazzo contractors 238290 Other building equipment contractors 238390 Other building finishing contractors 238190 Other foundation, structure, & building exterior contractors 238990 All other specialty trade contractors	Health Care & Social Assistance Ambulatory Health Care Services 621610 Home health care services 621510 Medical & diagnostic laboratories 621310 Offices of chiropractors 621210 Offices of dentists 621330 Offices of mental health practitioners (except physicians) 621320 Offices of optometrists 621340 Offices of physical, occupational & speech therapists, & audiologists 621111 Offices of physicians (except mental health specialists) 621112 Offices of physicians, mental health specialists 621391 Offices of podiatrists 621399 Offices of all other miscellaneous health practitioners 621400 Outpatient care centers 621900 Other ambulatory health care services (including ambulance services, blood, & organ banks) Hospitals 622000 Hospitals Nursing & Residential Care Facilities 623000 Nursing & residential care facilities Social Assistance 624410 Child day care services 624200 Community food & housing, & emergency & other relief services 624100 Individual & family services 624310 Vocational rehabilitation services	331000 Primary metal mfg.
561720 Janitorial services			323100 Printing & related support activities
561730 Landscaping services			313000 Textile mills
561110 Office administrative services			314000 Textile product mills
561420 Telephone call centers (including telephone answering services & telemarketing bureaus)			336000 Transportation equipment mfg.
561500 Travel arrangement & reservation services			321000 Wood product mfg.
561490 Other business support services (including repossession services, court reporting, & stenotype services)			339900 Other miscellaneous mfg.
561790 Other services to buildings & dwellings			Chemical Manufacturing
561900 Other support services (including packaging & labeling services, & convention & trade show organizers)			325100 Basic chemical mfg.
Waste Management & Remediation Services			325500 Paint, coating, & adhesive mfg.
562000 Waste management & remediation services	325300 Pesticide, fertilizer, & other agricultural chemical mfg.		
Agriculture, Forestry, Hunting, & Fishing	325410 Pharmaceutical & medicine mfg.		
112900 Animal production (including breeding of cats and dogs)	325200 Resin, synthetic rubber, & artificial & synthetic fibers & filaments mfg.		
114110 Fishing	325600 Soap, cleaning compound, & toilet preparation mfg.		
113000 Forestry & logging (including forest nurseries & timber tracts)	325900 Other chemical product & preparation mfg.		
114210 Hunting & trapping	Food Manufacturing		
Support Activities for Agriculture & Forestry	311110 Animal food mfg.		
115210 Support activities for animal production (including farriers)	311800 Bakeries & tortilla mfg.		
115110 Support activities for crop production (including cotton ginning, soil preparation, planting, & cultivating)	311500 Dairy product mfg.		
115310 Support activities for forestry	311400 Fruit & vegetable preserving & speciality food mfg.		
Arts, Entertainment, & Recreation	311200 Grain & oilseed milling		
Amusement, Gambling, & Recreation Industries	311610 Animal slaughtering & processing		
713100 Amusement parks & arcades	311710 Seafood product preparation & packaging		
713200 Gambling industries	311300 Sugar & confectionery product mfg.		
713900 Other amusement & recreation services (including golf courses, skiing facilities, marinas, fitness centers, bowling centers, skating rinks, miniature golf courses)	311900 Other food mfg. (including coffee, tea, flavorings, & seasonings)		
Museums, Historical Sites, & Similar Institutions	Leather & Allied Product Manufacturing		
712100 Museums, historical sites, & similar institutions	316210 Footwear mfg. (including leather, rubber, & plastics)		
Performing Arts, Spectator Sports, & Related Industries	316110 Leather & hide tanning & finishing		
711410 Agents & managers for artists, athletes, entertainers, & other public figures	316990 Other leather & allied product mfg.		
711510 Independent artists, writers, & performers	Nonmetallic Mineral Product Manufacturing		
711100 Performing arts companies	327300 Cement & concrete product mfg.		
711300 Promoters of performing arts, sports, & similar events	327100 Clay product & refractory mfg.		
711210 Spectator sports (including professional sports clubs & racetrack operations)	327210 Glass & glass product mfg.		
Construction of Buildings	327400 Lime & gypsum product mfg.		
236200 Nonresidential building construction	327900 Other nonmetallic mineral product mfg.		
236100 Residential building construction	Mining		
	212110 Coal mining		
	212200 Metal ore mining		
	212300 Nonmetallic mineral mining & quarrying		
	211110 Oil & gas extraction		
	213110 Support activities for mining		
	Other Services		
	Personal & Laundry Services		
	812111 Barber shops		
	812112 Beauty salons		
	812220 Cemeteries & crematories		
	812310 Coin-operated laundries & drycleaners		
	812320 Drycleaning & laundry services (except coin-operated) (including laundry & drycleaning dropoff & pickup sites)		
	812210 Funeral homes & funeral services		
	812330 Linen & uniform supply		

Principal Business or Professional Activity Codes (continued)

812113 Nail salons	541990 All other professional, scientific, & technical services	Gasoline Stations 447100 Gasoline stations (including convenience stores with gas)	484200 Specialized freight trucking (including household moving vans)	
812930 Parking lots & garages	Real Estate & Rental & Leasing Real Estate 531100 Lessors of real estate (including miniwarehouses & self-storage units) 531210 Offices of real estate agents & brokers 531320 Offices of real estate appraisers 531310 Real estate property managers 531390 Other activities related to real estate Rental & Leasing Services 532100 Automotive equipment rental & leasing 532400 Commercial & industrial machinery & equipment rental & leasing 532210 Consumer electronics & appliances rental 532220 Formal wear & costume rental 532310 General rental centers 532230 Video tape & disc rental 532290 Other consumer goods rental	General Merchandise Stores 452000 General merchandise stores Health & Personal Care Stores 446120 Cosmetics, beauty supplies, & perfume stores 446130 Optical goods stores 446110 Pharmacies & drug stores 446190 Other health & personal care stores	485300 Taxi & limousine service 485110 Urban transit systems 483000 Water transportation 485990 Other transit & ground passenger transportation 488000 Support activities for transportation (including motor vehicle towing)	
812920 Photofinishing		Motor Vehicle & Parts Dealers 441300 Automotive parts, accessories, & tire stores 441222 Boat dealers 441221 Motorcycle dealers 441110 New car dealers 441210 Recreational vehicle dealers (including motor home & travel trailer dealers)	Couriers & Messengers 492000 Couriers & messengers	
812190 Other personal care services (including diet & weight reducing centers)		Religious, Grantmaking, Civic, Professional, & Similar Organizations 813000 Religious, grantmaking, civic, professional, & similar organizations	Warehousing & Storage Facilities 493100 Warehousing & storage (except leases of miniwarehouses & self-storage units)	
812990 All other personal services		Retail Trade Building Material & Garden Equipment & Supplies Dealers 444130 Hardware stores 444110 Home centers 444200 Lawn & garden equipment & supplies stores 444120 Paint & wallpaper stores 444190 Other building materials dealers Clothing & Accessories Stores 448130 Children's & infants' clothing stores 448150 Clothing accessories stores 448140 Family clothing stores 448310 Jewelry stores 448320 Luggage & leather goods stores 448110 Men's clothing stores 448210 Shoe stores 448120 Women's clothing stores 448190 Other clothing stores Electronic & Appliance Stores 443130 Camera & photographic supplies stores 443120 Computer & software stores 443111 Household appliance stores 443112 Radio, television, & other electronics stores Food & Beverage Stores 445310 Beer, wine, & liquor stores 445220 Fish & seafood markets 445230 Fruit & vegetable markets 445100 Grocery stores (including supermarkets & convenience stores without gas) 445210 Meat markets 445290 Other specialty food stores Furniture & Home Furnishing Stores 442110 Furniture stores 442200 Home furnishings stores	Miscellaneous Store Retailers 453920 Art dealers 453110 Florists 453220 Gift, novelty, & souvenir stores 453930 Manufactured (mobile) home dealers 453210 Office supplies & stationery stores 453910 Pet & pet supplies stores 453310 Used merchandise stores 453990 All other miscellaneous store retailers (including tobacco, candle, & trophy shops) Nonstore Retailers 454112 Electronic auctions 454111 Electronic shopping 454310 Fuel dealers 454113 Mail-order houses 454210 Vending machine operators 454390 Other direct selling establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	Utilities 221000 Utilities
Repair & Maintenance				Wholesale Trade Merchant Wholesalers, Durable Goods 423600 Electrical & electronic goods 423200 Furniture & home furnishing 423700 Hardware, & plumbing & heating equipment & supplies 423940 Jewelry, watch, precious stone, & precious metals 423300 Lumber & other construction materials 423800 Machinery, equipment, & supplies 423500 Metal & mineral (except petroleum) 423100 Motor vehicle & motor vehicle parts & supplies 423400 Professional & commercial equipment & supplies 423930 Recyclable materials 423910 Sporting & recreational goods & supplies 423920 Toy & hobby goods & supplies 423990 Other miscellaneous durable goods
811120 Automotive body, paint, interior, & glass repair				Merchant Wholesalers, Nondurable Goods 424300 Apparel, piece goods, & notions 424800 Beer, wine, & distilled alcoholic beverage 424920 Books, periodicals, & newspapers 424600 Chemical & allied products 424210 Drugs & druggists' sundries 424500 Farm product raw materials 424910 Farm supplies 424930 Flower, nursery stock, & florists' supplies 424400 Grocery & related products 424950 Paint, varnish, & supplies 424100 Paper & paper products 424700 Petroleum & petroleum products 424940 Tobacco & tobacco products 424990 Other miscellaneous nondurable goods
811110 Automotive mechanical & electrical repair & maintenance				Wholesale Electronic Markets and Agents & Brokers 425110 Business to business electronic markets 425120 Wholesale trade agents & brokers
811190 Other automotive repair & maintenance (including oil change & lubrication shops & car washes)				999999 Unclassified establishments (unable to classify)
811310 Commercial & industrial machinery & equipment (except automotive & electronic) repair & maintenance				
811210 Electronic & precision equipment repair & maintenance				
811430 Footwear & leather goods repair				
811410 Home & garden equipment & appliance repair & maintenance				
811420 Reupholstery & furniture repair				
811490 Other personal & household goods repair & maintenance				
Professional, Scientific, & Technical Services				
541100 Legal services				
541211 Offices of certified public accountants				
541214 Payroll services				
541213 Tax preparation services				
541219 Other accounting services				
Architectural, Engineering, & Related Services				
541310 Architectural services				
541350 Building inspection services				
541340 Drafting services				
541330 Engineering services				
541360 Geophysical surveying & mapping services				
541320 Landscape architecture services				
541370 Surveying & mapping (except geophysical) services				
541380 Testing laboratories				
Computer Systems Design & Related Services				
541510 Computer systems design & related services				
Specialized Design Services				
541400 Specialized design services (including interior, industrial, graphic, & fashion design)				
Other Professional, Scientific, & Technical Services				
541800 Advertising & related services				
541600 Management, scientific, & technical consulting services				
541910 Market research & public opinion polling				
541920 Photographic services				
541700 Scientific research & development services				
541930 Translation & interpretation services				
541940 Veterinary services				



2007 Instructions for Schedule D

Capital Gains and Losses

Use Schedule D (Form 1040) to report the following.

- The sale or exchange of a capital asset (defined on this page) not reported on another form or schedule.
- Gains from involuntary conversions (other than from casualty or theft) of capital assets not held for business or profit.
- Capital gain distributions not reported directly on Form 1040, line 13 (or effectively connected capital gain distributions not reported directly on Form 1040NR, line 14).
- Nonbusiness bad debts.

Additional information. See Pub. 544 and Pub. 550 for more details. For a comprehensive filled-in example of Schedule D, see Pub. 550.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Self-created musical works. You can elect to treat certain musical compositions or copyrights as capital assets. See Pub. 550 for details.

Sale of your home. The election to suspend the 5-year test period for ownership and use of a main home now can be made by employees of the intelligence community. See *Sale of Your Home* on page D-2.

Renewal community businesses. If you sold or exchanged a qualified community asset acquired after December 31, 2001, and held more than 5 years, you may be able to exclude any qualified capital gain. See *Exclusion of Gain From Qualified Community Assets* on page D-6.

General Instructions

Other Forms You May Have To File

Use Form 4797 to report the following.

1. The sale or exchange of:
 - a. Property used in a trade or business;
 - b. Depreciable and amortizable property;
 - c. Oil, gas, geothermal, or other mineral property; and
 - d. Section 126 property.
2. The involuntary conversion (other than from casualty or theft) of property used in a trade or business and capital assets held for business or profit.
3. The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.

4. Ordinary loss on the sale, exchange, or worthlessness of small business investment company (section 1242) stock.

5. Ordinary loss on the sale, exchange, or worthlessness of small business (section 1244) stock.

6. Ordinary gain or loss on securities held in connection with your trading business, if you previously made a mark-to-market election. See *Traders in Securities* on page D-3.

Use Form 4684 to report involuntary conversions of property due to casualty or theft.

Use Form 6781 to report gains and losses from section 1256 contracts and straddles.

Use Form 8824 to report like-kind exchanges. A like-kind exchange occurs when you exchange business or investment property for property of a like kind.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets. A capital asset is any property held by you except the following.

- Stock in trade or other property included in inventory or held mainly for sale to customers. But see the *Tip* on this page.
- Accounts or notes receivable for services performed in the ordinary course of your trade or business or as an employee, or from the sale of stock in trade or other property held mainly for sale to customers.
- Depreciable property used in your trade or business, even if it is fully depreciated.
- Real estate used in your trade or business.
- Copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property: (a) created by your personal efforts; (b) prepared or produced for you (in the case of letters, memoranda, or similar property); or (c) that you received

from someone who created them or for whom they were created, as mentioned in (a) or (b), in a way (such as by gift) that entitled you to the basis of the previous owner. But see the *Tip* below.

- U.S. Government publications, including the Congressional Record, that you received from the Government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.

- Certain commodities derivative financial instruments held by a dealer. See section 1221(a)(6).

- Certain hedging transactions entered into in the normal course of your trade or business. See section 1221(a)(7).

- Supplies regularly used in your trade or business.



You can elect to treat as capital assets certain musical compositions or copyrights you sold or exchanged. See Pub. 550 for details.

Basis and Recordkeeping

Basis is the amount of your investment in property for tax purposes. You need to know your basis to figure any gain or loss on the sale or other disposition of the property. You must keep accurate records that show the basis and adjusted basis of your property. Your records should show the purchase price, including commissions; increases to basis, such as the cost of improvements; and decreases to basis, such as depreciation, nondividend distributions on stock, and stock splits.

For more information on basis, see page D-7 and these publications.

- Pub. 551, Basis of Assets.
- Pub. 550, Investment Income and Expenses (Including Capital Gains and Losses).
- Pub. 564, Mutual Fund Distributions.

If you lost or did not keep records to determine your basis in securities, contact your broker for help.



The IRS partners with companies that offer Schedule D software that can import trades from many brokerage firms and accounting software to help you keep track of your adjusted basis in securities. To find out more, go to www.irs.gov/efile.

Short Term or Long Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for short-term capital gains and losses is 1 year or less. The holding period for long-term capital gains and losses is more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.

If you disposed of property that you acquired by inheritance, report the disposition as a long-term gain or loss, regardless of how long you held the property.

A nonbusiness bad debt must be treated as a short-term capital loss. See Pub. 550 for what qualifies as a nonbusiness bad debt and how to enter it on Schedule D.

Capital Gain Distributions

These distributions are paid by a mutual fund (or other regulated investment company) or real estate investment trust from its net realized long-term capital gains. Distributions of net realized short-term capital gains are not treated as capital gains. Instead, they are included on Form 1099-DIV as ordinary dividends.

Enter on line 13 the total capital gain distributions paid to you during the year, regardless of how long you held your investment. This amount is shown in box 2a of Form 1099-DIV.

If there is an amount in box 2b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 if you complete line 19 of Schedule D.

If there is an amount in box 2c, see *Exclusion of Gain on Qualified Small Business (QSB) Stock* on page D-4.

If there is an amount in box 2d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-8 if you complete line 18 of Schedule D.

If you received capital gain distributions as a nominee (that is, they were paid to you but actually belong to someone else), report on line 13 only the amount that belongs to you. Attach a statement showing the full amount you received and the amount you received as a nominee. See the Instructions for Schedule B for filing requirements for Forms 1099-DIV and 1096.

Sale of Your Home

If you sold or exchanged your main home, do not report it on your tax return unless your gain is more than your exclusion amount. Your exclusion amount is zero if:

- You acquired your home in a like-kind exchange in which all or part of the gain was not recognized, and
- You sold or exchanged the home during the 5-year period beginning on the date you acquired it.

Generally, if you meet the two following tests, you can exclude up to \$250,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to \$500,000 of gain (but only one spouse needs to meet the ownership requirement in *Test 1*).

Test 1. You owned and used the home as your main home for 2 years or more during the 5-year period ending on the date you sold or exchanged your home.

Test 2. You have not excluded gain on the sale or exchange of another main home during the 2-year period ending on the date of the sale or exchange of your home.

Even if you do not meet one or both of the above two tests, you still can claim an exclusion if you sold or exchanged the home because of a change in place of employment, health, or certain unforeseen circumstances. In this case, the maximum amount of gain you can exclude is reduced.

You can choose to have the 5-year test period for ownership and use in *Test 1* above suspended during any period you or your spouse serve on qualified official extended duty as a member of the uniformed services or Foreign Service of the United States or as an employee of the intelligence community. This means you may be able to meet *Test 1* even if, because of your service, you did not actually use the home as your main home for at least the required 2 years during the 5-year period ending on the date of sale.

See Pub. 523 for details, including how to report any taxable gain if:

- You (or your spouse if married) used any part of the home for business or rental purposes after May 6, 1997, or
- Your gain is more than your exclusion amount.

Partnership Interests

A sale or other disposition of an interest in a partnership may result in ordinary income, collectibles gain (28% rate gain), or unrecaptured section 1250 gain. For details on 28% rate gain, see the instructions for line 18 on page D-8. For details on unrecaptured section 1250 gain, see the instructions for line 19 beginning on page D-8.

Capital Assets Held for Personal Use

Generally, gain from the sale or exchange of a capital asset held for personal use is a capital gain. Report it on Schedule D, Part I or Part II. However, if you converted depreciable property to personal use, all or part of the gain on the sale or exchange of that property may have to be recaptured as ordinary income. Use Part III of Form 4797 to figure the amount of ordinary income

recapture. The recapture amount is included on line 31 (and line 13) of Form 4797. Do not enter any gain for this property on line 32 of Form 4797. If you are not completing Part III for any other properties, enter "N/A" on line 32. If the total gain is more than the recapture amount, enter "From Form 4797" in column (a) of line 1 or line 8 of Schedule D, skip columns (b) through (e), and in column (f) enter the excess of the total gain over the recapture amount.

Loss from the sale or exchange of a capital asset held for personal use is not deductible. But if you had a loss from the sale or exchange of real estate held for personal use for which you received a Form 1099-S, you must report the transaction on Schedule D even though the loss is not deductible. For example, you have a loss on the sale of a vacation home that is not your main home and you received a Form 1099-S for the transaction. Report the transaction on line 1 or 8, depending on how long you owned the home. Complete columns (a) through (e). Because the loss is not deductible, enter -0- in column (f).

Capital Losses

You can deduct capital losses up to the amount of your capital gains plus \$3,000 (\$1,500 if married filing separately). You may be able to use capital losses that exceed this limit in future years. Be sure to report all of your capital gains and losses (except nondeductible losses) even if you cannot use all of your losses in 2007. See Pub. 550 to figure the amount of unused capital losses you can carry forward to 2008.

Nondeductible Losses

Do not deduct a loss from the direct or indirect sale or exchange of property between any of the following.

- Members of a family.
- A corporation and an individual owning more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a beneficiary of another trust created by the same grantor.
- An executor of an estate and a beneficiary of that estate, unless the sale or exchange was to satisfy a pecuniary bequest (that is, a bequest of a sum of money).
- An individual and a tax-exempt organization controlled by the individual or the individual's family.

See Pub. 544 for more details on sales and exchanges between related parties.

If you disposed of (a) an asset used in an activity to which the at-risk rules apply or (b) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you are not at risk, see the Instructions for Form 6198.

If the loss is allowable under the at-risk rules, it then may be subject to the passive activity rules. See Form 8582 and its instructions for details on reporting capital gains and losses from a passive activity.

Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See Pub. 550.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50% owned entity or to a trust of which you are a beneficiary. See Pub. 544.
- Gain on the disposition of stock in an interest charge domestic international sales corporation. See section 995(c).
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Transfer of property to a partnership that would be treated as an investment company if it were incorporated. See Pub. 541.
- Sales of stock received under a qualified public utility dividend reinvestment plan. See Pub. 550.
- Transfer of appreciated property to a political organization. See section 84.
- In general, no gain or loss is recognized on the transfer of property from an individual to a spouse or a former spouse if the transfer is incident to a divorce. See Pub. 504.
- Amounts received on the retirement of a debt instrument generally are treated as received in exchange for the debt instrument. See Pub. 550.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D, but any gain is reported as ordinary income on Form 4797.
- If qualified dividends that you reported on Form 1040, line 9b, or Form 1040NR, line 10b, include extraordinary dividends, any loss on the sale or exchange of the stock is a long-term capital loss to the extent of the extraordinary dividends. An extraordinary dividend is a dividend that equals or exceeds 10% (5% in the case of preferred stock) of your basis in the stock.
- Amounts received by shareholders in corporate liquidations. See Pub. 550.
- Cash received in lieu of fractional shares of stock as a result of a stock split or stock dividend. See Pub. 550.
- Load charges to acquire stock in a regulated investment company (including a mutual fund), which may not be taken into account in determining gain or loss on certain dispositions of the stock if reinvestment rights were exercised. See Pub. 564.
- The sale or exchange of S corporation stock or an interest in a trust held for more

than 1 year, which may result in collectibles gain (28% rate gain). See the instructions for line 18 on page D-8.

