RETEST
For Use in Preparing Tax Year 2003 Returns

Student Testing Materials

For Use in IRS Volunteer Programs

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

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

IRS Department of the Treasury
Internal Revenue Service
Form 6745 (Rev. 2003)
Catalog Number 43561G

IRS VOLUNTEERS
www.irs.gov

The IRS Mission

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

TaxWise® is a copyrighted software program owned by Universal Tax Systems, Inc.® (UTS). All screen shots that appear throughout the official Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) training materials are used with the permission of UTS. The screen shots used in this publication—or any other screen shots from TaxWise or its affiliated programs—may not be extracted, copied, or distributed without written approval from the IRS SPEC Office of Education and Product Development.

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

Introduction to the Retest

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

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

Part A—Basic	Covers the general tax laws which apply to all taxpayers. This section is based on lessons 1–6 of your course book.

Part B—Wage Earner	Covers credits and questions for the typical wage earner. This section is based on lessons 7–10 of your course book.

Part C—Pension Earner	Covers credits and questions for the typical pension earner. This section is based on lessons 11–13 of your course book.

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

What to do when you complete your retest:

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

You will receive your answer sheet back with your results.

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

Using Tax Software to take the Retest

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

Volunteers who use tax preparation software to complete the test or retest need to be aware of their version of software. Only the final 2003 version of software will generate the correct answers for 2003 tax returns. Consult your instructor or site coordinator if using an earlier version.

Coming Soon
We are making major advancements in developing an e-learning option for the VITA/TCE program. Eventually, you will be able to take the volunteer training course and complete your retest online.

Retest Answer Sheet

Name: _____
Address: _____
_____

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

Instructions: Record all of your answers on this sheet in the boxes provided below. Your instructor will tell you where you should send this sheet for grading. The grader will return this sheet to you. **Be sure to include your completed Volunteer Agreement (see next page) with this sheet, if you did not provide it with your test answer sheet.**

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

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

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

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

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

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

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

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

Retest Scoring and Certification – To be completed by the grader.

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

Volunteer Agreement

(Includes Volunteer Contact Information and Certification)

The purpose of the VITA and TCE programs is to provide FREE tax assistance to taxpayers.

Please read the statement below and complete all of the lines. If you have questions regarding the meaning of the statement, please check with your instructor, sponsoring organization or a representative of your local IRS office.

I understand I cannot accept payment or donations from the public for my services as a volunteer. Nor, can I solicit business from the taxpayers I assist. I will not disclose any personal tax information that I learn in my capacity as a volunteer.

Print Name	Signature and Date
Home Street Address	Daytime Telephone Number
City, State, Zip Code	E-mail address

Return this sheet along with your answer sheet (unless otherwise instructed). You will not be certified to prepare returns until this agreement has been received.

Certification (IRS or Sponsor Use Only)

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

Certified by: _____ **Date:** _____

This sheet is to be retained by the sponsor or local IRS office.

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

Part A — Basic

A-1 A taxpayer brings the following documents that show social security numbers for herself and her dependents. Which of the following is an acceptable substitute for the original Social Security cards issued to the individuals listed on the tax return?

a. A letter completed by a day care provider listing the dependents' Social Security numbers
b. An original Form W-2 or Form 1099-MISC
c. The numbers shown on a letter from the Social Security Administration
d. A typed list of names and Social Security numbers
e. There are no acceptable substitutes due to the importance of verifying all taxpayers names and numbers as listed in SSA records

For questions A-2 – A-3, determine the filing status for the taxpayer that results in the lowest possible tax liability. Assume that all individuals are U.S. citizens unless otherwise stated.

a. Single
b. Married filing jointly
c. Married filing separately
d. Head of household
e. Qualifying Widow(er) with dependent child

A-2 Michele and her married half sister Katherine lived together in the same residence throughout the year. Michele's daughter, Emily, was born on March 11 and lived with her mother and aunt until she passed away three months later. Michele paid half the rent and utility bills for the year and bought groceries for herself and her daughter. She also provided the remainder of Emily's support while she was alive and paid the annual renter's insurance. Katherine paid the other half of the rent and utilities and provided the balance of her own support. What is Michele's most beneficial filing status?