- Gain or loss on the disposition of securities futures contracts. See Pub. 550.
- Gain on the constructive sale of certain appreciated financial positions. See Pub. 550.
- Certain constructive ownership transactions. Gain in excess of the gain you would have recognized if you had held a financial asset directly during the term of a derivative contract must be treated as ordinary income. See section 1260. If any portion of the constructive ownership transaction was open in any prior year, you may have to pay interest. See section 1260(b) for details, including how to figure the interest. Include the interest as an additional tax on Form 1040, line 63 (or Form 1040NR, line 58). Write "Section 1260(b) interest" and the amount of the interest to the left of line 63 (or Form 1040NR, line 58). This interest is not deductible.
- The sale of publicly traded securities, if you elect to postpone gain by purchasing common stock or a partnership interest in a specialized small business investment company during the 60-day period that began on the date of the sale. See Pub. 550.
- The sale of qualified securities, held for at least 3 years, to an employee stock ownership plan or eligible worker-owned cooperative, if you elect to postpone gain by purchasing qualified replacement property. See Pub. 550.
- Gain or loss from the disposition of stock or other securities in an investment club. See Pub. 550.

Wash Sales

A wash sale occurs when you sell or otherwise dispose of stock or securities (including a contract or option to acquire or sell stock or securities) at a loss and, within 30 days before or after the sale or disposition, you:

- Buy substantially identical stock or securities,
- Acquire substantially identical stock or securities in a fully taxable trade, or
- Enter into a contract or option to acquire substantially identical stock or securities.

You cannot deduct losses from wash sales unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities. The basis of the substantially identical property (or contract or option to acquire such property) is its cost increased by the disallowed loss. For more details on wash sales, see Pub. 550.

Report a wash sale transaction on line 1 or 8. Enter the full amount of the (loss) in column (f). Directly below the line on which you reported the loss, enter "Wash Sale" in column (a), and enter as a positive amount in column (f) the amount of the loss not allowed.

Traders in Securities

You are a trader in securities if you are engaged in the business of buying and selling securities for your own account. To be engaged in business as a trader in securities, all of the following statements must be true.

- You must seek to profit from daily market movements in the prices of securities and not from dividends, interest, or capital appreciation.
- Your activity must be substantial.
- You must carry on the activity with continuity and regularity.

The following facts and circumstances should be considered in determining if your activity is a business.

- Typical holding periods for securities bought and sold.
- The frequency and dollar amount of your trades during the year.
- The extent to which you pursue the activity to produce income for a livelihood.
- The amount of time you devote to the activity.

You are considered an investor, and not a trader, if your activity does not meet the above definition of a business. It does not matter whether you call yourself a trader or a "day trader."

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities) on Schedule D or D-1 or on an attached statement containing all the same information for each sale in a similar format. However, if a trader previously made the mark-to-market election (see below), each transaction is reported in Part II of Form 4797 instead of Schedules D and D-1. Regardless of whether a trader reports his or her gains and losses on Schedules D and D-1 or Form 4797, the gain or loss from the disposition of securities is not taken into account when figuring net earnings from self-employment on Schedule SE. See the Instructions for Schedule SE for an exception that applies to section 1256 contracts.

The limitation on investment interest expense that applies to investors does not apply to interest paid or incurred in a trading business. A trader reports interest expense and other expenses (excluding commissions and other costs of acquiring or disposing of securities) from a trading business on Schedule C (instead of Schedule A).

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate interest and other expenses between your trading business and your investment securities.

Mark-To-Market Election for Traders

A trader may make an election under section 475(f) to report all gains and losses from securities held in connection with a trading business as ordinary income (or

loss), including those from securities held at the end of the year. Securities held at the end of the year are "marked to market" by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. Generally, the election must be made by the due date (not including extensions) of the tax return for the year prior to the year for which the election becomes effective. To be effective for 2007, the election must have been made by April 17, 2007.

Starting with the year the election becomes effective, a trader reports all gains and losses from securities held in connection with the trading business, including securities held at the end of the year, in Part II of Form 4797. If you previously made the election, see the Instructions for Form 4797. For details on making the mark-to-market election for 2008, see Pub. 550 or Rev. Proc. 99-17, 1999-1 C.B. 503. You can find Rev. Proc. 99-17 on page 52 of Internal Revenue Bulletin 1999-7 at www.irs.gov/pub/irs-irbs/irb99-07.pdf.

If you hold securities for investment, you must identify them as such in your records on the day you acquired them (for example, by holding the securities in a separate brokerage account). Securities held for investment are not marked-to-market.

Short Sales

A short sale is a contract to sell property you borrowed for delivery to a buyer. At a later date, you either buy substantially identical property and deliver it to the lender or deliver property that you held but did not want to transfer at the time of the sale. Usually, your holding period is the amount of time you actually held the property eventually delivered to the lender to close the short sale. However, your gain when closing a short sale is short term if you (a) held substantially identical property for 1 year or less on the date of the short sale or (b) acquired property substantially identical to the property sold short after the short sale but on or before the date you close the short sale. If you held substantially identical property for more than 1 year on the date of a short sale, any loss realized on the short sale is a long-term capital loss, even if the property used to close the short sale was held 1 year or less.

Gain or Loss From Options

Report on Schedule D gain or loss from the closing or expiration of an option that is not a section 1256 contract but is a capital asset in your hands. If an option you purchased expired, enter the expiration date in column (c) and enter "EXPIRED" in column (d). If an option that was granted (written) expired, enter the expiration date in column (b) and enter "EXPIRED" in column (e). Fill in the other columns as appropriate. See Pub. 550 for details.

Undistributed Capital Gains

Include on line 11 the amount from box 1a of Form 2439. This represents your share of the undistributed long-term capital gains of

the regulated investment company (including a mutual fund) or real estate investment trust.

If there is an amount in box 1b, include that amount on line 11 of the Unrecaptured Section 1250 Gain Worksheet on page D-9 if you complete line 19 of Schedule D.

If there is an amount in box 1c, see *Exclusion of Gain on Qualified Small Business (QSB) Stock* on this page.

If there is an amount in box 1d, include that amount on line 4 of the 28% Rate Gain Worksheet on page D-8 if you complete line 18 of Schedule D.

Enter on Form 1040, line 70, or Form 1040NR, line 64, the tax paid as shown in box 2 of Form 2439. Also check the box for Form 2439. Add to the basis of your stock the excess of the amount included in income over the amount of the credit for the tax paid. See Pub. 550 for details.

Installment Sales

If you sold property (other than publicly traded stocks or securities) at a gain and you will receive a payment in a tax year after the year of sale, you generally must report the sale on the installment method unless you elect not to. Use Form 6252 to report the sale on the installment method. Also use Form 6252 to report any payment received in 2007 from a sale made in an earlier year that you reported on the installment method.

To elect out of the installment method, report the full amount of the gain on Schedule D on a timely filed return (including extensions) for the year of the sale. If your original return was filed on time, you can make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return.

Demutualization of Life Insurance Companies

Demutualization of a life insurance company occurs when a mutual life insurance company changes to a stock company. If you were a policyholder or annuitant of the mutual company, you may have received either stock in the stock company or cash in exchange for your equity interest in the mutual company. The basis of your equity interest in the mutual company is considered to be zero.

If the demutualization transaction qualifies as a tax-free reorganization, no gain is recognized on the exchange of your equity interest in the mutual company for stock. The company can advise you if the transaction is a tax-free reorganization. Because the basis of your equity interest in the mutual company is considered to be zero, your basis in the stock received is zero. Your holding period for the new stock includes the period you held an equity interest in the mutual company. If you received cash in exchange for your equity interest, you must recognize a capital gain in an amount equal

to the cash received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1.

If the demutualization transaction does not qualify as a tax-free reorganization, you must recognize a capital gain in an amount equal to the cash and fair market value of the stock received. If you held the equity interest for more than 1 year, report the gain as a long-term capital gain on line 8. If you held the equity interest for 1 year or less, report the gain as a short-term capital gain on line 1. Your holding period for the new stock begins on the day after you received the stock.

Exclusion of Gain on Qualified Small Business (QSB) Stock

Section 1202 allows for an exclusion of up to 50% of the eligible gain on the sale or exchange of QSB stock. The section 1202 exclusion applies only to QSB stock held for more than 5 years. The exclusion can be up to 60% for certain empowerment zone business stock. See *Empowerment Zone Business Stock* on page D-5.

To be QSB stock, the stock must meet all of the following tests.

1. It must be stock in a C corporation (that is, not S corporation stock).
2. It must have been originally issued after August 10, 1993.
3. As of the date the stock was issued, the corporation was a domestic C corporation with total gross assets of \$50 million or less (a) at all times after August 9, 1993, and before the stock was issued and (b) immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.
4. You must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, you may meet the test if you acquired the stock from another person who met the test (such as by gift or inheritance) or through a conversion or exchange of QSB stock you held.
5. During substantially all the time you held the stock:
 - a. The corporation was a C corporation,
 - b. At least 80% of the value of the corporation's assets were used in the active conduct of one or more qualified businesses (defined on page D-5), and
 - c. The corporation was not a foreign corporation, DISC, former DISC, regulated investment company, real estate investment trust, REMIC, FASIT, cooperative, or a corporation that has made (or that has a subsidiary that has made) a section 936 election.



SSBIC. A specialized small business investment company (SSBIC) is treated as having met test 5b on page D-4.

Qualified Business

A qualified business is any business that is not one of the following.

- A business involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, or brokerage services.
- A business whose principal asset is the reputation or skill of one or more employees.
- A banking, insurance, financing, leasing, investing, or similar business.
- A farming business (including the raising or harvesting of trees).
- A business involving the production of products for which percentage depletion can be claimed.
- A business of operating a hotel, motel, restaurant, or similar business.

For more details about limits and additional requirements that may apply, see section 1202.

Empowerment Zone Business Stock

You generally can exclude up to 60% of your gain if you meet the following additional requirements.

1. The stock you sold or exchanged was stock in a corporation that qualified as an empowerment zone business during substantially all of the time you held the stock.
2. You acquired the stock after December 21, 2000.

Requirement 1 will still be met if the corporation ceased to qualify after the 5-year period that began on the date you acquired the stock. However, the gain that qualifies for the 60% exclusion cannot be more than the gain you would have had if you had sold the stock on the date the corporation ceased to qualify.

For more information about empowerment zone businesses, see Pub. 954.

Pass-Through Entities

If you held an interest in a pass-through entity (a partnership, S corporation, or mutual fund or other regulated investment company) that sold QSB stock, to qualify for the exclusion you must have held the interest on the date the pass-through entity acquired the QSB stock and at all times thereafter until the stock was sold.

How To Report

Report on line 8 the entire gain realized on the sale of QSB stock. Complete all columns as indicated. Directly below the line on which you reported the gain, enter in column (a) "Section 1202 exclusion" and enter as a loss in column (f) the amount of the allowable exclusion. If you are completing line 18 of Schedule D, enter as a

positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

Gain from Form 1099-DIV. If you received a Form 1099-DIV with a gain in box 2c, part or all of that gain (which is also included in box 2a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

Gain from Form 2439. If you received a Form 2439 with a gain in box 1c, part or all of that gain (which is also included in box 1a) may be eligible for the section 1202 exclusion. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

Gain from an installment sale of QSB stock. If all payments are not received in the year of sale, a sale of QSB stock that is not traded on an established securities market generally is treated as an installment sale and is reported on Form 6252. Figure the allowable section 1202 exclusion for the year by multiplying the total amount of the exclusion by a fraction, the numerator of which is the amount of eligible gain to be recognized for the tax year and the denominator of which is the total amount of eligible gain. In column (a) of line 8, enter the name of the corporation whose stock was sold. In column (f), enter the amount of your allowable exclusion as a loss. If you are completing line 18 of Schedule D, enter as a positive number the amount of your allowable exclusion on line 2 of the 28% Rate Gain Worksheet on page D-8; if you excluded 60% of the gain, enter $\frac{2}{3}$ of the exclusion.

Alternative minimum tax. You must enter 7% of your allowable exclusion for the year on line 12 of Form 6251.

Rollover of Gain From QSB Stock

If you sold QSB stock (defined on page D-4) that you held for more than 6 months, you can elect to postpone gain if you purchase other QSB stock during the 60-day period that began on the date of the sale. A pass-through entity also can make the election to postpone gain. The benefit of the postponed gain applies to your share of the entity's postponed gain if you held an interest in the entity for the entire period the entity held the QSB stock. If a pass-through

entity sold QSB stock held for more than 6 months and you held an interest in the entity for the entire period the entity held the stock, you also can elect to postpone gain if you, rather than the pass-through entity, purchase the replacement QSB stock within the 60-day period. If you were a partner in a partnership that sold or bought QSB stock, see box 11 of the Schedule K-1 (Form 1065) sent to you by the partnership and Regulations section 1.1045-1.

You must recognize gain to the extent the sale proceeds exceed the cost of the replacement stock. Reduce the basis of the replacement stock by any postponed gain.

You must make the election no later than the due date (including extensions) for filing your tax return for the tax year in which the QSB stock was sold. If your original return was filed on time, you can make the election on an amended return filed no later than 6 months after the due date of your return (excluding extensions). Write "Filed pursuant to section 301.9100-2" at the top of the amended return.

To make the election, report the entire gain realized on the sale on line 1 or 8. Directly below the line on which you reported the gain, enter in column (a) "Section 1045 rollover," and enter the amount of the postponed gain as a (loss) in column (f).

Rollover of Gain From Empowerment Zone Assets

If you sold a qualified empowerment zone asset that you held for more than 1 year, you may be able to elect to postpone part or all of the gain that you would otherwise include on Schedule D. If you make the election, the gain on the sale generally is recognized only to the extent, if any, that the amount realized on the sale exceeds the cost of qualified empowerment zone assets (replacement property) you purchased during the 60-day period beginning on the date of the sale. The following rules apply.

- No portion of the cost of the replacement property may be taken into account to the extent the cost is taken into account to exclude gain on a different empowerment zone asset.
- The replacement property must qualify as an empowerment zone asset with respect to the same empowerment zone as the asset sold.
- You must reduce the basis of the replacement property by the amount of postponed gain.
- This election does not apply to any gain (a) treated as ordinary income or (b) attributable to real property, or an intangible asset, that is not an integral part of an enterprise zone business.
- The District of Columbia enterprise zone is not treated as an empowerment zone for this purpose.
- The election is irrevocable without IRS consent.

See Pub. 954 for the definition of empowerment zone and enterprise zone busi-

ness. You can find out if your business is located within an empowerment zone by using the RC/EZ/EC Address Locator at www.hud.gov/crlocator.

Qualified empowerment zone assets are:

1. Tangible property, if:
 - a. You acquired the property after December 21, 2000,
 - b. The original use of the property in the empowerment zone began with you, and
 - c. Substantially all of the use of the property, during substantially all of the time that you held it, was in your enterprise zone business; and
2. Stock in a domestic corporation or a capital or profits interest in a domestic partnership, if:
 - a. You acquired the stock or partnership interest after December 21, 2000, solely in exchange for cash, from the corporation at its original issue (directly or through an underwriter) or from the partnership;
 - b. The business was an enterprise zone business (or a new business being organized as an enterprise zone business) as of the time you acquired the stock or partnership interest; and
 - c. The business qualified as an enterprise zone business during substantially all of the time during which you held the stock or partnership interest.

How to report. Report the entire gain realized from the sale as you otherwise would without regard to the election. On Schedule D, line 8, enter "Section 1397B Rollover" in column (a) and enter as a loss in column (f) the amount of gain included on Schedule D that you are electing to postpone. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

See section 1397B for more details.

Exclusion of Gain From DC Zone Assets

If you sold or exchanged a District of Columbia Enterprise Zone (DC Zone) asset that you held for more than 5 years, you may be able to exclude the amount of qualified capital gain that you would otherwise include on Schedule D. The exclusion applies to an interest in, or property of, certain businesses operating in the District of Columbia.

DC Zone asset. A DC Zone asset is any of the following.

- DC Zone business stock.
- DC Zone partnership interest.
- DC Zone business property.

Qualified capital gain. Qualified capital gain is any gain recognized on the sale or exchange of a DC Zone asset that is a capital asset or property used in a trade or business. It does not include any of the following gains.

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.
- Gain attributable to real property, or an intangible asset, that is not an integral part of a DC Zone business.
- Gain from a related-party transaction. See *Sales and Exchanges Between Related Persons* in chapter 2 of Pub. 544.

See Pub. 954 and section 1400B for more details on DC Zone assets and special rules.

How to report. Report the entire gain realized from the sale or exchange as you otherwise would without regard to the exclusion. On Schedule D, line 8, enter "DC Zone Asset" in column (a) and enter as a loss in column (f) the amount of the allowable exclusion. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

Exclusion of Gain From Qualified Community Assets

If you sold or exchanged a qualified community asset acquired after December 31, 2001, that you held for more than 5 years, you may be able to exclude the qualified capital gain that you would otherwise include on Schedule D. The exclusion applies to an interest in, or property of, certain renewal community businesses.

Qualified community asset. A qualified community asset is any of the following.

- Qualified community stock.
- Qualified community partnership interest.
- Qualified community business property.

Qualified capital gain. Qualified capital gain is any gain recognized on the sale or exchange of a qualified community asset but does not include any of the following.

- Gain treated as ordinary income under section 1245.
- Section 1250 gain figured as if section 1250 applied to all depreciation rather than the additional depreciation.
- Gain attributable to real property, or an intangible asset, that is not an integral part of a qualified community business.
- Gain from a related-party transaction. See *Sales and Exchanges Between Related Persons* in chapter 2 of Pub. 544.

See Pub. 954 and section 1400F for more details and special rules.

How to report. Report the entire gain realized from the sale or exchange as you otherwise would without regard to the exclusion. On Schedule D, line 8, enter "Qualified Community Asset" in column (a) and enter as a loss in column (f) the amount of the allowable exclusion. If you are reporting the sale directly on Schedule D, line 8, use the line directly below the line on which you are reporting the sale.

Specific Instructions

Lines 1 and 8

Enter all sales and exchanges of capital assets, including stocks, bonds, etc., and real estate (if not reported on Form 4684, 4797, 6252, 6781, or 8824). But do not report the sale or exchange of your main home unless required (see page D-2). Include these transactions even if you did not receive a Form 1099-B or 1099-S (or substitute statement) for the transaction. You can use stock ticker symbols or abbreviations to describe the property as long as they are based on the descriptions of the property as shown on Form 1099-B or 1099-S (or substitute statement).

You must enter the details of each transaction on a separate line of Schedule D. If you have more than five transactions to report on line 1 or line 8, you can report the additional transactions on Schedule D-1. Instead of reporting your transactions on Schedules D and D-1, you can report them on an attached statement containing all the same information as Schedules D and D-1 and in a similar format. Use as many Schedules D-1 or attached statements as you need. Enter on Schedule D, lines 2 and 9, the combined totals from all your Schedules D-1 or the attached statements. Do not enter "available upon request" and summary totals in lieu of reporting the details of each transaction on Schedules D and D-1 or attached statements.



Add the following amounts reported to you for 2007 on Forms 1099-B and 1099-S (or substitute statements) that you are not reporting on another form or schedule included with your return: (a) proceeds from transactions involving stocks, bonds, and other securities and (b) gross proceeds from real estate transactions (other than the sale of your main home if you are not required to report it). If this total is more than the total of lines 3 and 10, attach an explanation of the difference (for example, you were the nominee for the actual owner of the property).

Column (b)—Date Acquired

Enter in this column the date you acquired the asset. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date the stock or property was delivered to the broker or lender to close the short sale.

The date acquired for an asset you held on January 1, 2001, for which you made an election to recognize any gain in a deemed sale is the date of the deemed sale and reacquisition.

If you disposed of property that you acquired by inheritance, report the gain or (loss) on line 8 and enter "INHERITED" in column (b) instead of the date you acquired the property.

If you sold a block of stock (or similar property) that you acquired through several

different purchases, you may report the sale on one line and enter "VARIOUS" in column (b). However, you still must report the short-term gain or (loss) on the sale in Part I and the long-term gain or (loss) in Part II.

Column (c)—Date Sold

Enter in this column the date you sold the asset. Use the trade date for stocks and bonds traded on an exchange or over-the-counter market. For stock or other property sold short, enter the date you sold the stock or property you borrowed to open the short sale transaction.

Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. If you sold stocks or bonds and you received a Form 1099-B (or substitute statement) from your broker that shows gross sales price, enter that amount in column (d). But if Form 1099-B (or substitute statement) indicates that gross proceeds minus commissions and option premiums were reported to the IRS, enter that net amount in column (d). If you enter the net amount in column (d), do not include the commissions and option premiums from the sale in column (e).

You should not have received a Form 1099-B (or substitute statement) for a transaction merely representing the return of your original investment in a nontransferable obligation, such as a savings bond or a

certificate of deposit. But if you did, report the amount shown on Form 1099-B (or substitute statement) in both columns (d) and (e).



Be sure to add all sales price entries on lines 1 and 8, column (d), to amounts on lines 2 and 9, column (d). Enter the totals on lines 3 and 10.

Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements, minus depreciation, amortization, and depletion. If you inherited the property, got it as a gift, or received it in a tax-free exchange, involuntary conversion, or "wash sale" of stock, you may not be able to use the actual cost as the basis. If you do not use the actual cost, attach an explanation of your basis.

If you sold stock, adjust your basis by subtracting all the nondividend distributions you received before the sale. Also adjust your basis for any stock splits. See Pub. 550 for details.

If you elected to recognize gain on an asset held on January 1, 2001, your basis in the asset is its closing market price or fair market value, whichever applies, on the date of the deemed sale and reacquisition, whether the deemed sale resulted in a gain or an unallowed loss.

You may elect to use an average basis for all shares of a mutual fund (or other regulated investment company) if you acquired the shares at various times and prices and you left the shares on deposit in an account handled by a custodian or agent who acquired or redeemed those shares. If you are reporting an average basis, include "AVGB" in column (a) of Schedule D. For details on making the election and how to figure average basis, see Pub. 564.

The basis of property acquired by gift is generally the basis of the property in the hands of the donor. The basis of property acquired from a decedent is generally the fair market value at the date of death. See Pub. 551 for details.

Increase the cost or other basis of an original issue discount (OID) debt instrument by the amount of OID that has been included in gross income for that instrument. See Pub. 550 for details.

If a charitable contribution deduction is allowed because of a bargain sale of property to a charitable organization, the adjusted basis for purposes of determining gain from the sale is the amount that has the same ratio to the adjusted basis as the amount realized has to the fair market value. See Pub. 544 for details.

Increase your cost or other basis by any expense of sale, such as broker's fees, commissions, state and local transfer taxes, and

Capital Loss Carryover Worksheet—Lines 6 and 14

Keep for Your Records



Use this worksheet to figure your capital loss carryovers from 2006 to 2007 if your 2006 Schedule D, line 21, is a loss and (a) that loss is a smaller loss than the loss on your 2006 Schedule D, line 16, or (b) the amount on your 2006 Form 1040, line 41 (or your 2006 Form 1040NR, line 38, if applicable), reduced by any amount on your 2006 Form 8914, line 6, is less than zero. Otherwise, you do not have any carryovers.

1. Enter the amount from your 2006 Form 1040, line 41, or Form 1040NR, line 38. If a loss, enclose the amount in parentheses	1.	<input type="text"/>
2. Did you file Form 8914 (to claim an exemption amount for housing someone displaced by Hurricane Katrina) for 2006? <input type="checkbox"/> No. Enter -0-. <input type="checkbox"/> Yes. Enter the amount from your 2006 Form 8914, line 6	2.	<input type="text"/>
3. Subtract line 2 from line 1. If the result is less than zero, enclose it in parentheses	3.	<input type="text"/>
4. Enter the loss from your 2006 Schedule D, line 21, as a positive amount	4.	<input type="text"/>
5. Combine lines 3 and 4. If zero or less, enter -0-	5.	<input type="text"/>
6. Enter the smaller of line 4 or line 5	6.	<input type="text"/>
If line 7 of your 2006 Schedule D is a loss, go to line 7; otherwise, enter -0- on line 7 and go to line 11.		
7. Enter the loss from your 2006 Schedule D, line 7, as a positive amount	7.	<input type="text"/>
8. Enter any gain from your 2006 Schedule D, line 15. If a loss, enter -0-	8.	<input type="text"/>
9. Add lines 6 and 8	9.	<input type="text"/>
10. Short-term capital loss carryover for 2007. Subtract line 9 from line 7. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 6	10.	<input type="text"/>
If line 15 of your 2006 Schedule D is a loss, go to line 11; otherwise, skip lines 11 through 15.		
11. Enter the loss from your 2006 Schedule D, line 15, as a positive amount	11.	<input type="text"/>
12. Enter any gain from your 2006 Schedule D, line 7. If a loss, enter -0-	12.	<input type="text"/>
13. Subtract line 7 from line 6. If zero or less, enter -0-	13.	<input type="text"/>
14. Add lines 12 and 13	14.	<input type="text"/>
15. Long-term capital loss carryover for 2007. Subtract line 14 from line 11. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 14	15.	<input type="text"/>

option premiums, before making an entry in column (e), unless you reported the net sales price in column (d).

For more details, see Pub. 551.

Column (f)—Gain or (Loss)

You must make a separate entry in this column for each transaction reported on lines 1 and 8 and any other line(s) that applies to you. For lines 1 and 8, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

Line 18

If you checked "Yes" on line 17, complete the worksheet below if either of the following apply for 2007.

- You reported in Part II a section 1202 exclusion from the eligible gain on qualified small business stock (see page D-4), or
- You reported in Part II a collectibles gain or (loss). A collectibles gain or (loss) is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Include on the worksheet any gain (but not loss) from the sale or exchange of an interest in a partnership, S corporation, or trust held for more than 1 year and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also, attach the statement required under Regulations section 1.1(h)-1(e).

Line 19

If you checked "Yes" on line 17, complete the worksheet on page D-9 if any of the following apply for 2007.

- You sold or otherwise disposed of section 1250 property (generally, real prop-

erty that you depreciated) held more than 1 year.

- You received installment payments for section 1250 property held more than 1 year for which you are reporting gain on the installment method.
- You received a Schedule K-1 from an estate or trust, partnership, or S corporation that shows "unrecaptured section 1250 gain."
- You received a Form 1099-DIV or Form 2439 from a real estate investment trust or regulated investment company (including a mutual fund) that reports "unrecaptured section 1250 gain."
- You reported a long-term capital gain from the sale or exchange of an interest in a partnership that owned section 1250 property.

Instructions for the Unrecaptured Section 1250 Gain Worksheet

Lines 1 through 3. If you had more than one property described on line 1, complete lines 1 through 3 for each property on a separate worksheet. Enter the total of the line 3 amounts for all properties on line 3 and go to line 4.

Line 4. To figure the amount to enter on line 4, follow the steps below for each installment sale of trade or business property held more than 1 year.

Step 1. Figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2007 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2007 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

Step 3. Generally, the amount of section 1231 gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unrecaptured section 1250 gain for installment payments received in 2007 as the smaller of (a) the amount from line 26 or line 37 of your 2007 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 4.

Line 10. Include on line 10 your share of the partnership's unrecaptured section 1250 gain that would result if the partnership had transferred all of its section 1250 property in a fully taxable transaction immediately before you sold or exchanged your interest in that partnership. If you recognized less than all of the realized gain, the partnership will be treated as having transferred only a proportionate amount of each section 1250 property. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

Line 12. An example of an amount to include on line 12 is unrecaptured section 1250 gain from the sale of a vacation home you previously used as a rental property but converted to personal use prior to the sale. To figure the amount to enter on line 12,

28% Rate Gain Worksheet—Line 18

Keep for Your Records



1. Enter the total of all collectibles gain or (loss) from items you reported on line 8, column (f), of Schedules D and D-1	1. _____
2. Enter as a positive number the amount of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1, for which you excluded 50% of the gain, plus 2/3 of any section 1202 exclusion you reported on line 8, column (f), of Schedules D and D-1, for which you excluded 60% of the gain	2. _____
3. Enter the total of all collectibles gain or (loss) from Form 4684, line 4 (but only if Form 4684, line 15, is more than zero); Form 6252; Form 6781, Part II; and Form 8824	3. _____
4. Enter the total of any collectibles gain reported to you on: <ul style="list-style-type: none"> • Form 1099-DIV, box 2d; • Form 2439, box 1d; and • Schedule K-1 from a partnership, S corporation, estate, or trust. 	4. _____
5. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C	5. (_____)
6. If Schedule D, line 7, is a (loss), enter that (loss) here. Otherwise, enter -0-	6. (_____)
7. Combine lines 1 through 6. If zero or less, enter -0-. If more than zero, also enter this amount on Schedule D, line 18	7. _____

follow the applicable instructions below.

Installment sales. To figure the amount to include on line 12, follow the steps below for each installment sale of property held more than 1 year for which you did not make an entry in Part I of your Form 4797 for the year of sale.

- Step 1. Figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of your 2007 Form 4797 (or the comparable lines of Form 4797 for the year of sale) for the property.

- Step 2. Reduce the amount figured in step 1 by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of your 2007 Form 4797 (or the comparable line of Form 4797 for the year of sale) for the property. The result is your total unrecaptured section 1250 gain that must be allocated to the installment payments received from the sale.

- Step 3. Generally, the amount of capital gain on each installment payment is treated as unrecaptured section 1250 gain until the total unrecaptured section 1250 gain figured in step 2 has been used in full. Figure the amount of gain treated as unre-

captured section 1250 gain for installment payments received in 2007 as the smaller of (a) the amount from line 26 or line 37 of your 2007 Form 6252, whichever applies, or (b) the amount of unrecaptured section 1250 gain remaining to be reported. This amount is generally the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture). However, if you chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount you chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale. Include this amount on line 12.

Other sales or dispositions of section 1250 property. For each sale of property held more than 1 year (for which you did not make an entry in Part I of Form 4797), figure the smaller of (a) the depreciation allowed or allowable or (b) the total gain for the sale. This is the smaller of line 22 or line 24 of Form 4797 for the property.

Next, reduce that amount by any section 1250 ordinary income recapture for the sale. This is the amount from line 26g of Form 4797 for the property. The result is the total unrecaptured section 1250 gain for the sale. Include this amount on line 12.

Line 21

You have a capital loss carryover from 2007 to 2008 if you have a loss on line 16 and either:

- That loss is more than the loss on line 21, or
- The amount on Form 1040, line 41 (or Form 1040NR, line 38, if applicable) is less than zero.

To figure any capital loss carryover to 2008, you will use the Capital Loss Carryover Worksheet in the 2008 Instructions for Schedule D. If you want to figure your carryover now, see Pub. 550.



You will need a copy of your 2007 Form 1040 and Schedule D to figure your capital loss carryover to 2008.

Unrecaptured Section 1250 Gain Worksheet—Line 19

Keep for Your Records

If you are not reporting a gain on Form 4797, line 7, skip lines 1 through 9 and go to line 10.		
1. If you have a section 1250 property in Part III of Form 4797 for which you made an entry in Part I of Form 4797 (but not on Form 6252), enter the smaller of line 22 or line 24 of Form 4797 for that property. If you did not have any such property, go to line 4. If you had more than one such property, see instructions	1.	
2. Enter the amount from Form 4797, line 26g, for the property for which you made an entry on line 1	2.	
3. Subtract line 2 from line 1	3.	
4. Enter the total unrecaptured section 1250 gain included on line 26 or line 37 of Form(s) 6252 from installment sales of trade or business property held more than 1 year (see instructions)	4.	
5. Enter the total of any amounts reported to you on a Schedule K-1 from a partnership or an S corporation as "unrecaptured section 1250 gain"	5.	
6. Add lines 3 through 5	6.	
7. Enter the smaller of line 6 or the gain from Form 4797, line 7	7.	
8. Enter the amount, if any, from Form 4797, line 8	8.	
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	
10. Enter the amount of any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain (see instructions)	10.	
11. Enter the total of any amounts reported to you on a Schedule K-1, Form 1099-DIV, or Form 2439 as "unrecaptured section 1250 gain" from an estate, trust, real estate investment trust, or mutual fund (or other regulated investment company)	11.	
12. Enter the total of any unrecaptured section 1250 gain from sales (including installment sales) or other dispositions of section 1250 property held more than 1 year for which you did not make an entry in Part I of Form 4797 for the year of sale (see instructions)	12.	
13. Add lines 9 through 12	13.	
14. If you had any section 1202 gain or collectibles gain or (loss), enter the total of lines 1 through 4 of the 28% Rate Gain Worksheet on page D-8. Otherwise, enter -0-	14.	
15. Enter the (loss), if any, from Schedule D, line 7. If Schedule D, line 7, is zero or a gain, enter -0-	15.	()
16. Enter your long-term capital loss carryovers from Schedule D, line 14, and Schedule K-1 (Form 1041), box 11, code C	16.	()
17. Combine lines 14 through 16. If the result is a (loss), enter it as a positive amount. If the result is zero or a gain, enter -0-	17.	
18. Unrecaptured section 1250 gain. Subtract line 17 from line 13. If zero or less, enter -0-. If more than zero, enter the result here and on Schedule D, line 19	18.	

Schedule D Tax Worksheet

Keep for Your Records



Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet on page 35 of the Instructions for Form 1040 (or in the Instructions for Form 1040NR) to figure your tax.

Exception: Do not use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:

- Line 15 or line 16 of Schedule D is zero or less **and** you have no qualified dividends on Form 1040, line 9b (or Form 1040NR, line 10b); or
- Form 1040, line 43 (or Form 1040NR, line 40) is zero or less.

Instead, see the instructions for Form 1040, line 44 (or Form 1040NR, line 41).

1. Enter your taxable income from Form 1040, line 43 (or Form 1040NR, line 40)	1.	
2. Enter your qualified dividends from Form 1040, line 9b (or Form 1040NR, line 10b)	2.	
3. Enter the amount from Form 4952 (used to figure investment interest expense deduction), line 4g	3.	
4. Enter the amount from Form 4952, line 4e*	4.	
5. Subtract line 4 from line 3. If zero or less, enter -0-	5.	
6. Subtract line 5 from line 2. If zero or less, enter -0-	6.	
7. Enter the smaller of line 15 or line 16 of Schedule D	7.	
8. Enter the smaller of line 3 or line 4	8.	
9. Subtract line 8 from line 7. If zero or less, enter -0-	9.	
10. Add lines 6 and 9	10.	
11. Add lines 18 and 19 of Schedule D	11.	
12. Enter the smaller of line 9 or line 11	12.	
13. Subtract line 12 from line 10	13.	
14. Subtract line 13 from line 1. If zero or less, enter -0-	14.	
15. Enter the smaller of:		
• The amount on line 1 or		
• \$31,850 if single or married filing separately;		
\$63,700 if married filing jointly or qualifying widow(er); or	15.	
\$42,650 if head of household	16.	
16. Enter the smaller of line 14 or line 15	16.	
17. Subtract line 10 from line 1. If zero or less, enter -0-	17.	
18. Enter the larger of line 16 or line 17	18.	
If lines 15 and 16 are the same, skip lines 19 and 20 and go to line 21. Otherwise, go to line 19.		
19. Subtract line 16 from line 15	19.	
20. Multiply line 19 by 5% (.05)	20.	
If lines 1 and 15 are the same, skip lines 21 through 33 and go to line 34. Otherwise, go to line 21.		
21. Enter the smaller of line 1 or line 13	21.	
22. Enter the amount from line 19 (if line 19 is blank, enter -0-)	22.	
23. Subtract line 22 from line 21. If zero or less, enter -0-	23.	
24. Multiply line 23 by 15% (.15)	24.	
If Schedule D, line 19, is zero or blank, skip lines 25 through 30 and go to line 31. Otherwise, go to line 25.		
25. Enter the smaller of line 9 above or Schedule D, line 19	25.	
26. Add lines 10 and 18	26.	
27. Enter the amount from line 1 above	27.	
28. Subtract line 27 from line 26. If zero or less, enter -0-	28.	
29. Subtract line 28 from line 25. If zero or less, enter -0-	29.	
30. Multiply line 29 by 25% (.25)	30.	
If Schedule D, line 18, is zero or blank, skip lines 31 through 33 and go to line 34. Otherwise, go to line 31.		
31. Add lines 18, 19, 23, and 29	31.	
32. Subtract line 31 from line 1	32.	
33. Multiply line 32 by 28% (.28)	33.	
34. Figure the tax on the amount on line 18 . Use the Tax Table or Tax Computation Worksheet, whichever applies	34.	
35. Add lines 20, 24, 30, 33, and 34	35.	
36. Figure the tax on the amount on line 1 . Use the Tax Table or Tax Computation Worksheet, whichever applies	36.	
37. Tax on all taxable income (including capital gains and qualified dividends). Enter the smaller of line 35 or line 36. Also include this amount on Form 1040, line 44 (or Form 1040NR, line 41)	37.	

*If applicable, enter instead the smaller amount you entered on the dotted line next to line 4e of Form 4952.



2007 Instructions for Schedule E (Form 1040)

Supplemental Income and Loss

Use Schedule E (Form 1040) to report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in REMICs.

You can attach your own schedule(s) to report income or loss from any of these sources. Use the same format as on Schedule E.

Enter separately on Schedule E the total income and the total loss for each part. Enclose loss figures in (parentheses).

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Husband-wife qualified joint venture. Beginning in 2007, you and your spouse, if you are married filing jointly, may be able to elect to be taxed as a qualified joint venture for purposes of reporting income and expenses from a business that you jointly own and operate. To make this election, each of you must file a separate Schedule C or C-EZ. See *Husband-wife qualified joint venture* on page E-3.

General Instructions

At-Risk Rules

Generally, you must complete Form 6198 to figure your allowable loss if you have:

- A loss from an activity carried on as a trade or business or for the production of income, and
- Amounts in the activity for which you are not at risk.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity. However, the at-risk rules do not apply to losses from an activity of holding real property placed in service before 1987. They also do not apply to losses from your interest acquired before 1987 in a pass-through entity that is engaged in such activity. The activity of holding mineral property does not qualify for this exception.

In most cases, you are not at risk for amounts such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire your interest in the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed

by you in connection with the activity of holding real property (other than mineral property). See *Qualified nonrecourse financing* below.

- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire your interest in the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity (other than as a creditor) or who is related, under section 465(b)(3)(C), to a person (other than you) having such an interest.

Qualified nonrecourse financing. Qualified nonrecourse financing is treated as an amount at risk if it is secured by real property used in an activity of holding real property that is subject to the at-risk rules. Qualified nonrecourse financing is financing for which no one is personally liable for repayment and is:

- Borrowed by you in connection with the activity of holding real property (other than mineral property),
- Not convertible from a debt obligation to an ownership interest, and
- Loaned or guaranteed by any federal, state, or local government, or borrowed by you from a qualified person.

Qualified person. A qualified person is a person who actively and regularly engages in the business of lending money, such as a bank or savings and loan association. A qualified person cannot be:

- Related to you (unless the nonrecourse financing obtained is commercially reasonable and on substantially the same terms as loans involving unrelated persons),
- The seller of the property (or a person related to the seller), or
- A person who receives a fee due to your investment in real property (or a person related to that person).

For more details about the at-risk rules, see the Instructions for Form 6198 and Pub. 925.

Passive Activity Loss Rules

The passive activity loss rules may limit the amount of losses you can deduct. These rules apply to losses in Parts I, II, and III, and line 40 of Schedule E.

Losses from passive activities may be subject first to the at-risk rules. Losses deductible under the at-risk rules are then subject to the passive activity loss rules.

You generally can deduct losses from passive activities only to the extent of income from passive activities. An exception applies to certain rental real estate activities (explained on page E-2).

Passive Activity

A passive activity is any business activity in which you did not materially participate and any rental activity, except as explained on this page and page E-2. If you are a limited partner, you generally are not treated as having materially participated in the partnership's activities for the year.

The rental of real or personal property is generally a rental activity under the passive activity loss rules, but exceptions apply. If your rental of property is not treated as a rental activity, you must determine whether it is a trade or business activity, and if so, whether you materially participated in the activity for the tax year.

See the Instructions for Form 8582 to determine whether you materially participated in the activity and for the definition of "rental activity."

See Pub. 925 for special rules that apply to rentals of:

- Substantially nondepreciable property,
- Property incidental to development activities, and
- Property related to activities in which you materially participate.

Activities That Are Not Passive Activities

Activities of real estate professionals. If you were a real estate professional for 2007, any rental real estate activity in which you materially participated is not a passive activity. You were a real estate professional for the year, only if you met both of the following conditions.

- More than half of the personal services you performed in trades or businesses during the year were performed in real property trades or businesses in which you materially participated.

- You performed more than 750 hours of services during the year in real property trades or businesses in which you materially participated.

For purposes of this rule, each interest in rental real estate is a separate activity, unless you elect to treat all your interests in rental real estate as one activity. To make this election, attach a statement to your original tax return that declares you are a qualifying taxpayer for the year and you are making the election under section 469(c)(7)(A). The election applies for the year made and all later years in which you are a real estate professional. You can revoke the election only if your facts and circumstances materially change.

If you are married filing jointly, either you or your spouse must meet both of the above conditions, without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services you performed as an employee are not treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

If you were a real estate professional for 2007, complete Schedule E, line 43.

Other activities. The rental of your home that you also used for personal purposes is not a passive activity. See the instructions for line 2 on page E-3.

A working interest in an oil or gas well that you held directly or through an entity that did not limit your liability is not a passive activity even if you did not materially participate.

Royalty income not derived in the ordinary course of a trade or business reported on Schedule E generally is not considered income from a passive activity.

For more details on passive activities, see the Instructions for Form 8582 and Pub. 925.

Exception for Certain Rental Real Estate Activities

If you meet all of the following conditions, your rental real estate losses are not limited by the passive activity loss rules. If you do not meet all of these conditions, see the Instructions for Form 8582 to find out if you must complete and attach Form 8582 to figure any losses allowed.

1. Rental real estate activities are your only passive activities.

2. You do not have any prior year unallowed losses from any passive activities.

3. All of the following apply if you have an overall net loss from these activities:

- a. You actively participated (defined on this page) in all of the rental real estate activities;

- b. If married filing separately, you lived apart from your spouse all year;

- c. Your overall net loss from these activities is \$25,000 or less (\$12,500 or less if married filing separately);

- d. You have no current or prior year unallowed credits from passive activities; and

- e. Your modified adjusted gross income (defined below) is \$100,000 or less (\$50,000 or less if married filing separately).

Active participation. You can meet the active participation requirement without regular, continuous, and substantial involvement in real estate activities. But you must have participated in making management decisions or arranging for others to provide services (such as repairs) in a significant and bona fide sense. Such management decisions include:

- Approving new tenants,
- Deciding on rental terms,
- Approving capital or repair expenditures, and
- Other similar decisions.

You are not considered to actively participate if, at any time during the tax year, your interest (including your spouse's interest) in the activity was less than 10% by value of all interests in the activity. If you are a limited partner, you are also not treated as actively participating in a partnership's rental real estate activities.

Modified adjusted gross income. This is your adjusted gross income from Form 1040, line 38, or Form 1040NR, line 36, without taking into account:

- Any allowable passive activity loss,
- Rental real estate losses allowed for real estate professionals (see *Activities of real estate professionals* on this page),
- Taxable social security or tier 1 railroad retirement benefits,

- Deductible contributions to a traditional IRA or certain other qualified retirement plans under section 219,

- The student loan interest deduction,
- The tuition and fees deduction,
- The domestic production activities deduction,

- The deduction for one-half of self-employment tax,

- The exclusion from income of interest from series EE and I U.S. savings bonds used to pay higher education expenses, and

- Any excluded amounts under an employer's adoption assistance program.

Reportable Transaction Disclosure Statement

Use Form 8886 to disclose information for each reportable transaction in which you participated. Form 8886 must be filed for each tax year that your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. The following are reportable transactions.

- Any listed transaction that is the same as or substantially similar to tax avoidance transactions identified by the IRS.

- Any transaction offered under conditions of confidentiality for which you paid an advisor a fee of at least \$50,000.

- Certain transactions for which you have contractual protection against disallowance of the tax benefits.

- Certain transactions resulting in a loss of at least \$2 million in any single tax year or \$4 million in any combination of tax years. (At least \$50,000 for a single tax year if the loss arose from a foreign currency transaction defined in section 988(c)(1), whether or not the loss flows through from an S corporation or partnership.)

- Certain transactions resulting in a tax credit of more than \$250,000, if you held the asset generating the credit for 45 days or less.

See the Instructions for Form 8886 for more details.

Specific Instructions

Filers of Form 1041

If you are a fiduciary filing Schedule E with Form 1041, enter the estate's or trust's employer identification number (EIN) in the space for "Your social security number."

Part I

Income or Loss From Rental Real Estate and Royalties

Use Part I to report:

- Income and expenses from rental real estate (including personal property leased with real estate), and
- Royalty income and expenses.
- For an estate or trust **only**, farm rental income and expenses based on crops or livestock produced by the tenant. **Do not** use Form 4835 or Schedule F (Form 1040) for this purpose.

See the instructions for lines 3 and 4 to determine if you should report your rental real estate and royalty income on Schedule C, Schedule C-EZ, or Form 4835 instead of Schedule E.

If you own a part interest in a rental real estate property, report only your part of the income and expenses on Schedule E.

Complete lines 1 and 2 for each rental real estate property. Leave these lines blank for each royalty property.

If you have more than three rental real estate or royalty properties, complete and attach as many Schedules E as you need to list them. But fill in the "Totals" column on only one Schedule E. The figures in the "Totals" column on that Schedule E should be the combined totals for all properties reported on your Schedules E. If you are also using page 2 of Schedule E, use the same Schedule E on which you entered the combined totals for Part I.

Personal property. Do not use Schedule E to report income and expenses from the rental of personal property, such as equipment or vehicles. Instead, use Schedule C or C-EZ if you are in the business of renting personal property. You are in the business of renting personal property if the primary purpose for renting the property is income or profit and you are involved in the rental activity with continuity and regularity.

If your rental of personal property is not a business, see the instructions for Form 1040, lines 21 and 36, to find out how to report the income and expenses.

Husband-wife qualified joint venture. Do not use Schedule E to report income and expenses from a rental real estate business that is a qualified joint venture conducted by you and your spouse, if you file a joint return for the tax year.

Generally, if you and your spouse jointly own and operate a business and share in the profits and losses, you are taxed as a partnership. However, your business is a qualified joint venture if you and your spouse materially participate as the only members of a jointly owned and oper-

ated business and you jointly elect to be taxed as a qualified joint venture instead of a partnership. For an explanation of "material participation," see the instructions for Schedule C, line G, that begin on page C-2.

To make the election, each of you must report, on a separate Schedule C or C-EZ, his or her share of income and deductions in accordance with your respective interests in the venture. See the instructions for Schedule C or C-EZ and Publication 527 for more details.

As long as you remain qualified, your election cannot be revoked without IRS consent.

Note. Rental income reported on Schedule E is not taxable for self-employment tax purposes. However, if you and your spouse make the election described above, each of you may also be subject to self-employment tax figured on Schedule SE.

Extraterritorial income exclusion. Except as otherwise provided in the Internal Revenue Code, gross income includes all income from whatever source derived. Gross income, however, does not include extraterritorial income that is qualifying foreign trade income under certain circumstances. Use Form 8873 to figure the extraterritorial income exclusion. Report it on Schedule E as explained in the Instructions for Form 8873.

Chapter 11 bankruptcy cases. If you were a debtor in a chapter 11 bankruptcy case, see page 18 of the instructions for Form 1040.

Line 1

For rental real estate property only, show all of the following.

- The kind of property you rented (for example, townhouse).
- The street address, city or town, and state. You do not have to give the ZIP code.
- Your percentage of ownership in the property, if less than 100%.

Line 2

If you rented out a dwelling unit that you also used for personal purposes during the year, you may not be able to deduct all the expenses for the rental part. "Dwelling unit" (unit) means a house, apartment, condominium, or similar property.

A day of personal use is any day, or part of a day, that the unit was used by:

- You for personal purposes,
- Any other person for personal purposes, if that person owns part of the unit (unless rented to that person under a "shared equity" financing agreement),
- Anyone in your family (or in the family of someone else who owns part of the unit), unless the unit is rented at a fair rental price to that person as his or her main home,

- Anyone who pays less than a fair rental price for the unit, or
- Anyone under an agreement that lets you use some other unit.

Do not count as personal use:

- Any day you spent working substantially full time repairing and maintaining the unit, even if family members used it for recreational purposes on that day, or
- Any days you used the unit as your main home before or after renting it or offering it for rent, if you rented or tried to rent it for at least 12 consecutive months (or for a period of less than 12 consecutive months at the end of which you sold or exchanged it).

Check "Yes" if you or your family used the unit for personal purposes in 2007 more than the greater of:

- 14 days, or
- 10% of the total days it was rented to others at a fair rental price.

Otherwise, check "No."

If you checked "No" you can deduct all your expenses for the rental part, subject to the *At-Risk Rules* and the *Passive Activity Loss Rules* explained beginning on page E-1.

If you checked "Yes" and rented the unit out for fewer than 15 days in 2007, do not report the rental income and do not deduct any rental expenses. If you itemize deductions on Schedule A, you can deduct allowable interest, taxes, and casualty losses.

If you checked "Yes" and rented the unit out for at least 15 days in 2007, you may not be able to deduct all your rental expenses. You can deduct all of the following expenses for the rental part on Schedule E.

- Mortgage interest.
- Real estate taxes.
- Casualty losses.
- Other rental expenses not related to your use of the unit as a home, such as advertising expenses and rental agents' fees.

If any income is left after deducting these expenses, you can deduct other expenses, including depreciation, up to the amount of remaining income. You can carry over to 2008 the amounts you cannot deduct.

See Pub. 527 for details.

Line 3

If you received rental income from real estate (including personal property leased with real estate) and you were not in the real estate business, report the income on line 3. Use a separate column (A, B, or C) for each rental property. Include income received for renting a room or other space. If you received services or property instead of money as rent, report the fair market

value of what you received as rental income.

Be sure to enter the total of all your rents in the "Totals" column even if you have only one property.

If you provided significant services to the renter, such as maid service, report the rental activity on Schedule C or C-EZ, not on Schedule E. Significant services do not include the furnishing of heat and light, cleaning of public areas, trash collection, or similar services.

If you were in the real estate sales business, include on line 3 only the rent received from real estate (including personal property leased with real estate) you held for investment or speculation. Do not use Schedule E to report income and expenses from rentals of real estate held for sale to customers in the ordinary course of your real estate sales business. Instead, use Schedule C or C-EZ for these rentals.

For more details on rental income use TeleTax topic 414 (see the Instructions for Form 1040, page 79), or see Pub. 527.

Rental income from farm production or crop shares. Report farm rental income and expenses on Form 4835 if:

- You are an individual,
- You received rental income based on crops or livestock produced by the tenant, and
- You did not materially participate in the management or operation of the farm.

Line 4

Report on line 4 royalties from oil, gas, or mineral properties (not including operating interests); copyrights; and patents. Use a separate column (A, B, or C) for each royalty property. Be sure to enter the total of all your royalties in the "Totals" column even if you have only one source of royalties.

If you received \$10 or more in royalties during 2007, the payer should send you a Form 1099-MISC or similar statement by January 31, 2008, showing the amount you received.

If you are in business as a self-employed writer, inventor, artist, etc., report your royalty income and expenses on Schedule C or C-EZ.

You may be able to treat amounts received as "royalties" for the transfer of a patent or amounts received on the disposal of coal and iron ore as the sale of a capital asset. For details, see Pub. 544.

Enter on line 4 the gross amount of royalty income, even if state or local taxes were withheld from oil or gas payments you received. Include taxes withheld by the producer on line 16.

General Instructions for Lines 5 Through 21

Enter your rental and royalty expenses for each property in the appropriate column. You can deduct all ordinary and necessary expenses, such as taxes, interest, repairs, insurance, management fees, agents' commissions, and depreciation.

Do not deduct the value of your own labor or amounts paid for capital investments or capital improvements.

Enter your total expenses for mortgage interest (line 12), total expenses before depreciation expense or depletion (line 19), and depreciation expenses or depletion (line 20) in the "Totals" column even if you have only one property.

Renting out part of your home. If you rent out only part of your home or other property, deduct the part of your expenses that applies to the rented part.

Credit or deduction for access expenditures. You may be able to claim a tax credit for eligible expenditures paid or incurred in 2007 to provide access to your business for individuals with disabilities. See Form 8826 for details.

You can also elect to deduct up to \$15,000 of qualified costs paid or incurred in 2007 to remove architectural or transportation barriers to individuals with disabilities and the elderly.

You cannot take both the credit and the deduction for the same expenditures.

Line 6

You can deduct ordinary and necessary auto and travel expenses related to your rental activities, including 50% of meal expenses incurred while traveling away from home. You generally can either deduct your actual expenses or take the standard mileage rate. You must use actual expenses if you used more than four vehicles simultaneously in your rental activities (as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can use the standard mileage rate for 2007 only if:

- You owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you deduct actual auto expenses:

- Include on line 6 the rental activity portion of the cost of gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show auto rental or lease payments on line 18 and depreciation on line 20.

If you take the standard mileage rate, multiply the number of miles you drove

your auto in connection with your rental activities by 48.5 cents. Include this amount and your parking fees and tolls on line 6.

If you claim any auto expenses (actual or the standard mileage rate), you must complete Part V of Form 4562 and attach Form 4562 to your tax return.

See Pub. 527 and Pub. 463 for details.

Line 10

Include on line 10 fees for tax advice and the preparation of tax forms related to your rental real estate or royalty properties.

Do not deduct legal fees paid or incurred to defend or protect title to property, to recover property, or to develop or improve property. Instead, you must capitalize these fees and add them to the property's basis.

Lines 12 and 13

In general, to determine the interest expense allocable to your rental activities, you must have records to show how the proceeds of each debt were used. Specific tracing rules apply for allocating debt proceeds and repayment. See Pub. 535 for details.

If you have a mortgage on your rental property, enter on line 12 the amount of interest you paid for 2007 to banks or other financial institutions. Be sure to enter the total of all your mortgage interest in the "Totals" column even if you have only one property.

Do not deduct prepaid interest when you paid it. You can deduct it only in the year to which it is properly allocable. Points, including loan origination fees, charged only for the use of money must be deducted over the life of the loan.

If you paid \$600 or more in interest on a mortgage during 2007, the recipient should send you a Form 1098 or similar statement by January 31, 2008, showing the total interest received from you.

If you paid more mortgage interest than is shown on your Form 1098 or similar statement, see Pub. 535 to find out if you can deduct part or all of the additional interest. If you can, enter the entire deductible amount on line 12. Attach a statement to your return explaining the difference. On the dotted line next to line 12, enter "See attached."

Note. If the recipient was not a financial institution or you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 13.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage, and the other person received Form 1098, report your share of the deductible interest on line 13. Attach a statement to your return showing the name and ad-

dress of the person who received Form 1098. On the dotted line next to line 13, enter "See attached."

Line 14

You can deduct the cost of repairs made to keep your property in good working condition. Repairs generally do not add significant value to the property or extend its life. Examples of repairs are fixing a broken lock or painting a room. Improvements that increase the value of the property or extend its life, such as replacing a roof or renovating a kitchen, must be capitalized and depreciated (that is, they cannot be deducted in full in the year they are paid or incurred). See the instructions for line 20.

Line 17

You can deduct the cost of ordinary and necessary telephone calls related to your rental activities or royalty income (for example, calls to the renter). However, the base rate (including taxes and other charges) for local telephone service for the first telephone line into your residence is a personal expense and is not deductible.

Line 20

Depreciation is the annual deduction you must take to recover the cost or other basis of business or investment property having a useful life substantially beyond the tax year. Land is not depreciable.

Depreciation starts when you first use the property in your business or for the production of income. It ends when you deduct all your depreciable cost or other basis or no longer use the property in your business or for the production of income.

See the Instructions for Form 4562 to figure the amount of depreciation to enter on line 20. Be sure to enter the total of all your depreciation in the "Totals" column even if you have only one property.

You must complete and attach Form 4562 only if you are claiming:

- Depreciation on property first placed in service during 2007,
- Depreciation on listed property (defined in the Instructions for Form 4562), including a vehicle, regardless of the date it was placed in service, or
- A section 179 expense deduction or amortization of costs that began in 2007.

See Pub. 527 for more information on depreciation of residential rental property. See Pub. 946 for a more comprehensive guide to depreciation.

If you have an economic interest in mineral property, you may be able to take a deduction for depletion. Mineral property includes oil and gas wells, mines, and other natural deposits (including geothermal deposits). See Pub. 535 for details.

Line 22

If you have amounts for which you are not at risk, use Form 6198 to determine the amount of your deductible loss. Enter that amount in the appropriate column of Schedule E, line 22. In the space to the left of line 22, enter "Form 6198." Attach Form 6198 to your return. For details on the at-risk rules, see page E-1.

Line 23

Do not complete line 23 if the amount on line 22 is from royalty properties.

If you have a rental real estate loss from a passive activity (defined on page E-1), the amount of loss you can deduct may be limited by the passive activity loss rules. You may need to complete Form 8582 to figure the amount of loss, if any, to enter on line 23.

If your rental real estate loss is not from a passive activity or you meet the exception for certain rental real estate activities (explained on page E-2), you do not have to complete Form 8582. Enter the loss from line 22 on line 23.

Parts II and III

If you need more space in Part II or III to list your income or losses, attach a continuation sheet using the same format as shown in Part II or III. However, be sure to complete the "Totals" columns for lines 29a and 29b, or lines 34a and 34b, as appropriate. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

Tax preference items. If you are a partner, a shareholder in an S corporation, or a beneficiary of an estate or trust, you must take into account your share of preferences and adjustments from these entities for the alternative minimum tax on Form 6251 or Schedule I of Form 1041.

Part II

Income or Loss From Partnerships and S Corporations

If you are a member of a partnership or joint venture or a shareholder in an S corporation, use Part II to report your share of the partnership or S corporation income (even if not received) or loss.

You should receive a Schedule K-1 from the partnership or S corporation. You should also receive a copy of the Partner's or Shareholder's Instructions for Schedule K-1. Your copy of Schedule K-1 and its instructions will tell you where on your return to report your share of the items. If

you did not receive these instructions with your Schedule K-1, see the Instructions for Form 1040, page 82, or the Instructions for Form 1040NR, page 31, for how to get a copy. Do not attach Schedules K-1 to your return. Keep them for your records.

If you are treating items on your tax return differently from the way the partnership (other than an electing large partnership) or S corporation reported them on its return, you may have to file Form 8082. If you are a partner in an electing large partnership, you must report the items shown on Schedule K-1 (Form 1065-B) on your tax return the same way that the partnership reported the items on Schedule K-1.

Special rules that limit losses. Please note the following.

- If you have a current year loss, or a prior year unallowed loss, from a partnership or an S corporation, see *At-Risk Rules* and *Passive Activity Loss Rules* on page E-1.

Partners and S corporation shareholders should get a separate statement of income, expenses, deductions, and credits for each activity engaged in by the partnership and S corporation. If you are subject to the at-risk rules for any activity, check the box on the appropriate line in Part II, column (e) of Schedule E, and use Form 6198 to figure the amount of any deductible loss. If the activity is nonpassive, enter any deductible loss from Form 6198 on the appropriate line in Part II, column (h) of Schedule E.

- If you have a passive activity loss, you generally need to complete Form 8582 to figure the amount of the allowable loss to enter in Part II, column (f), for that activity. But if you are a general partner or an S corporation shareholder reporting your share of a partnership or an S corporation loss from a rental real estate activity and you meet all of the conditions listed on page E-2 under *Exception for Certain Rental Real Estate Activities*, you do not have to complete Form 8582. Instead, enter your allowable loss in Part II, column (f).

If you have passive activity income, complete Part II, column (g), for that activity.

If you have nonpassive income or losses, complete Part II, columns (h) through (j), as appropriate.

Partnerships

See the Schedule K-1 instructions before entering on your return other partnership items from a passive activity or income or loss from any publicly traded partnership.

You can deduct unreimbursed ordinary and necessary expenses you paid on behalf of the partnership if you were required to pay these expenses under the partnership agreement. See the instructions for line 27 on page E-6 for how to report these expenses.

Report allowable interest expense paid or incurred from debt-financed acquisitions

in Part II or on Schedule A depending on the type of expenditure to which the interest is allocated. See Pub. 535 for details.

If you claimed a credit for federal tax on gasoline or other fuels on your 2006 Form 1040, or Form 1040NR, based on information received from the partnership, enter as income in column (g) or column (j), whichever applies, the amount of the credit claimed for 2006.

Part or all of your share of partnership income or loss from the operation of the business may be considered net earnings from self-employment that must be reported on Schedule SE. Enter the amount from Schedule K-1 (Form 1065), box 14, code A (or from Schedule K-1 (Form 1065-B), box 9 (code J1)), on Schedule SE, after you reduce this amount by any allowable expenses attributable to that income.

Foreign partnerships. If you are a U.S. person, you may have to file Form 8865 if any of the following applies.

1. You controlled a foreign partnership (that is, you owned more than a 50% direct or indirect interest in the partnership).

2. You owned at least a 10% direct or indirect interest in a foreign partnership while U.S. persons controlled that partnership.

3. You had an acquisition, disposition, or change in proportional interest of a foreign partnership that:

a. Increased your direct interest to at least 10% or reduced your direct interest of at least 10% to less than 10%, or

b. Changed your direct interest by at least a 10% interest.

4. You contributed property to a foreign partnership in exchange for a partnership interest if:

a. Immediately after the contribution, you owned, directly or indirectly, at least a 10% interest in the partnership, or

b. The value of the property you contributed, when added to the value of any other property you or any related person contributed to the partnership during the 12-month period ending on the date of transfer, exceeds \$100,000.

Also, you may have to file Form 8865 to report certain dispositions by a foreign partnership of property you previously contributed to that partnership if you were a partner at the time of the disposition.

For more details, including penalties for failing to file Form 8865, see Form 8865 and its separate instructions.

S Corporations

If you are a shareholder in an S corporation, your share of the corporation's aggregate losses and deductions (combined income, losses, and deductions) is limited to the adjusted basis of your corporate stock and any debt the corporation owes you. Any loss or deduction not allowed this year because of

the basis limitation can be carried forward and deducted in a later year subject to the basis limitation for that year.

If you are claiming a deduction for your share of an aggregate loss, attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. See the Schedule K-1 instructions for details.

After applying the basis limitation, the deductible amount of your aggregate losses and deductions may be further reduced by the at-risk rules and the passive activity loss rules. See page E-1.

Distributions of prior year accumulated earnings and profits of S corporations are dividends and are reported on Form 1040, line 9a.

Interest expense relating to the acquisition of shares in an S corporation may be fully deductible on Schedule E. For details, see Pub. 535.

Your share of the net income of an S corporation is not subject to self-employment tax.

Line 27

If you answered "Yes" on line 27, follow the instructions below. If you fail to follow these instructions, the IRS may send you a notice of additional tax due because the amounts reported by the partnership or S corporation on Schedule K-1 do not match the amounts you reported on your tax return.

Losses Not Allowed in Prior Years Due to the At-Risk or Basis Limitations

• Enter your total prior year unallowed losses that are now deductible on a separate line in column (h) of line 28. Do not combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

• Enter "PYA" (prior year amount) in column (a) of the same line.

Prior Year Unallowed Losses From a Passive Activity Not Reported on Form 8582

• Enter on a separate line in column (f) of line 28 your total prior year unallowed losses not reported on Form 8582. Such losses include prior year unallowed losses that are now deductible because you did not have an overall loss from all passive activities or you disposed of your entire interest in a passive activity in a fully taxable transaction. Do not combine these losses with, or net them against, any current year amounts from the partnership or S corporation.

• Enter "PYA" (prior year amount) in column (a) of the same line.

Unreimbursed Partnership Expenses

• You can deduct unreimbursed ordinary and necessary partnership expenses you paid on behalf of the partnership on Schedule E if you were required to pay these expenses under the partnership agreement (except amounts deductible only as itemized deductions, which you must enter on Schedule A).

• Enter unreimbursed partnership expenses from nonpassive activities on a separate line in column (h) of line 28. Do not combine these expenses with, or net them against, any other amounts from the partnership.

• If the expenses are from a passive activity and you are not required to file Form 8582, enter the expenses related to a passive activity on a separate line in column (f) of line 28. Do not combine these expenses with, or net them against, any other amounts from the partnership.

• Enter "UPE" (unreimbursed partnership expenses) in column (a) of the same line.

Line 28

For nonpassive income or loss (and passive income or losses for which you are not filing Form 8582), enter in the applicable column of line 28 your current year ordinary income or loss from the partnership or S corporation. Report each related item required to be reported on Schedule E (including items of income or loss stated separately on Schedule K-1) in the applicable column of a separate line following the line on which you reported the current year ordinary income or loss. Also enter a description of the related item (for example, depletion) in column (a) of the same line.

If you are required to file Form 8582, see the Instructions for Form 8582 before completing Schedule E.

Part III

Income or Loss From Estates and Trusts

If you are a beneficiary of an estate or trust, use Part III to report your part of the income (even if not received) or loss. You should receive a Schedule K-1 (Form 1041) from the fiduciary. Your copy of Schedule K-1 and its instructions will tell you where on your return to report the items from Schedule K-1. Do not attach Schedule K-1 to your return. Keep it for your records.

If you are treating items on your tax return differently from the way the estate or trust reported them on its return, you may have to file Form 8082.

If you have estimated taxes credited to you from a trust (Form 1041, Schedule K-1, box 13, code A), enter "ES payment claimed" and the amount on the dotted line next to line 37. Do not include this amount in the total on line 37. Instead, enter the amount on Form 1040, line 65.

A U.S. person who transferred property to a foreign trust may have to report the income received by the trust as a result of the transferred property if, during 2007, the trust had a U.S. beneficiary. See section 679. An individual who received a distribution from, or who was the grantor of or transferor to, a foreign trust must also complete Part III of Schedule B (Form 1040) and may have to file Form 3520. In addition, the owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A.

Part IV

Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)

If you are the holder of a residual interest in a REMIC, use Part IV to report your total share of the REMIC's taxable income or loss for each quarter included in your tax year. You should receive Schedule Q (Form 1066) and instructions from the REMIC for each quarter. Do not attach Schedules Q to your return. Keep them for your records.

If you are treating REMIC items on your tax return differently from the way the REMIC reported them on its return, you may have to file Form 8082.

If you are the holder of a residual interest in more than one REMIC, attach a continuation sheet using the same format as in Part IV. Enter the combined totals of columns (d) and (e) on Schedule E, line 39. If you also completed Part I on more than one Schedule E, use the same Schedule E on which you entered the combined totals in Part I.

REMIC income or loss is not income or loss from a passive activity.

Note. If you are the holder of a regular interest in a REMIC, do not use Schedule E to report the income you received. Instead, report it on Form 1040, line 8a.

Column (c). Report the total of the amounts shown on Schedule(s) Q, line 2c. This is the smallest amount you are allowed to report as your taxable income (Form 1040, line 43). It is also the smallest amount you are allowed to report as your alternative minimum taxable income (AMTI) on Form 6251, line 28.

If the amount in column (c) is larger than your taxable income would otherwise be, enter the amount from column (c) on Form 1040, line 43. Similarly, if the amount in column (c) is larger than your AMTI would otherwise be, enter the amount from column (c) on Form 6251, line 28. Enter "Sch. Q" on the dotted line to the left of this amount on Form 1040, line 43, and Form 6251, line 28, if applicable.

Note. These rules also apply to estates and trusts that hold a residual interest in a REMIC. Be sure to make the appropriate entries on the comparable lines on Form 1041.



Do not include the amount shown in column (c) in the total on Schedule E, line 39.

Column (e). Report the total of the amounts shown on Schedule(s) Q, line 3b. If you itemize your deductions, include this amount on Form 1040, Schedule A, line 23.

Part V Summary

Line 42

You will not be charged a penalty for underpayment of estimated tax if:

1. Your gross farming or fishing income for 2006 or 2007 is at least two-thirds of your gross income, and

2. You file your 2007 tax return and pay the tax due by March 3, 2008.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control number 1545-1972 and is shown below.

Recordkeeping	3 hr.
Learning about the law or the form	1 hr., 13 min.
Preparing the form	1 hr., 27 min.
Copying, assembling, and sending the form to the IRS	34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



2007 Instructions for Schedule F

Profit or Loss From Farming

Use Schedule F (Form 1040) to report farm income and expenses. File it with Form 1040, 1040NR, 1041, 1065, or 1065-B.

Your farming activity may subject you to state and local taxes and other requirements such as business licenses and fees. Check with your state and local governments for more information.

Additional information. Pub. 225 has samples of filled-in forms and schedules, and lists important dates that apply to farmers.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

Husband-wife farm. Beginning in 2007, you and your spouse, if you are filing married filing jointly, may be able to make a joint election to be taxed as a qualified joint venture instead of a partnership. See *Exception—Qualified joint venture* under *Husband-wife farm* on this page.

Section 179 deduction increased. For property placed in service in 2007, the limit for the section 179 deduction to expense certain depreciable business property has been increased to \$125,000. This limit will be reduced when the total cost of section 179 property placed in service during the tax year exceeds \$500,000.

Work opportunity credit and welfare-to-work credit extended and combined. For 2007, both credits have been combined, modified, and extended for qualified wages paid to an employee.

Indian employment credit has been extended. The Indian employment credit has been extended for qualified wages paid to an employee through December 31, 2007.

Hurricane Katrina housing credit has expired. This credit was available for lodging furnished to qualified employees between January 1, 2006 and July 1, 2006, and was claimed on Section B of Form 5884-A.

General Instructions

Other Schedules and Forms You May Have To File

- Schedule E, Part I, to report rental income from pastureland that is based on a flat charge. Report on Schedule F, line 10, pasture income received from taking care of someone else's livestock. Also, use Schedule E, Part I, to report farm rental

income and expenses of a trust or estate based on crops or livestock produced by a tenant.

- Schedule J to figure your tax by averaging your farm income over the previous 3 years. Doing so may reduce your tax.

- Schedule SE to pay self-employment tax on income from your farming business.

- Form 4562 to claim depreciation on assets placed in service in 2007, to claim amortization that began in 2007, to make an election under section 179 to expense certain property, or to report information on vehicles and other listed property.

- Form 4684 to report a casualty or theft gain or loss involving farm business property, including purchased livestock held for draft, breeding, sport, or dairy purposes. See Pub. 225 for more information on how to report various farm losses, such as losses due to death of livestock or damage to crops or other farm property.

- Form 4797 to report sales, exchanges, or involuntary conversions (other than from a casualty or theft) of certain farm property. Also use this form to report sales of livestock held for draft, breeding, sport, or dairy purposes.

- Form 4835 to report rental income based on crop or livestock shares produced by a tenant if you are an individual who did not materially participate in the management or operation of a farm. This income is not subject to self-employment tax. See Pub. 225.

- Form 8824 to report like-kind exchanges.

- Form 8903 to take a deduction for income from domestic production activities.

- Form 8910 to claim a credit for placing a new alternative motor vehicle in service for business use.

- Form 8911 to claim a credit for placing qualified alternative fuel vehicle refueling property in service for business use.

Heavy highway vehicle use tax. If you use certain highway trucks, truck-trailers, tractor trailers, or buses in your farming business, you may have to pay a federal highway motor vehicle use tax. See the In-

structions for Form 2290 to find out if you owe this tax.

Information returns. You may have to file information returns for wages paid to employees, certain payments of fees and other nonemployee compensation, interest, rents, royalties, real estate transactions, annuities, and pensions. You may also have to file an information return if you sold \$5,000 or more of consumer products to a person on a buy-sell, deposit-commission, or other similar basis for resale. For details, see the 2007 General Instructions for Forms 1099, 1098, 5498, and W-2G.

If you received cash of more than \$10,000 in one or more related transactions in your farming business, you may have to file Form 8300. For details, see Pub. 1544.

Reportable transaction disclosure statement. If you entered into a reportable transaction in 2007, you must file Form 8886 to disclose information if your federal income tax liability is affected by your participation in the transaction. You may have to pay a penalty if you are required to file Form 8886 but do not do so. You may also have to pay interest and penalties on any reportable transaction understatements. For more information on reportable transactions, see *Reportable Transaction Disclosure Statement* on page C-2 of the instructions for Schedule C.

Husband-wife farm. If you and your spouse jointly own and operate a farm and share in the profits and losses, you are partners in a partnership whether or not you have a formal partnership agreement. File Form 1065 instead of Schedule F.

Exception—Qualified joint venture. If you and your spouse materially participate as the only members of a jointly owned and operated farm and you file a joint tax return, you can make a joint election to be taxed as a qualified joint venture instead of a partnership. For an explanation of "material participation," see the instructions for Schedule C, line G, that begin on page C-2, and the instructions for line E on page F-2. You must divide all items of income, gain, loss, deduction, and credit between you and your spouse in accordance with your re-

spective interests in the venture. Each of you must file a separate Schedule F.

Estimated Tax

If you had to make estimated tax payments for 2007 and you underpaid your estimated tax, you will not be charged a penalty if both of the following apply.

- Your gross farming or fishing income for 2006 or 2007 is at least two-thirds of your gross income.
- You file your 2007 tax return and pay the tax due by March 3, 2008.

For details, see Pub. 225.

Specific Instructions

Filers of Forms 1041, 1065, and 1065-B. Do not complete the block labeled "Social security number (SSN)." Instead, enter your employer identification number (EIN) on line D.

Line B

On line B, enter one of the 14 principal agricultural activity codes listed in Part IV on page 2 of Schedule F. Select the code that best describes the source of most of your income.

Line C

If you use the cash method, check box 1, labeled "Cash." Complete Schedule F, Parts I and II. Generally, report income in the year in which you actually or constructively received it and deduct expenses in the year you paid them. However, if the payment of an expenditure creates an asset having a useful life that extends substantially beyond the close of the year, it may not be deductible or may be deductible only in part for the year of the payment. See Pub. 225.

If you use an accrual method, check box 2, labeled "Accrual." Complete Schedule F, Parts II, III, and Part I, line 11. Generally, report income in the year in which you earned it and deduct expenses in the year you incurred them, even if you did not pay them in that year. Accrual basis taxpayers are put on a cash basis for deducting business expenses owed to a related cash-basis taxpayer. Other rules determine the timing of deductions based on economic performance. See Pub. 538.

Farming syndicates cannot use the cash method of accounting. A farming syndicate may be a partnership, any other noncorporate group, or an S corporation if:

- The interests in the business have at any time been offered for sale in a way that would require registration with any federal or state agency, or

- More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A limited partner is one who can lose only the amount invested or required to be invested in the partnership. A limited entrepreneur is a person who does not take any active part in managing the business.

Line D

You need an employer identification number (EIN) only if you had a qualified retirement plan or were required to file an employment, excise, estate, trust, partnership, or alcohol, tobacco, and firearms tax return. If you need an EIN, see the Instructions for Form SS-4. If you do not have an EIN, leave line D blank.

Line E

Material participation. For the definition of material participation for purposes of the passive activity rules, see the instructions for Schedule C, line G, that begin on page C-2. If you meet any of the material participation tests described in those instructions, check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 or more of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if he or she actively manages the farm and the real property used for farming meets the estate tax rules for special valuation of farm property passed from a qualifying decedent.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see *Limit on passive losses* below. If you have a profit from this business activity but have current year losses from other passive activities or prior year unallowed passive activity losses, see the Instructions for Form 8582.

Limit on passive losses. If you checked the "No" box and you have a loss from this business, you may have to use Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive activities only to the extent of income from passive activities. For details, see Pub. 925.

Part I. Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Generally, include both the cash actually or constructively received and the fair market value of goods or other property received for these

items. Income is constructively received when it is credited to your account or set aside for you to use. However, direct payments or counter-cyclical payments received under the Farm Security and Rural Investment Act of 2002 are required to be included in income only in the year of actual receipt.

If you ran the farm yourself and received rents based on crop shares or farm production, report these rents as income on line 4.

Sales of livestock because of weather-related conditions. If you sold livestock because of drought, flood, or other weather-related conditions, you can elect to report the income from the sale in the year after the year of sale if all of the following apply.

- Your main business is farming.
- You can show that you sold the livestock only because of weather-related conditions.
- Your area qualified for federal aid.

See Pub. 225 for details.

Chapter 11 bankruptcy. If you were a debtor in a chapter 11 bankruptcy case during 2007, see page 18 in the instructions for Form 1040 and page SE-2 of the instructions for Schedule SE (Form 1040).

Forms 1099 or CCC-1099-G. If you received Forms 1099 or CCC-1099-G showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the following chart to determine where to report the income on Schedule F. Include the Form 1099 or CCC-1099-G amounts in the total amount reported on that line.

Form	Where to report
1099-PATR	Line 5a
1099-A	Line 7b
1099-MISC for crop insurance	Line 8a
1099-G or CCC-1099-G	
• for disaster payments	Line 8a
• for other agricultural program payments	Line 6a

You may also receive Form 1099-MISC for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

Lines 5a and 5b

If you received distributions from a cooperative in 2007, you should receive a Form 1099-PATR. On line 5a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage

distributions, per-unit retain allocations, and redemptions of nonqualified written notices of allocation and per-unit retain certificates.

Show patronage dividends received in cash and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificates.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. Because you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

Lines 6a and 6b

Enter on line 6a the total of the following amounts.

- Direct payments.
- Counter-cyclical payments.
- Price support payments.
- Market gain from the repayment of a secured Commodity Credit Corporation (CCC) loan for less than the original loan amount.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).

These amounts are government payments you received and are usually reported to you on Form 1099-G. You may also receive Form CCC-1099-G from the Department of Agriculture showing the amounts and types of payments made to you.

On line 6b, report only the taxable amount. For example, do not report the market gain shown on Form CCC-1099-G on line 6b if you elected to report CCC loan proceeds as income in the year received (see *Lines 7a Through 7c* below). No gain results from redemption of the commodity because you previously reported the CCC loan proceeds as income. You are treated as repurchasing the commodity for the amount of the loan repayment. However, if you did not report the CCC loan proceeds under the election, you must report the market gain on line 6b.

Lines 7a Through 7c

Commodity Credit Corporation (CCC) loans. Generally, you do not report CCC loan proceeds as income. However, if you

pledge part or all of your production to secure a CCC loan, you can elect to report the loan proceeds as income in the year you receive them, instead of the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 2007 on line 7a. Attach a statement to your return showing the details of the loan(s).

Forfeited CCC loans. Include the full amount forfeited on line 7b, even if you reported the loan proceeds as income. This amount may be reported to you on Form 1099-A.

If you did not elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you did elect to report the loan proceeds as income, you generally will not have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

See Pub. 225 for details on the tax consequences of electing to report CCC loan proceeds as income or forfeiting CCC loans.

Lines 8a Through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 2007 was the year of damage, you can elect to include certain proceeds in income for 2008. To make this election, check the box on line 8c and attach a statement to your return. See Pub. 225 for a description of the proceeds for which an election can be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including federal crop disaster payments).

Enter on line 8a the total crop insurance proceeds you received in 2007, even if you elect to include them in income for 2008.

Enter on line 8b the taxable amount of the proceeds you received in 2007. Do not include proceeds you elect to include in income for 2008.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 2006 and elected to include in income for 2007.

Line 10

Use this line to report income not shown on lines 1 through 9, such as the following.

- Illegal federal irrigation subsidies. See Pub. 225.
- Bartering income.

- **Income from cancellation of debt.** Generally, if a debt is canceled or forgiven, you must include the canceled amount in income. If a federal agency, financial institution, or credit union canceled or forgave a debt you owed of \$600 or more, it should send you a Form 1099-C, or similar statement, by January 31, 2008, showing the amount of debt canceled in 2007. However, certain solvent farmers can exclude canceled qualified farm indebtedness from income. To find out if you must include any cancellation of debt in income, see Pub. 225.

- State gasoline or fuel tax refunds you received in 2007.

- The amount of credit for federal tax paid on fuels, if you deducted the total cost of the fuel on your 2006 Form 1040.

- The amount of credit for alcohol used as fuel that was claimed on Form 6478.

- The interest part of the credit or refund of the federal telephone excise tax paid for your farming business telephone lines from Form 8913, line 15, column (e).

- The amount of credit or refund of the federal telephone excise tax paid for your farming business telephone lines if you deducted any telephone excise tax. Include the smaller of the amount deducted or the amount from Form 8913, line 15, column (d), except to the extent the deduction did not reduce federal income tax.

- The amount of credit for biodiesel and renewable diesel fuels that was claimed on Form 8864.

- Any recapture of excess depreciation on any listed property, including any section 179 expense deduction, if the business use percentage of that property decreased to 50% or less in 2007. Use Form 4797 to figure the recapture. See the instructions for Schedule C, line 13, on page C-4 for the definition of listed property.

- The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. See Pub. 946 to figure the amount.

- Any recapture of the deduction for clean-fuel vehicles and clean-fuel vehicle refueling property used in your farming business. For details on how to figure recapture, see Regulations section 1.179A-1.

- The gain or loss on the sale of commodity futures contracts if the contracts were made to protect you from price changes. These are a form of business insurance and are considered hedges. If you had a loss in a closed futures contract, enclose the amount of the loss in parentheses.



For property acquired and hedging positions established, you must clearly identify on your books and records both the hedging transaction and the item(s) or aggregate risk that is being hedged.

Purchase or sales contracts are not true hedges if they offset losses that already oc-

curred. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, report the profit or loss on Form 6781 instead of this line.

Part II. Farm Expenses

Do not deduct the following.

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Inventory losses.
- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

Capitalizing costs of property. If you produced real or tangible personal property or acquired property for resale, certain expenses must be included in inventory costs or capitalized. These expenses include the direct costs of the property and the share of any indirect costs allocable to that property. However, these rules generally do not apply to expenses of:

1. Producing any plant that has a preproductive period of 2 years or less,
2. Raising animals, or
3. Replanting certain crops if they were lost or damaged by reason of freezing temperatures, disease, drought, pests, or casualty.



Exceptions (1) and (2) do not apply to tax shelters, farming syndicates, partnerships, or corporations required to use the accrual method of accounting under section 447 or 448(a)(3).

If you capitalize your expenses, do not reduce your deductions on lines 12 through 34e by the capitalized expenses. Instead, enter the total amount capitalized in parentheses on line 34f. See *Preproductive period expenses* on page F-6 for details.

But you may be able to currently deduct rather than capitalize the expenses of producing a plant with a preproductive period of more than 2 years. See *Election to deduct certain preproductive period expenses* below.

Election to deduct certain preproductive period expenses. If the preproductive period of any plant you produce is more than 2 years, you can elect to currently deduct the expenses rather than capitalize them. But you cannot make this election for the costs of planting or growing citrus or almond groves that are incurred before the end of the 4th tax year beginning with the

tax year you planted them in their permanent grove. You are treated as having made the election by deducting the preproductive period expenses in the first tax year for which you can make this election and by applying the special rules, discussed below.



In the case of a partnership or S corporation, the election must be made by the partner, shareholder, or member. This election cannot be made by tax shelters, farming syndicates, partnerships, or corporations required to use the accrual method of accounting under section 447 or 448(a)(3).

Unless you obtain IRS consent, you must make this election for the first tax year in which you engage in a farming business involving the production of property subject to the capitalization rules. You cannot revoke this election without IRS consent.

Special rules. If you make the election to deduct preproductive expenses for plants, any gain you realize when disposing of the plants is ordinary income up to the amount of the preproductive expenses you deducted. Also, the alternative depreciation rules apply to property placed in service in any tax year your election is in effect.

For details, see Pub. 225.

Prepaid farm supplies. Generally, if you use the cash method of accounting and your prepaid farm supplies are more than 50% of your other deductible farm expenses, your deduction for those supplies may be limited. Prepaid farm supplies include expenses for feed, seed, fertilizer, and similar farm supplies not used or consumed during the year. They also include the cost of poultry that would be allowable as a deduction in a later tax year if you were to (a) capitalize the cost of poultry bought for use in your farming business and deduct it ratably over the lesser of 12 months or the useful life of the poultry, and (b) deduct the cost of poultry bought for resale in the year you sell or otherwise dispose of it.

If the limit applies, you can deduct prepaid farm supplies that do not exceed 50% of your other deductible farm expenses in the year of payment. You can deduct the excess only in the year you use or consume the supplies (other than poultry, which is deductible as explained above). For details and exceptions to these rules, see Pub. 225. Whether or not this 50% limit applies, your expenses for livestock feed paid during the year but consumed in the later year, may be subject to the rules explained later in the line 18 instructions.

Line 12

You can deduct the actual expenses of running your car or truck or take the standard mileage rate. You must use actual expenses if you used your vehicle for hire or you used five or more vehicles simultaneously

in your farming business (such as in fleet operations). You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

You can take the standard mileage rate for 2007 only if you:

- Owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- Leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

If you take the standard mileage rate, multiply the number of business miles driven by 48.5 cents. Add to this amount your parking fees and tolls, and enter the total on line 12. Do not deduct depreciation, rent or lease payments, or your actual operating expenses.

If you deduct actual expenses:

- Include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc., and
- Show depreciation on line 16 and rent or lease payments on line 26a.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested on Form 4562, Part V. Be sure to attach Form 4562 to your return.

For details, see Pub. 463.

Line 14

Deductible soil and water conservation expenses generally are those that are paid to conserve soil and water or to prevent erosion of land used for farming. These expenses include (but are not limited to) costs for the following:

- The treatment or movement of earth, such as leveling, grading, conditioning, terracing, contour furrowing, and the restoration of soil fertility.
- The construction, control, and protection of diversion channels, drainage ditches, irrigation ditches, earthen dams, watercourses, outlets, and ponds.
- The eradication of brush.
- The planting of windbreaks.

These expenses can be deducted only if they are consistent with a conservation plan approved by the Natural Resources Conservation Service of the Department of Agriculture for the area in which your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You cannot deduct the expenses if they were paid or incurred for land used in farming in a foreign country.

Do not deduct expenses you paid or incurred to drain or fill wetlands, to prepare land for center pivot irrigation systems, or to clear land.

Your deduction cannot exceed 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, the excess can be carried forward and deducted in later tax years. However, the amount deductible for any 1 year cannot exceed the 25% gross income limit for that year.

For details, see Pub. 225.

Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment).

Do not include amounts paid for rental or lease of equipment that you operated yourself. Instead, report those amounts on line 26a.

Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You can also elect under section 179 to expense a portion of the cost of certain property you bought in 2007 for use in your farming business. The section 179 election is made on Form 4562.

For information about depreciation and the section 179 deduction, see Pub. 946.

For details on the increased depreciation and section 179 deductions for qualified property in the GO Zone, see Pub. 225.

See the Instructions for Form 4562 for information on when you must complete and attach Form 4562.

Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs. If you made contributions on your behalf as a self-employed person to a dependent care assistance program, complete Form 2441, Parts I and III, to figure your deductible contributions to that program.

Contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance are not deductible on Schedule F. However, you may be able to deduct on Form 1040, line 29 (or on Form 1040NR, line 28), the amount you paid for health insurance on behalf of yourself, your

spouse, and dependents even if you do not itemize your deductions. See the instructions for Form 1040, line 29, or Form 1040NR, line 28, for details.

Line 18

If you use the cash method, you cannot deduct when paid the cost of feed your livestock will consume in a later year unless all of the following apply.

- The payment was for the purchase of feed rather than a deposit.
- The prepayment had a business purpose and was not made merely to avoid tax.
- Deducting the prepayment will not materially distort your income.

If all of the above apply, you can deduct the prepaid feed when paid, subject to the overall limit for *Prepaid farm supplies* explained on page F-4. If all of the above do not apply, you can deduct the prepaid feed only in the year it is consumed.

Line 20

Do not include the cost of transportation incurred in purchasing livestock held for resale as freight paid. Instead, add these costs to the cost of the livestock, and deduct them when the livestock is sold.

Line 22

Deduct on this line premiums paid for farm business insurance. Deduct on line 17 amounts paid for employee accident and health insurance. Amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability are not deductible.

Lines 23a and 23b

Interest allocation rules. The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. "Interest allocation" rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and receives the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. See Pub. 535 for details.

If you paid interest on a debt secured by your main home and any of the proceeds from that debt were used in your farming business, see Pub. 535 to figure the amount to include on lines 23a and 23b.

How to report. If you have a mortgage on real property used in your farming business (other than your main home), enter on line 23a the interest you paid for 2007 to banks or other financial institutions for which you received a Form 1098 (or similar statement). If you did not receive a Form 1098, enter the interest on line 23b.

If you paid more mortgage interest than is shown on Form 1098, see Pub. 535 to find out if you can deduct the additional interest. If you can, include the amount on line 23a. Attach a statement to your return explaining the difference and enter "See attached" in the margin next to line 23a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the Form 1098, include your share of the interest on line 23b. Attach a statement to your return showing the name and address of the person who received the Form 1098. In the margin next to line 23b, enter "See attached."

Do not deduct interest you prepaid in 2007 for later years; include only the part that applies to 2007.

Line 24

Enter the amounts you paid for farm labor. Do not include amounts paid to yourself. Reduce your deduction by the amounts claimed on:

- Form 5884, Work Opportunity Credit, line 2;
- Form 8844, Empowerment Zone and Renewal Community Employment Credit, line 2;
- Form 8845, Indian Employment Credit, line 4; and
- Form 8861, Welfare-to-Work Credit, line 2.

Include the cost of boarding farm labor but not the value of any products they used from the farm. Include only what you paid household help to care for farm laborers.



If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts you depreciated or deducted elsewhere.

Line 25

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, enter contributions made as an employer on your behalf on Form 1040, line 28 (or on Form 1040NR, line 27), not on Schedule F.

Generally, you must file the applicable form listed below if you maintain a pen-

sion, profit-sharing, or other funded-deferred compensation plan. The filing requirement is not affected by whether or not the plan qualified under the Internal Revenue Code, or whether or not you claim a deduction for the current tax year. There is a penalty for failure to timely file these forms.

Form 5500-EZ. File this form if you have a one-participant retirement plan that meets certain requirements. A one-participant plan is a plan that only covers you (or you and your spouse).

Form 5500. File this form for a plan that does not meet the requirements for filing Form 5500-EZ.

For details, see Pub. 560.

Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an inclusion amount. See *Leasing a Car* in Pub. 463 to figure your inclusion amount.

Enter on line 26b amounts paid to rent or lease other property such as pasture or farmland.

Line 27

Enter amounts you paid for incidental repairs and maintenance of farm buildings, machinery, and equipment that do not add to the value of the property or appreciably prolong its life. You can also include what you paid for tools of short life or minimal cost, such as shovels and rakes.

Do not deduct repairs or maintenance on your home.

Line 31

You can deduct the following taxes on this line.

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare taxes you paid to match what you are required to withhold from farm employees' wages.
- Federal unemployment tax.
- Federal highway use tax.

Do not deduct the following taxes on this line.

- Federal income taxes, including your self-employment tax. However, you can deduct one-half of your self-employment tax on Form 1040, line 27.
- Estate and gift taxes.
- Taxes assessed for improvements, such as paving and sewers.

- Taxes on your home or personal use property.

- State and local sales taxes on property purchased for use in your farming business. Instead, treat these taxes as part of the cost of the property.

- Other taxes not related to your farming business.

Line 32

Enter amounts you paid for gas, electricity, water, and other utilities for business use on the farm. Do not include personal utilities. You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for your farming business. But you can deduct expenses you paid for your farming business that are more than the cost of the base rate for the first phone line. For example, if you had a second phone line, you can deduct the business percentage of the charges for that line, including the base rate charges.

Lines 34a Through 34f

Include all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc. Do not include fines or penalties paid to a government for violating any law.

At-risk loss deduction. Any loss from this activity that was not allowed as a deduction last year because of the at-risk rules is treated as a deduction allocable to this activity in 2007. However, for the loss to be deductible, the amount "at risk" must be increased.

Bad debts. See Pub. 535.

Business start-up costs. If your business began in 2007, you can elect to deduct up to \$5,000 of certain business start-up costs. This limit is reduced (but not below zero) by the amount by which your start-up costs exceed \$50,000. You can amortize any remaining qualified business start-up costs over 180 months. For details, see Pub. 225. For amortization that begins in 2007, you must complete and attach Form 4562.

Business use of your home. You may be able to deduct certain expenses for business use of your home, subject to limitations. Use the worksheet in Pub. 587 to figure your allowable deduction. Do not use Form 8829.

Forestation and reforestation costs. Reforestation costs are generally capital expenditures. However, for each qualified timber property, you can elect to expense up to \$10,000 (\$5,000 if married filing separately) of qualifying reforestation costs paid or incurred in 2007. This limit is increased for small timber producers with qualified timber property located in the GO Zone, the Rita GO Zone, or the Wilma GO

Zone. For GO Zone information, see Pub. 4492.

You can elect to amortize the remaining costs over 84 months.

The amortization election does not apply to trusts and the expense election does not apply to estates and trusts. For details on reforestation expenses, see Pub. 225. For amortization that begins in 2007, you must complete and attach Form 4562.

GO Zone clean-up costs. You can deduct 50% of any qualified GO Zone clean-up costs paid or incurred in 2007 for the removal of debris from, or the demolition of structures on, real property located in the GO Zone that is used in your farming business. The rest of the GO Zone clean-up costs must be capitalized. See Pub. 4492 for the areas included in the GO Zone and the applicable dates for this deduction.

Legal and professional fees. You can include on this line fees charged by accountants and attorneys that are ordinary and necessary expenses directly related to your farming business. Include fees for tax advice and for the preparation of tax forms related to your farming business. Also include expenses incurred in resolving asserted tax deficiencies related to your farming business.

Travel, meals, and entertainment. Generally, you can deduct expenses for farm business travel and 50% of your business meals and entertainment. But there are exceptions and limitations. See the instructions for Schedule C, lines 24a and 24b, that begin on page C-6.

Preproductive period expenses. If you had preproductive period expenses in 2007 that you are capitalizing, enter the total of these expenses in parentheses on line 34f and enter "263A" in the space to the left of the total.

For details, see page F-4, *Capitalizing costs of property*, and Pub. 225.

Line 35

If line 34f is a negative amount, subtract the amount on line 34f from the total of lines 12 through 34e. Enter the result on line 35.

Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Individuals, estates, and trusts must complete line 37 before entering the loss on line 36. If you checked the "No" box on line E, also see the Instructions for Form 8582.

Enter the net profit or deductible loss here and on Form 1040, line 18, and Schedule SE, line 1. Nonresident aliens—enter the net profit or deductible loss here and on Form 1040NR, line 19. Estates and trusts—enter the net profit or deductible

loss here and on Form 1041, line 6. Partnerships—do not complete line 37; instead, stop here and enter the profit or loss on this line and on Form 1065, line 5 (or Form 1065-B, line 7).

Community income. If you and your spouse had community income and are filing separate returns, see page SE-2 of the instructions for Schedule SE before figuring self-employment tax.

Earned income credit. If you have a net profit on line 36, this amount is earned income and may qualify you for the earned income credit if you meet certain conditions. See the instructions for Form 1040, lines 66a and 66b, for details.

Line 37

At-risk rules. Generally, if you have a loss from a farming activity and amounts invested in the activity for which you are not at risk, you must complete Form 6198 to figure your allowable loss. The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check box 37b if you have amounts invested in this activity for which you are not at risk, such as the following.

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.

- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or other similar arrangement (excluding casualty insurance and insurance against tort liability).

- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related under section 465(b)(3)(C) to a person (other than you) having such an interest.

Figuring your deductible loss. If all amounts are at risk in this activity, check

box 37a. If you checked the “Yes” box on line E, enter your loss on line 36. But if you checked the “No” box on line E, you may need to complete Form 8582 to figure your allowable loss to enter on line 36. See the Instructions for Form 8582.

If you checked box 37b, first complete Form 6198 to determine the amount of your deductible loss. If you checked the “Yes” box on line E, enter that amount on line 36. But if you checked the “No” box on line E, your loss may be further limited. See the Instructions for Form 8582. If your at-risk amount is zero or less, enter -0- on line 36. Be sure to attach Form 6198 to your return. If you checked box 37b and you do not attach Form 6198, the processing of your tax return may be delayed.

Any loss from this activity not allowed for 2007 only because of the at-risk rules is treated as a deduction allocable to the activity in 2008.

For details, see Pub. 925 and the Instructions for Form 6198.

Part III. Farm Income—Accrual Method

If you use an accrual method, report farm income when you earn it, not when you receive it. Generally, you must include animals and crops in your inventory if you use this method. See Pub. 225 for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

Chapter 11 bankruptcy. If you were a debtor in a chapter 11 bankruptcy case during 2007, see page 18 of the instructions for Form 1040 and page SE-2 of the instructions for Schedule SE (Form 1040).

Lines 39a Through 41c

See the instructions for lines 5a through 7c that begin on page F-2.

Line 44

See the instructions for line 10 on page F-3.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is approved under OMB control numbers 1545-1975 and 1545-1976 and is shown below.

Recordkeeping	7 hr., 5 min.
Learning about the law or the form	1 hr., 2 min.
Preparing the form	2 hr., 52 min.
Copying, assembling, and sending the form to the IRS	40 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



2007 Instructions for Schedule J

Income Averaging for Farmers and Fishermen

Use Schedule J (Form 1040) to elect to figure your 2007 income tax by averaging, over the previous 3 years (base years), all or part of your 2007 taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2007 income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

In order to qualify for this election, you are not required to have been in the business of farming or fishing during any of the base years.

You may elect to average farming or fishing income even if your filing status was not the same in the election year and the base years.

This election does not apply when figuring your alternative minimum tax on Form 6251. Also, you do not have to recompute, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

General Instructions

Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2004, 2005, and 2006 to figure your tax on Schedule J.

If you do not have copies of those returns, you can get them by filing Form 4506. There is a \$39 fee for each return requested. If your main home, principal place of business, or tax records are located in a Presidentially declared disaster area, the fee will be waived if the word "Disaster" is written across the top of Form 4506 when filed. If you want a free transcript of your tax return, use Form 4506-T. See your Form 1040 instruction booklet to find out how to get these forms.

Keep a copy of your 2007 income tax return to use for income averaging in 2008, 2009, or 2010.

Definitions

Farming business. A farming business is the trade or business of cultivating land or raising or harvesting any agricultural or horticultural commodity. This includes:

1. Operating a nursery or sod farm;
2. Raising or harvesting of trees bearing fruits, nuts, or other crops;
3. Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
4. Raising, shearing, feeding, caring for, training, and managing animals; and
5. Leasing land to a tenant engaged in a farming business, but only if the lease payments are (a) based on a share of the tenant's production (not a fixed amount), and (b) determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business does not include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else, or
- Merely buying or reselling plants or animals grown or raised by someone else.

Fishing business. A fishing business is the trade or business of fishing in which the fish harvested, either in whole or in part, are intended to enter commerce or enter commerce through sale, barter, or trade. This includes:

1. The catching, taking, or harvesting of fish;
2. The attempted catching, taking, or harvesting of fish;
3. Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish; or
4. Any operations at sea in support of, or in preparation for, any activity described in (1) through (3) above.



At the time these instructions went to print, there were pending Regulations that could change the definition of a fishing business.

The word fish means finfish, mollusks, crustaceans, and all other forms of marine animal and plant life other than marine mammals and birds.

A fishing business does not include any scientific research activity which is conducted by a scientific research vessel.

Additional Information

See Pub. 225 and Regulations section 1.1301-1 for more information.

Specific Instructions

Line 2

Elected Farm Income

To figure your elected farm income, first figure your taxable income from farming or fishing. This includes all income, gains, losses, and deductions attributable to any farming or fishing business. Include the deduction for one-half of self-employment tax only to the extent that deduction is attributable to your farming or fishing business. However, it does not include gain from the sale or other disposition of land.

You should find your income, gains, losses and deductions from farming or fishing reported on different tax forms, such as:

- Form 1040, line 7, income from wages and other compensation you received as a shareholder in an S corporation engaged in a farming or fishing business;
- Schedule C or C-EZ;
- Schedule D;
- Schedule E, Part II;
- Schedule F;
- Form 4797; and
- Form 4835.

Your elected farm income is the amount of your taxable income from farming or fishing that you elect to include on line 2. However, you do not have to include all of your taxable income from farming or fishing on line 2. It may be to your advantage to include less than the entire amount, depending on how the amount you include on line 2 affects your tax bracket for the current and prior 3 tax years.

Your elected farm income cannot exceed your taxable income. Also, the portion of your elected farm income treated as a net capital gain cannot exceed the smaller of

your total net capital gain or your net capital gain attributable to your farming or fishing business. If your elected farm income includes net capital gain, you must allocate an equal portion of the net capital gain to each of the base years. If, for any base year, you had a capital loss that resulted in a capital loss carryover to the next tax year, do not reduce the elected farm income allocated to that base year by any part of the carryover.

Line 4

Figure the tax on the amount on line 3 using the 2007 Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, or Foreign Earned Income Tax Worksheet from the 2007 Instructions for Form 1040. The tax can also be figured on the Schedule D Tax Worksheet in the 2007 Instructions for Schedule D. Enter the tax on line 4.

If you use the Foreign Earned Income Tax Worksheet, enter the amount from Schedule J, line 3, on line 3 of the worksheet. Do not complete lines 1 and 2 of the worksheet.

Line 5

If you used Schedule J to figure your tax for 2006 (that is, you entered the amount from the 2006 Schedule J, line 22, on your 2006 Form 1040, line 44, 2006 Form 1040NR, line 41, or on Form 1040X), enter on line 5 the amount from your 2006 Schedule J, line 11. If you used Schedule J to figure your tax for 2005 but not 2006, enter on line 5 the amount from your 2005 Schedule J, line 15. If you used Schedule J to figure your tax for 2004 but not 2005 or 2006, enter on line 5 the amount from your 2004 Schedule J, line 3.

If you figured your tax for 2004, 2005, and 2006 without using Schedule J, enter

on line 5 the taxable income from your 2004 tax return (or as previously adjusted by the IRS, or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 5.

If you filed your 2004 tax return using TeleFile, enter the taxable income from your TeleFile Tax Record. If you did not file a tax return for 2004, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2004 for at least 3 years after April 15, 2008 (or the date you file your 2007 tax return, if later).

Instructions for 2004 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2004 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2005. This could happen if the taxable income before subtracting exemptions—shown on your 2004 Form 1040, line 40 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2004 capital loss carryover to 2005 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2004 Schedule D, line 16, over the loss on your 2004 Schedule D, line 21. If you had any net operating loss (NOL) carrybacks to 2004, be sure you refigured your 2004 capital loss carryover to 2005.

Line 3. If you had an NOL for 2004, enter the amount of that NOL from line 24 of the 2004 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2004, enter the portion, if any, of the NOL carryovers and carrybacks to 2004 that were not used in 2004 and were carried to years after 2004.

Example. John Farmington, who is single, did not use income averaging for 2004, 2005, or 2006. For 2007, John has \$18,000

of elected farm income on Schedule J, line 2. The taxable income before subtracting exemptions on his 2004 Form 1040, line 40, is \$4,050. A deduction for exemptions of \$3,100 is shown on line 41, and line 42, taxable income, is \$950. However, John had a \$21,900 NOL for 2005, \$9,000 of which was remaining to carry to 2004 after the NOL was carried back to 2003. To complete line 1 of the worksheet, John combines the \$9,000 NOL deduction with the \$950 from his 2004 Form 1040, line 42. The result is a negative \$8,050, John's 2004 taxable income, which he enters as a positive amount on line 1 of the 2004 worksheet.

When John filed his 2004 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$4,000 capital loss carryover to 2005. However, when John carried back the 2005 NOL to 2004, he refigured his 2004 capital loss carryover to 2005 as \$7,000. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John had \$950 of taxable income in 2004 that reduced the 2005 NOL carryback. The \$3,100 of exemptions and \$3,000 net capital loss deduction also reduced the amount of the 2005 NOL carryback. Therefore, only \$1,950 was available to carry to 2006 and later years, as shown on line 9 of his 2005 Form 1045, Schedule B. John enters the \$1,950 on line 3 of the worksheet, and \$4,950 (\$1,950 plus the \$3,000 line 2 amount) on line 4. He then subtracts the \$4,950 from the \$8,050 on line 1 and enters the result, \$3,100, on line 5 of the worksheet. He enters a negative \$3,100 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$2,900 on Schedule J, line 7.

2004 Taxable Income Worksheet—Line 5

Keep for Your Records



Complete this worksheet if you did not use Schedule J to figure your tax for both 2005 and 2006 **and** your 2004 taxable income was zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2004 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2004, do not include any NOL carryovers or carrybacks to 2004. Enter the result as a positive amount	1.	_____
2. If there is a loss on your 2004 Schedule D, line 21, add that loss (as a positive amount) and your 2004 capital loss carryover to 2005. Subtract from that sum the amount of the loss on your 2004 Schedule D, line 16, and enter the result	2.	_____
3. If you had an NOL for 2004, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2004 that were not used in 2004 and were carried to years after 2004	3.	_____
4. Add lines 2 and 3	4.	_____
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 5	5.	_____

Line 8

If line 7 is zero, enter -0- on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2004 Tax Rate Schedules below,
- The 2004 Qualified Dividends and Capital Gain Tax Worksheet on the next page, or

• The 2004 Schedule D Tax Worksheet in the Schedule D instructions (but use the 2004 Tax Rate Schedules below instead of

the 2004 Tax Table when figuring the tax on lines 34 and 36 of the Schedule D Tax Worksheet.)

2004 Tax Rate Schedules—Line 8

Schedule X—Use if your 2004 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2—Use if your 2004 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$7,150	.....	10%	\$0	\$0	\$7,150	.....	10%	\$0
7,150	29,050	\$715.00 +	15%	7,150	7,150	29,050	\$715.00 +	15%	7,150
29,050	70,350	4,000.00 +	25%	29,050	29,050	58,625	4,000.00 +	25%	29,050
70,350	146,750	14,325.00 +	28%	70,350	58,625	89,325	11,393.75 +	28%	58,625
146,750	319,100	35,717.00 +	33%	146,750	89,325	159,550	19,989.75 +	33%	89,325
319,100	.....	92,592.50 +	35%	319,100	159,550	.....	43,164.00 +	35%	159,550
Schedule Y-1—Use if your 2004 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z—Use if your 2004 filing status was Head of household				
If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—		If Schedule J, line 7, is: Over—	But not over—	Enter on Schedule J, line 8	of the amount over—	
\$0	\$14,300	.....	10%	\$0	\$0	\$10,200	.....	10%	\$0
14,300	58,100	\$1,430.00 +	15%	14,300	10,200	38,900	\$1,020.00 +	15%	10,200
58,100	117,250	8,000.00 +	25%	58,100	38,900	100,500	5,325.00 +	25%	38,900
117,250	178,650	22,787.50 +	28%	117,250	100,500	162,700	20,725.00 +	28%	100,500
178,650	319,100	39,979.50 +	33%	178,650	162,700	319,100	38,141.00 +	33%	162,700
319,100	.....	86,328.00 +	35%	319,100	319,100	.....	89,753.00 +	35%	319,100



Use this worksheet **only** if both of the following apply.

- Your elected farm income on Schedule J, lines 5 and 6, does not include any net capital gain.
- You (a) entered qualified dividends on your 2004 Form 1040, line 9b (or your 2004 Form 1040A, line 9b, or 2004 Form 1040NR, line 10b), (b) entered capital gain distributions directly on your 2004 Form 1040, line 13 (or your 2004 Form 1040A, line 10, or 2004 Form 1040NR, line 14) and checked the box on that line, or (c) filed Schedule D in 2004 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from Schedule J, line 7	1.		
2. Amount from your 2004 Form 1040, line 9b (or Form 1040A, line 9b, or Form 1040NR, line 10b)	2.		
3. Did you file Schedule D in 2004?			
<input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2004 Schedule D, but do not enter less than -0-	3.		
<input type="checkbox"/> No. Enter the amount from Form 1040, line 13 (or Form 1040A, line 10, or Form 1040NR, line 14)			
4. Add lines 2 and 3	4.		
5. Amount, if any, from your 2004 Form 4952, line 4g	5.		
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.		
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.		
8. Enter the smaller of:			
• The amount on line 1, or	8.		
• \$29,050 if single or married filing separately or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR, \$58,100 if married filing jointly or qualifying widow(er), or if you checked filing status box 6 on Form 1040NR, \$38,900 if head of household.			
9. Is the amount on line 7 equal to or more than the amount on line 8?			
<input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the “No” box.			
<input type="checkbox"/> No. Enter the amount from line 7	9.		
10. Subtract line 9 from line 8	10.		
11. Multiply line 10 by 5% (.05)	11.		
12. Are the amounts on lines 6 and 10 the same?			
<input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16.			
<input type="checkbox"/> No. Enter the smaller of line 1 or line 6	12.		
13. Enter the amount from line 10 (if line 10 is blank, enter -0-)	13.		
14. Subtract line 13 from line 12	14.		
15. Multiply line 14 by 15% (.15)	15.		
16. Figure the tax on the amount on line 7. Use the 2004 Tax Rate Schedules on page J-3	16.		
17. Add lines 11, 15, and 16	17.		
18. Figure the tax on the amount on line 1. Use the 2004 Tax Rate Schedules on page J-3	18.		
19. Tax. Enter the smaller of line 17 or line 18 here and on Schedule J, line 8	19.		

Line 9

If you used Schedule J to figure your tax for 2006 (that is, you entered the amount from the 2006 Schedule J, line 22, on your 2006 Form 1040, line 44, 2006 Form 1040NR, line 41, or on Form 1040X), enter on line 9 the amount from your 2006 Schedule J, line 15. If you used Schedule J to figure your tax for 2005 but not 2006, enter on line 9 the amount from your 2005 Schedule J, line 3.

If you figured your tax for both 2005 and 2006 without using Schedule J, enter on line 9 the taxable income from your 2005 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you did not file a tax return for 2005, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2005 until at least 3 years after April 15, 2008 (or the date you file your 2007 tax return, if later).

Instructions for 2005 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2005 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2006. This could happen if the

taxable income before subtracting exemptions—shown on your 2005 Form 1040, line 41 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2005 capital loss carryover to 2006 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2005 Schedule D, line 16, over the loss on your 2005 Schedule D, line 21. If you had any NOL carrybacks to 2005, be sure you refigured your 2005 capital loss carryover to 2006.

Line 3. If you had an NOL for 2005, enter the amount of that NOL from line 25 of the 2005 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2005, enter the portion, if any, of the NOL carryovers and carrybacks to 2005 that were not used in 2005 and were carried to years after 2005.

Example. John Farmington did not use income averaging for 2004, 2005, or 2006. The taxable income before subtracting exemptions on his 2005 Form 1040, line 41, is a negative \$29,900. A deduction for exemptions of \$3,200 is shown on line 42, and line 43, taxable income, is limited to zero. John subtracts from the \$29,900 loss the \$3,200 deduction for exemptions. The result is a negative \$33,100, John's 2005 taxable income, which he enters as a positive amount on line 1 of the 2005 worksheet.

When John filed his 2005 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 16 (as adjusted). He also had a \$7,000 capital loss carryover to 2006. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John enters \$21,900 on line 3 of the worksheet, the 2005 NOL from his 2005 Form 1045, Schedule A, line 25. Of the \$33,100 negative taxable income, the \$3,200 deduction for exemptions, the \$3,000 capital loss deduction, and his \$5,000 standard deduction were not allowed in figuring the NOL. John had a \$21,900 loss on his 2005 Schedule F, the only other item on his 2005 tax return.

John enters \$24,900 (the \$3,000 line 2 amount plus the \$21,900 line 3 amount) on line 4 and \$8,200 (the \$33,100 line 1 amount minus the \$24,900 line 4 amount) on line 5. He enters \$8,200 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$2,200 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2008, he will enter the negative \$2,200 amount on his 2008 Schedule J as his 2005 taxable income for income averaging purposes.

2005 Taxable Income Worksheet—Line 9

Keep for Your Records



Complete this worksheet if you did not use Schedule J to figure your tax for 2006 **and** your 2005 taxable income was zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2005 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2005, do not include any NOL carryovers or carrybacks to 2005. Enter the result as a positive amount		1.	<input type="text"/>
2. If there is a loss on your 2005 Schedule D, line 21, add that loss (as a positive amount) and your 2005 capital loss carryover to 2006. Subtract from that sum the amount of the loss on your 2005 Schedule D, line 16, and enter the result	2.	<input type="text"/>	
3. If you had an NOL for 2005, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2005 that were not used in 2005 and were carried to years after 2005	3.	<input type="text"/>	
4. Add lines 2 and 3		4.	<input type="text"/>
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 9		5.	<input type="text"/>

Line 12

If line 11 is zero or less, enter -0- on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2005 Tax Rate Schedules below,

- The 2005 Qualified Dividends and Capital Gain Tax Worksheet on page J-7, or
- The 2005 Schedule D Tax Worksheet in the Schedule D instructions (but use the

2005 Tax Rate Schedules below instead of the 2005 Tax Table when figuring the tax on the Schedule D Tax Worksheet, lines 34 and 36).

2005 Tax Rate Schedules—Line 12

Schedule X—Use if your 2005 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2—Use if your 2005 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$7,300	.....	10%	\$0	\$0	\$7,300	.....	10%	\$0
7,300	29,700	\$730.00 +	15%	7,300	7,300	29,700	\$730.00 +	15%	7,300
29,700	71,950	4,090.00 +	25%	29,700	29,700	59,975	4,090.00 +	25%	29,700
71,950	150,150	14,652.50 +	28%	71,950	59,975	91,400	11,658.75 +	28%	59,975
150,150	326,450	36,548.50 +	33%	150,150	91,400	163,225	20,457.75 +	33%	91,400
326,450	.....	94,727.50 +	35%	326,450	163,225	.....	44,160.00 +	35%	163,225
Schedule Y-1—Use if your 2005 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z—Use if your 2005 filing status was Head of household				
If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—		If Schedule J, line 11, is: Over—	But not over—	Enter on Schedule J, line 12	of the amount over—	
\$0	\$14,600	.....	10%	\$0	\$0	\$10,450	.....	10%	\$0
14,600	59,400	\$1,460.00 +	15%	14,600	10,450	39,800	\$1,045.00 +	15%	10,450
59,400	119,950	8,180.00 +	25%	59,400	39,800	102,800	5,447.50 +	25%	39,800
119,950	182,800	23,317.50 +	28%	119,950	102,800	166,450	21,197.50 +	28%	102,800
182,800	326,450	40,915.50 +	33%	182,800	166,450	326,450	39,019.50 +	33%	166,450
326,450	.....	88,320.00 +	35%	326,450	326,450	.....	91,819.50 +	35%	326,450



Use this worksheet **only** if both of the following apply.

- Your elected farm income on Schedule J, line 2, does not include any net capital gain.
- You (a) entered qualified dividends on your 2005 Form 1040, line 9b (or your 2005 Form 1040A, line 9b, or 2005 Form 1040NR, line 10b) (b) entered capital gain distributions directly on your 2005 Form 1040, line 13 (or your 2005 Form 1040A, line 10, or 2005 Form 1040NR, line 14) and checked the box on that line, or (c) filed Schedule D in 2005 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from Schedule J, line 11	1.		
2. Amount from Form 1040, line 9b (or Form 1040A, line 9b, or Form 1040NR, line 10b)	2.		
3. Did you file Schedule D in 2005?			
<input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2005 Schedule D, but do not enter less than -0-	}		3.
<input type="checkbox"/> No. Enter the amount from Form 1040, line 13 (or Form 1040A, line 10, or Form 1040NR, line 14)			
4. Add lines 2 and 3	4.		
5. Amount, if any, from your 2005 Form 4952, line 4g	5.		
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.		
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.		
8. Enter the smaller of:			
• The amount on line 1, or	}		8.
• \$29,700 if single or married filing separately or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR, \$59,400 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR, \$39,800 if head of household.			
9. Is the amount on line 7 equal to or more than the amount on line 8?			
<input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the “No” box.			
<input type="checkbox"/> No. Enter the amount from line 7	9.		
10. Subtract line 9 from line 8	10.		
11. Multiply line 10 by 5% (.05)	11.		
12. Are the amounts on lines 6 and 10 the same?			
<input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16.			
<input type="checkbox"/> No. Enter the smaller of line 1 or line 6	12.		
13. Enter the amount from line 10 (if line 10 is blank, enter -0-)	13.		
14. Subtract line 13 from line 12	14.		
15. Multiply line 14 by 15% (.15)	15.		
16. Figure the tax on the amount on line 7. Use the 2005 Tax Rate Schedules on page J-6	16.		
17. Add lines 11, 15, and 16	17.		
18. Figure the tax on the amount on line 1. Use the 2005 Tax Rate Schedules on page J-6	18.		
19. Tax. Enter the smaller of line 17 or line 18 here and on Schedule J, line 12	19.		

Line 13

If you used Schedule J to figure your tax for 2006 (that is, you entered the amount from the 2006 Schedule J, line 22, on your 2006 Form 1040, line 44, 2006 Form 1040NR, line 41, or on Form 1040X), enter on line 13 the amount from your 2006 Schedule J, line 3.

If you did not use Schedule J to figure your tax for 2006, enter on line 13 the taxable income from your 2006 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you did not file a tax return for 2006, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2006 until at least 3 years after April 15, 2008 (or the date you file your 2007 tax return, if later).

Instructions for 2006 Taxable Income Worksheet

Line 2. Any net capital loss deduction on your 2006 Schedule D, line 21, is not allowed for income averaging purposes to the extent it did not reduce your capital loss carryover to 2007. This could happen if the taxable income before subtracting exemptions—shown on your 2006 Form 1040, line 41 (or as previously adjusted)—was less than zero. Enter the amount by which your 2006 capital loss carryover to 2007 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2006 Schedule D, line 16, over the loss on your 2006 Schedule D, line 21.

Line 3. If you had an NOL for 2006, enter the amount of that NOL from line 25 of the 2006 Form 1045, Schedule A, you filed with Form 1045 or Form 1040X. If you did not have an NOL for 2006, enter the portion, if any, of the NOL carryovers and carrybacks to 2006 that were not used in 2006 and were carried to years after 2006.

Example. John Farmington did not use income averaging for 2004, 2005, or 2006. The taxable income before subtracting exemptions on his 2006 Form 1040, line 41, is a negative \$1,000. This amount includes an NOL deduction on his 2006 Form 1040, line 21, of \$1,950. The \$1,950 is the portion of the 2005 NOL that was remaining from 2004 to be carried to 2006. See the examples on pages J-2 and J-5. A deduction for exemptions of \$3,300 is shown on Form 1040, line 42, and line 43, taxable income, is limited to zero. John does not have an NOL for 2006. John subtracts from the \$1,000 negative amount on Form 1040, line 41, the \$3,300 deduction for exemptions. The result is a negative \$4,300, John's 2006 taxable income, which he enters as a positive amount on line 1 of the 2006 worksheet.

When John filed his 2006 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2007 (his 2006 capital loss carryover to 2007 was \$5,000, not \$4,000, because the amount on his Form 1040, line 41, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He subtracts from the \$8,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$1,000 on line 2 of the worksheet.

John enters -0- on line 3 of the worksheet because he does not have an NOL for 2006 and did not have an NOL carryover from 2006 available to carry to 2007 and later years. The NOL deduction for 2006 of \$1,950 was reduced to zero because it did not exceed his modified taxable income of \$3,950. Modified taxable income is figured by adding back the \$3,000 net capital loss deduction and the \$3,300 of exemptions to negative taxable income (figured without regard to the NOL deduction) of \$2,350. John enters \$1,000 on line 4 and \$3,300 on line 5. He enters \$3,300 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$2,700 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2008, he will enter \$2,700 on his 2008 Schedule J as his 2006 taxable income for income averaging purposes.

Line 16

If line 15 is zero or less, enter -0- on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2006 Tax Rate Schedules on page J-9,
- The 2006 Qualified Dividends and Capital Gain Tax Worksheet on page J-10,
- The 2006 Schedule D Tax Worksheet in the Schedule D instructions (but use the 2006 Tax Rate Schedules on page J-9 instead of the 2006 Tax Table when figuring the tax on the Schedule D Tax Worksheet, lines 34 and 36), or
- The 2006 Foreign Earned Income Tax Worksheet on page J-11.

2006 Taxable Income Worksheet—Line 13

Keep for Your Records



Complete this worksheet if your 2006 taxable income is zero or less. See the instructions above before completing this worksheet.

1. Figure the taxable income from your 2006 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2006, do not include any NOL carryovers or carrybacks to 2006. Enter the result as a positive amount		1.	<input type="text"/>
2. If there is a loss on your 2006 Schedule D, line 21, add that loss (as a positive amount) and your 2006 capital loss carryover to 2007. Subtract from that sum the amount of the loss on your 2006 Schedule D, line 16, and enter the result	2.	<input type="text"/>	
3. If you had an NOL for 2006, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2006 that were not used in 2006 and were carried to years after 2006	3.	<input type="text"/>	
4. Add lines 2 and 3	4.	<input type="text"/>	
5. Subtract line 4 from line 1. Enter the result as a negative amount on Schedule J, line 13	5.	<input type="text"/>	

2006 Tax Rate Schedules—Line 16

Schedule X —Use if your 2006 filing status was Single or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2 —Use if your 2006 filing status was Married filing separately or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —		If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —	
\$0	\$7,550	.....	10%	\$0	\$0	\$7,550	.....	10%	\$0
7,550	30,650	\$755.00+	15%	7,550	7,550	30,650	\$755.00 +	15%	7,550
30,650	74,200	4,220.00+	25%	30,650	30,650	61,850	4,220.00 +	25%	30,650
74,200	154,800	15,107.50+	28%	74,200	61,850	94,225	12,020.00 +	28%	61,850
154,800	336,550	37,675.50+	33%	154,800	94,225	168,275	21,085.00 +	33%	94,225
336,550	.....	97,653.00+	35%	336,550	168,275	.....	45,521.50 +	35%	168,275
Schedule Y-1 —Use if your 2006 filing status was Married filing jointly or Qualifying widow(er) or you checked filing status box 6 on Form 1040NR					Schedule Z —Use if your 2006 filing status was Head of household				
If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —		If Schedule J, line 15, is: <i>Over</i> —	<i>But not over</i> —	Enter on Schedule J, line 16	<i>of the amount over</i> —	
\$0	\$15,100	.....	10%	\$0	\$0	\$10,750	.....	10%	\$0
15,100	61,300	\$1,510.00+	15%	15,100	10,750	41,050	\$1,075.00 +	15%	10,750
61,300	123,700	8,440.00+	25%	61,300	41,050	106,000	5,620.00 +	25%	41,050
123,700	188,450	24,040.00+	28%	123,700	106,000	171,650	21,857.50 +	28%	106,000
188,450	336,550	42,170.00+	33%	188,450	171,650	336,550	40,239.50 +	33%	171,650
336,550	.....	91,043.00+	35%	336,550	336,550	.....	94,656.50 +	35%	336,550

2006 Qualified Dividends and Capital Gain Tax Worksheet—Line 16

Keep for Your Records



Use this worksheet **only** if both of the following apply.

- Your elected farm income on Schedule J, line 2, does not include any net capital gain.
- You (a) entered qualified dividends on your 2006 Form 1040, line 9b (or your 2006 Form 1040A, line 9b, or 2006 Form 1040NR, line 10b), (b) entered capital gain distributions directly on your 2006 Form 1040, line 13 (or your 2006 Form 1040A, line 10, or 2006 Form 1040NR, line 14) and checked the box on that line, or (c) filed Schedule D in 2006 and you answered “Yes” on lines 17 and 20 of that Schedule D.

1. Amount from Schedule J, line 15	1.		
2. Amount from Form 1040, line 9b (or Form 1040A, line 9b, or Form 1040NR, line 10b)	2.		
3. Did you file Schedule D in 2006?			
<input type="checkbox"/> Yes. Enter the smaller of line 15 or 16 of your 2006 Schedule D, but do not enter less than -0-	3.		
<input type="checkbox"/> No. Enter the amount from Form 1040, line 13 (or Form 1040A, line 10, or Form 1040NR, line 14)			
4. Add lines 2 and 3	4.		
5. Amount, if any, from your 2006 Form 4952, line 4g	5.		
6. Subtract line 5 from line 4. If zero or less, enter -0-	6.		
7. Subtract line 6 from line 1. If zero or less, enter -0-	7.		
8. Enter the smaller of:			
• The amount on line 1, or	8.		
• \$30,650 if single or married filing separately, or if you checked filing status 1, 2, 3, 4, or 5 on Form 1040NR, \$61,300 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR, \$41,050 if head of household.			
9. Is the amount on line 7 equal to or more than the amount on line 8?			
<input type="checkbox"/> Yes. Skip lines 9 through 11; go to line 12 and check the “No” box.			
<input type="checkbox"/> No. Enter the amount from line 7	9.		
10. Subtract line 9 from line 8	10.		
11. Multiply line 10 by 5% (.05)	11.		
12. Are the amounts on lines 6 and 10 the same?			
<input type="checkbox"/> Yes. Skip lines 12 through 15; go to line 16.			
<input type="checkbox"/> No. Enter the smaller of line 1 or line 6	12.		
13. Enter the amount from line 10 (if line 10 is blank, enter -0-)	13.		
14. Subtract line 13 from line 12	14.		
15. Multiply line 14 by 15% (.15)	15.		
16. Figure the tax on the amount on line 7. Use the 2006 Tax Rate Schedules on page J-9	16.		
17. Add lines 11, 15, and 16	17.		
18. Figure the tax on the amount on line 1. Use the 2006 Tax Rate Schedules on page J-9	18.		
19. Tax. Enter the smaller of line 17 or line 18 here and on Schedule J, line 16	19.		



Use this worksheet if you claimed the foreign earned income exclusion or the housing exclusion on your 2006 Form 2555 or Form 2555-EZ.

1.	Enter the amount from Schedule J, line 15	1.	<input type="text"/>
2.	Enter the amount from your (and your spouse's, if filing jointly) Form 2555, line 45, or Form 2555-EZ, line 18	2.	<input type="text"/>
3.	Enter the total amount of any itemized deductions you could not claim because they are related to excluded income	3.	<input type="text"/>
4.	Subtract line 3 from line 2. If zero or less, enter -0-	4.	<input type="text"/>
5.	Combine lines 1 and 4. If zero or less, enter -0-	5.	<input type="text"/>
6.	Tax on amount on line 5. Use the 2006 Tax Rate Schedules on page J-9, the 2006 Schedule D Tax Worksheet*, or the Qualified Dividends and Capital Gain Tax Worksheet*, whichever applies.	6.	<input type="text"/>
7.	Tax on amount on line 4. Use the 2006 Tax Rate Schedules on page J-9	7.	<input type="text"/>
8.	Subtract line 7 from line 6. Enter the result here and on Schedule J, line 16	8.	<input type="text"/>

**Enter the amount from line 5 above on line 1 of the Qualified Dividends and Capital Gain Tax Worksheet on page J-10 or Schedule D Tax Worksheet in the 2006 Schedule D instructions if you use either of those worksheets to figure the tax on line 6 above. Complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 7 and 8 above.*

Lines 18, 19, and 20

If you filed your 2004 tax return using TeleFile, enter your tax from your TeleFile Tax Record. The TeleFile Program was discontinued in 2005.

If you amended your return or the IRS made changes to it, enter the corrected amount.



2007 Instructions for Schedule SE (Form 1040)

Self-Employment Tax

Use Schedule SE (Form 1040) to figure the tax due on net earnings from self-employment. The Social Security Administration uses the information from Schedule SE to figure your benefits under the social security program. This tax applies no matter how old you are and even if you are already getting social security or Medicare benefits.

Additional information. See Pub. 225 or Pub. 334.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

For 2007, the maximum amount of self-employment income subject to social security tax is \$97,500.

Husband-wife business. Beginning in 2007, if you and your spouse file a joint return and jointly own and operate a business, you may be able to make a joint election to be taxed as a qualified joint venture instead of a partnership and determine self-employment tax based on your respective share of the business. See *Qualified Joint Ventures* on page SE-2.

General Instructions

Who Must File Schedule SE

You must file Schedule SE if:

- Your net earnings from self-employment (see page SE-2) from other than church employee income were \$400 or more, or
- You had church employee income of \$108.28 or more—see *Employees of Churches and Church Organizations* below.

Who Must Pay Self-Employment (SE) Tax?

Self-Employed Persons

You must pay SE tax if you had net earnings of \$400 or more as a self-employed person. If you are in business for yourself or you are a farmer, you are self-employed.

You must also pay SE tax on your share of certain partnership income and your guaranteed payments. See *Partnership Income or Loss* on page SE-2.

Employees of Churches and Church Organizations

If you had church employee income of \$108.28 or more, you must pay SE tax. Church employee income is wages you received as an employee (other than as a min-

ister or member of a religious order) of a church or qualified church-controlled organization that has a certificate in effect electing an exemption from employer social security and Medicare taxes.

Ministers and Members of Religious Orders

In most cases, you must pay SE tax on salaries and other income for services you performed as a minister, a member of a religious order who has not taken a vow of poverty, or a Christian Science practitioner. But if you filed Form 4361 and received IRS approval, you will be exempt from paying SE tax on those net earnings. If you had no other income subject to SE tax, enter "Exempt—Form 4361" on Form 1040, line 58. However, if you had other earnings of \$400 or more subject to SE tax, see line A at the top of Long Schedule SE.



If you have ever filed Form 2031 to elect social security coverage on your earnings as a minister, you cannot revoke that election.

If you must pay SE tax, include this income on either Short or Long Schedule SE, line 2. But do not report it on Long Schedule SE, line 5a; it is not considered church employee income. Also, include on line 2:

- The rental value of a home or an allowance for a home furnished to you (including payments for utilities), and
- The value of meals and lodging provided to you, your spouse, and your dependents for your employer's convenience.

However, do not include on line 2:

- Retirement benefits you received from a church plan after retirement, or
- The rental value of a home or an allowance for a home furnished to you (including payments for utilities) after retirement.

If you were a duly ordained minister who was an employee of a church and you must pay SE tax, the unreimbursed business expenses that you incurred as a church employee are allowed only as an itemized deduction for income tax purposes. Subtract the allowable amount from your SE earnings when figuring your SE tax.

If you were a U.S. citizen or resident alien serving outside the United States as a minister or member of a religious order and you must pay SE tax, you cannot reduce your net earnings by the foreign housing exclusion or deduction.

See Pub. 517 for details.

Members of Certain Religious Sects

If you have conscientious objections to social security insurance because of your membership in and belief in the teachings of a religious sect recognized as being in existence at all times since December 31, 1950, and which has provided a reasonable level of living for its dependent members, you are exempt from SE tax if you received IRS approval by filing Form 4029. In this case, do not file Schedule SE. Instead, enter "Exempt—Form 4029" on Form 1040, line 58. See Pub. 517 for details.

U.S. Citizens Employed by Foreign Governments or International Organizations

You must pay SE tax on income you earned as a U.S. citizen employed by a foreign government (or, in certain cases, by a wholly owned instrumentality of a foreign government or an international organization under the International Organizations Immunities Act) for services performed in the United States, Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, or the U.S. Virgin Islands. Report income from this employment on either Short or Long Schedule SE, line 2. If you performed services elsewhere as an employee of a foreign government or an international organization, those earnings are exempt from SE tax.

U.S. Citizens or Resident Aliens Living Outside the United States

If you are a self-employed U.S. citizen or resident alien living outside the United States, in most cases you must pay SE tax. You cannot reduce your foreign earnings from self-employment by your foreign earned income exclusion.

Exception. The United States has social security agreements with many countries to eliminate dual taxes under two social secur-

ity systems. Under these agreements, you must generally pay social security and Medicare taxes to only the country you live in.

The United States now has social security agreements with the following countries: Australia, Austria, Belgium, Canada, Chile, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, South Korea, Spain, Sweden, Switzerland, and the United Kingdom. Additional agreements are expected in the future. If you have questions about international social security agreements, you can:

1. Visit the Social Security Administration (SSA) website at www.socialsecurity.gov/international.
2. Call the SSA's Office of International Programs at:
 - a. (410) 965-0144 for questions on benefits under agreements, or
 - b. (410) 965-3549 for questions on the coverage rules of the agreements, or
3. Write to Social Security Administration, Office of International Programs, P.O. Box 17741, Baltimore, MD 21235-7741.

If your self-employment income is exempt from SE tax, you should get a statement from the appropriate agency of the foreign country verifying that your self-employment income is subject to social security coverage in that country. If the foreign country will not issue the statement, contact the SSA at the address shown above. Do not complete Schedule SE. Instead, attach a copy of the statement to Form 1040 and enter "Exempt, see attached statement" on Form 1040, line 58.

Chapter 11 Bankruptcy Cases

While you are a debtor in a chapter 11 bankruptcy case, your net profit or loss from self-employment (for example, from Schedule C or Schedule F) will not be included in your Form 1040 income. Instead, it will be included on the income tax return (Form 1041) of the bankruptcy estate. However, you—not the bankruptcy estate—are responsible for paying self-employment tax on your net earnings from self-employment.

Enter on the dotted line to the left of Schedule SE, line 3, "Chap. 11 bankruptcy income" and the amount of your net profit or (loss). Combine that amount with the total of lines 1 and 2 (if any) and enter the result on line 3.

For other reporting requirements, see page 18 in the instructions for Form 1040.

More Than One Business

If you had two or more businesses, your net earnings from self-employment are the combined net earnings from all of your businesses. If you had a loss in one business, it reduces the income from another.

Figure the combined SE tax on one Schedule SE.

Joint Returns

Show the name of the spouse with SE income on Schedule SE. If both spouses have SE income, each must file a separate Schedule SE. However, if one spouse qualifies to use Short Schedule SE (front of form) and the other must use Long Schedule SE (back of form), both can use the same form. One spouse should complete the front and the other the back.

Include the total profits or losses from all businesses on Form 1040, as appropriate. Enter the combined SE tax on Form 1040, line 58.

Community Income

If any of the income from a business (including farming) is community income, then all of the income is considered SE earnings and the SE earnings must be reported based on the following.

- If only one spouse participates in the business, all of the income from that business is the SE earnings of the spouse who carried on the business.
- If you and your spouse are partners in a partnership, see *Partnership Income or Loss* on this page.
- If you and your spouse elected to treat the business as a qualifying joint venture, see *Qualified Joint Ventures* on this page.

Married filing separately. If you and your spouse had community income and file separate returns, attach Schedule SE to the return of the spouse with the SE income. Also, attach Schedule(s) C, C-EZ, or F to the return of each spouse.

If you are the spouse who carried on the business, you must include on Schedule SE, line 3, the net profit or (loss) reported on the other spouse's Schedule C, C-EZ, or F (except income not included in net earnings from self-employment as explained on page SE-3). Enter on the dotted line to the left of Schedule SE, line 3, "Community income taxed to spouse" and the amount of any net profit or (loss) allocated to your spouse as community income. Combine that amount with the total of lines 1 and 2 and enter the result on line 3.

If you are not the spouse who carried on the business and you had no other income subject to SE tax, enter "Exempt community income" on Form 1040, line 58; do not file Schedule SE. However, if you had other earnings subject to SE tax of \$400 or more, enter on the dotted line to the left of Schedule SE, line 3, "Exempt community income" and the amount of net profit or (loss) from Schedule C, C-EZ, or F allocated to you as community income. If that amount is a net profit, subtract it from the total of lines 1 and 2, and enter the result on line 3. If that amount is a loss, treat it as a positive amount, add it to the total of lines 1 and 2, and enter the result on line 3.



Community income included on Schedule(s) C, C-EZ, or F must be divided for income tax purposes based on the community property laws of your state.

Qualified Joint Ventures

If you and your spouse materially participate (see *Material participation* in the 2007 Instructions for Schedule C) as the only members of a jointly owned and operated business, and you file a joint return for the tax year, you can make a joint election to be taxed as a qualified joint venture instead of a partnership. To make this election, you must divide all items of income, gain, loss, deduction, and credit between you and your spouse in accordance with your respective interests in the venture. Each of you must file a separate Schedule C, C-EZ, or F. On each line of your separate Schedule C, C-EZ, or F, you must enter your share of the applicable income, deduction, or loss. You also must file a separate Schedule SE to pay SE tax on your share of the joint venture income.

Fiscal Year Filers

If your tax year is a fiscal year, use the tax rate and earnings base that apply at the time the fiscal year begins. Do not prorate the tax or earnings base for a fiscal year that overlaps the date of a rate or earnings base change.

Specific Instructions

Read the chart on page 1 of Schedule SE to see if you can use Section A, Short Schedule SE, or if you must use Section B, Long Schedule SE. For either section, you need to know what to include as net earnings from self-employment. Read the following instructions to see what to include as net earnings and how to fill in either Short or Long Schedule SE, lines 1 and 2. Enter all negative amounts in parentheses.

Net Earnings From Self-Employment

In most cases, net earnings include your net profit from a farm or nonfarm business. If you were a partner in a partnership, see the following instructions.

Partnership Income or Loss

If you were a general or limited partner in a partnership, include on line 1 or line 2, whichever applies, the amount of net earnings from self-employment from Schedule K-1 (Form 1065), box 14, code A, and Schedule K-1 (Form 1065-B), box 9, code J1. General partners should reduce this amount before entering it on Schedule SE by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on

oil and gas properties. If you reduce the amount you enter on Schedule SE, attach an explanation.

If a partner died and the partnership continued, include in SE income the deceased's distributive share of the partnership's ordinary income or loss through the end of the month in which he or she died. See section 1402(f).

If you were married and both you and your spouse were partners in a partnership, each of you must pay SE tax on your own share of the partnership income. Each of you must file a Schedule SE and report the partnership income or loss on Schedule E (Form 1040), Part II, for income tax purposes.

SE income belongs to the person who is the member of the partnership and cannot be treated as SE income by the nonmember spouse, even in community property states.

Share Farming

You are considered self-employed if you produced crops or livestock on someone else's land for a share of the crops or livestock produced (or a share of the proceeds from the sale of them). This applies even if you paid another person (an agent) to do the actual work or management for you. Report your net earnings for income tax purposes on Schedule F (Form 1040) and for SE tax purposes on Schedule SE. See Pub. 225 for details.

Other Income and Losses Included in Net Earnings From Self-Employment

1. Rental income from a farm if, as landlord, you materially participated in the production or management of the production of farm products on this land. This income is farm earnings. To determine whether you materially participated in farm management or production, do not consider the activities of any agent who acted for you. The material participation tests are explained in chapter 12 of Pub. 225.

2. Cash or a payment-in-kind from the Department of Agriculture for participating in a land diversion program.

3. Payments for the use of rooms or other space when you also provided substantial services. Examples are hotel rooms, boarding houses, tourist camps or homes, parking lots, warehouses, and storage garages.

4. Income from the retail sale of newspapers and magazines if you were age 18 or older and kept the profits.

5. Income you receive as a direct seller. Newspaper carriers or distributors of any age are direct sellers if certain conditions apply. See chapter 5 of Pub. 334 for details.

6. Amounts received by current or former self-employed insurance agents and salespersons that are:

a. Paid after retirement but figured as a percentage of commissions received from the paying company before retirement,

b. Renewal commissions, or

c. Deferred commissions paid after retirement for sales made before retirement.

However, certain termination payments received by former insurance salespersons are not included in net earnings from self-employment (as explained in item 9 under *Income and Losses Not Included in Net Earnings From Self-Employment* on this page).

7. Income of certain crew members of fishing vessels with crews of normally fewer than 10 people. See chapter 10 of Pub. 334 for details.

8. Fees as a state or local government employee if you were paid only on a fee basis and the job was not covered under a federal-state social security coverage agreement.

9. Interest received in the course of any trade or business, such as interest on notes or accounts receivable.

10. Fees and other payments received by you for services as a director of a corporation.

11. Recapture amounts under sections 179 and 280F that you included in gross income because the business use of the property dropped to 50% or less. Do not include amounts you recaptured on the disposition of property. See Form 4797.

12. Fees you received as a professional fiduciary. This may also apply to fees paid to you as a nonprofessional fiduciary if the fees relate to active participation in the operation of the estate's business, or the management of an estate that required extensive management activities over a long period of time.

13. Gain or loss from section 1256 contracts or related property by an options or commodities dealer in the normal course of dealing in or trading section 1256 contracts.

Income and Losses Not Included in Net Earnings From Self-Employment

1. Salaries, fees, etc., subject to social security or Medicare tax that you received for performing services as an employee, including services performed as a public official (except as a fee basis government employee as explained in item 8 under *Other Income and Losses Included in Net Earnings From Self-Employment*) or as an employee or employee representative under the railroad retirement system.

2. Fees received for services performed as a notary public. If you had no other income subject to SE tax, enter "Exempt—Notary" on Form 1040, line 58; do not file Schedule SE. However, if you had other earnings of \$400 or more subject to SE tax,

enter "Exempt—Notary" and the amount of your net profit as a notary public from Schedule C or Schedule C-EZ on the dotted line to the left of Schedule SE, line 3. Subtract that amount from the total of lines 1 and 2 and enter the result on line 3.

3. Income you received as a retired partner under a written partnership plan that provides for lifelong periodic retirement payments if you had no other interest in the partnership and did not perform services for it during the year.

4. Income from real estate rentals if you did not receive the income in the course of a trade or business as a real estate dealer. Report this income on Schedule E.

5. Income from farm rentals (including rentals paid in crop shares) if, as landlord, you did not materially participate in the production or management of the production of farm products on the land. See chapter 12 of Pub. 225 for details.

6. Dividends on shares of stock and interest on bonds, notes, etc., if you did not receive the income in the course of your trade or business as a dealer in stocks or securities.

7. Gain or loss from:

a. The sale or exchange of a capital asset;

b. The sale, exchange, involuntary conversion, or other disposition of property unless the property is stock in trade or other property that would be includible in inventory, or held primarily for sale to customers in the ordinary course of the business; or

c. Certain transactions in timber, coal, or domestic iron ore.

8. Net operating losses from other years.

9. Termination payments you received as a former insurance salesperson if all of the following conditions are met.

a. The payment was received from an insurance company because of services you performed as an insurance salesperson for the company.

b. The payment was received after termination of your agreement to perform services for the company.

c. You did not perform any services for the company after termination and before the end of the year in which you received the payment.

d. You entered into a covenant not to compete against the company for at least a 1-year period beginning on the date of termination.

e. The amount of the payment depended primarily on policies sold by or credited to your account during the last year of the agreement, or the extent to which those policies remain in force for some period after termination, or both.

f. The amount of the payment did not depend to any extent on length of service or overall earnings from services performed for the company (regardless of whether eli-

gibility for the payment depended on length of service).

Statutory Employee Income

If you were required to check the box on Schedule C or C-EZ, line 1, because you were a statutory employee, do not include the net profit or (loss) from that Schedule C, line 31 (or the net profit from Schedule C-EZ, line 3), on Short or Long Schedule SE, line 2. But if you file Long Schedule SE, be sure to include statutory employee social security wages and tips from Form W-2 on line 8a.

Optional Methods

How Can the Optional Methods Help You?

Social security coverage. The optional methods may give you credit toward your social security coverage even though you have a loss or a small amount of income from self-employment.

Earned income credit (EIC). Using the optional methods may qualify you to claim the EIC or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the EIC with and without using the optional methods to see if the optional methods will benefit you.

Additional child tax credit. Using the optional methods may qualify you to claim the additional child tax credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure the additional child tax credit with and without using the optional methods to see if the optional methods will benefit you.

Child and dependent care credit. The optional methods may help you qualify for this credit or give you a larger credit if your net earnings from self-employment (determined without using the optional methods) are less than \$1,600. Figure this credit with and without using the optional methods to see if the optional methods will benefit you.

Self-employed health insurance deduction. The optional methods of computing net earnings from self-employment may be

used to figure your self-employed health insurance deduction.



Using the optional methods may give you the benefits described above, but they may also increase your SE tax.

Farm Optional Method

You may use this method to figure your net earnings from farm self-employment if your gross farm income was \$2,400 or less or your net farm profits were less than \$1,733. Net farm profits are the total of the amounts from:

- Schedule F (Form 1040), line 36, and
- Schedule K-1 (Form 1065), box 14, code A (from farm partnerships).

There is no limit on how many years you can use this method.

Under this method, report on Part II, line 15, two-thirds of your gross farm income, up to \$1,600, as your net earnings. This method can increase or decrease your net earnings from farm self-employment even if the farming business had a loss.

You can change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do this, file Form 1040X.

For a farm partnership, figure your share of gross income based on the partnership agreement. With guaranteed payments, your share of the partnership's gross income is your guaranteed payments plus your share of the gross income after it is reduced by all guaranteed payments made by the partnership. If you were a limited partner, include only guaranteed payments for services you actually rendered to or on behalf of the partnership.

Nonfarm Optional Method

You may be able to use this method to figure your net earnings from nonfarm self-employment if your net nonfarm profits were less than \$1,733 and also less than 72.189% of your gross nonfarm income. Net nonfarm profits are the total of the amounts from:

- Schedule C (Form 1040), line 31,

- Schedule C-EZ (Form 1040), line 3,
- Schedule K-1 (Form 1065), box 14, code A (from other than farm partnerships), and
- Schedule K-1 (Form 1065-B), box 9, code J1.

To use this method, you also must be regularly self-employed. You meet this requirement if your actual net earnings from self-employment were \$400 or more in 2 of the 3 years preceding the year you use the nonfarm optional method. The net earnings of \$400 or more could be from either farm or nonfarm earnings or both. The net earnings include your distributive share of partnership income or loss subject to SE tax.

Use of the nonfarm optional method from nonfarm self-employment is limited to 5 years. The 5 years do not have to be consecutive.

Under this method, report on Part II, line 17, two-thirds of your gross nonfarm income, up to \$1,600, as your net earnings. But you cannot report less than your actual net earnings from nonfarm self-employment.

You can change the method after you file your return. That is, you can change from the regular to the optional method or from the optional to the regular method. To do so, file Form 1040X.

Figure your share of gross income from a nonfarm partnership in the same manner as a farm partnership. See *Farm Optional Method* on this page for details.

Using Both Optional Methods

If you can use both methods, you can report less than your total actual net earnings from farm and nonfarm self-employment, but you cannot report less than your actual net earnings from nonfarm self-employment alone.

If you use both methods to figure net earnings, you cannot report more than \$1,600 of net earnings from self-employment.

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Where Do You File?

If an envelope came with this booklet, please use it. If you do not have one or if you moved during the year, mail your return to the address shown below that applies to you. If you want to use a private delivery service, see page 9.



Envelopes without enough postage will be returned to you by the post office. Your envelope may need additional postage if it contains more than five pages or is oversized (for example, it is over 1/4" thick). Also, include your complete return address.

IF you live in...	THEN use this address if you:	
	Are not enclosing a check or money order...	Are enclosing a check or money order...
Alabama, Delaware, Florida, Georgia, North Carolina, Rhode Island, South Carolina, Virginia	Department of the Treasury Internal Revenue Service Center Atlanta, GA 39901-0002	Department of the Treasury Internal Revenue Service Center Atlanta, GA 39901-0102
District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont	Department of the Treasury Internal Revenue Service Center Andover, MA 05501-0002	Department of the Treasury Internal Revenue Service Center Andover, MA 05501-0102
Arkansas, Connecticut, Illinois, Indiana, Michigan, Missouri, New Jersey, Ohio, Pennsylvania, West Virginia	Department of the Treasury Internal Revenue Service Center Kansas City, MO 64999-0002	Department of the Treasury Internal Revenue Service Center Kansas City, MO 64999-0102
Kentucky, Louisiana, Mississippi, Tennessee, Texas, APO, FPO	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0002	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0102
Alaska, Arizona, California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	Department of the Treasury Internal Revenue Service Center Fresno, CA 93888-0002	Department of the Treasury Internal Revenue Service Center Fresno, CA 93888-0102
American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico (or if excluding income under Internal Revenue Code section 933), dual-status aliens, a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0215 USA	Department of the Treasury Internal Revenue Service Center Austin, TX 73301-0215 USA

* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802.

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