A-3 Michael and Karen began divorce proceedings on December 18, 2003, but reconciled in early 2004. They lived apart throughout 2003 but now reside in the same house. They have two unmarried children, Austin, age 20, and Amanda, age 17. During the year, Austin lived at home with his mother and sister while attending college full-time and stayed with his father over the summer break. When they separated, Michael and Karen both signed a statement agreeing that Michael would pay all the costs of keeping up the home and to completely support his wife and children. The statement also permitted Michael to claim the children as his dependents for federal tax purposes. Neither expresses a desire to file separate tax returns. What is Michael's most beneficial filing status?

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

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

A-4 Which of the following expenses are deductible on Schedule A, line 27, Other Miscellaneous Deductions?

a. Union dues
b. Professional books and magazines
c. A disabled taxpayer's attendant-care expenses at work
d. Funeral expenses
e. Losses from the sale of a personal car

A-5 Which of the following statements about estimated tax payments is not true?

a. A taxpayer can apply overpayments from the 2003 return to estimated tax
b. Married taxpayers can pay estimated tax either separately or jointly
c. Estimated tax is only based on adjusted gross income and taxable income for the following year
d. A taxpayer may pay all estimated taxes on or before April 15, 2004
e. Payments dates that fall on Saturday, Sunday or a legal holiday are due the next business day

A-6 Which of the following types of income are **all** considered taxable?

a. Trust income, fringe benefits, public assistance payments, dividends
b. Tips, hobby income, jury duty pay, qualified scholarships
c. Gambling winnings, gifts, dividends, gain from the sale of property
d. Royalties, non-qualifying fellowships, interest on Series EE savings bonds used for qualified higher education expenses, executors' fees
e. None of the above

For questions A-7 – A-8, determine if each of the following taxpayers must or should file a federal return.

a. Must
b. Should

A-7 Peter and Sylvia, both over age 70, received a total of $ 12,050 in social security benefits reported on Form SSA-1099. Peter also received a Form 1099-R with a taxable pension income of $ 16,492 in Box 2 and federal income tax withholding of $ 950 in Box 4. They do not plan to file separate tax returns and neither is blind.

A-8 Beth is an 18 year-old student whose parents can claim her as a dependent on their federal tax return. She provides a Form W-2 from her part-time job with Box 1 wages of $ 4,687 and federal income tax withheld in Box 2 of $ 487. She also received a 1099-INT that shows interest of $ 627 in Box 1. Beth is not married or blind.

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

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

For questions A-9 – A-10, determine whether each of the statements is true or false.

a. True
b. False

A-9 A taxpayer uses expected income, deductions, adjustments to income, and credits to calculate the withholding allowances claimed on Form W-4

A-10 A taxpayer reports the tax computed on the Capital Gain Tax Worksheet when the result is greater than the amount from the tax tables

---

A-11 Which of the following is one of the requirements to claim the Foreign Tax Credit without filing Form 1116?

a. All of the taxpayer's gross foreign source income is only from interest reported on Form 1099-INT or Form 1099-B
b. The taxpayer held all shares of stock that generated dividend income for at least 16 days
c. The total of the foreign taxes is less than or equal to $ 400 or, if married filing jointly, $ 800
d. The taxpayer is filing Form 4563 or excluding income from sources within Puerto Rico
e. All of the taxpayer's foreign taxes were legally owed, not eligible for a refund, and not paid to any country recognized by the United States

A-12 Which statement below regarding Individual Retirement Arrangements (IRAs) is **not** correct?

a. The deductible amount for an IRA depends on the taxpayer's modified adjusted gross income, filing status, and whether or not the taxpayer is covered by a retirement plan at work
b. A taxpayer is subject to additional tax for excess IRA contributions not withdrawn by the due date of the return
c. Individual taxpayers over age 50 may contribute $ 3,500 to an IRA in any year
d. Anyone who has earned income and is under 70 ½ years of age at the end of the tax year can contribute to a traditional IRA
e. A taxpayer whose only income is from self-employment and interest may not contribute to an IRA

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

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

Based only on the information below and on the next three pages, complete the following taxpayer's 2003 federal income tax return through line 41 of Form 1040. Use any applicable forms, worksheets and tables located on pages 19-29, then answer questions A-13 – A-20. For purposes of this problem, disregard any tax credits covered in lessons 7– 10 of the student text. Also complete Form 8880 through line 10.

Miguel Aquinas works as a journalist for The Biola Courier and Press. He started working there after receiving his degree in journalism in 2002. The W-2 shown below lists his earnings for 2003.

Miguel, who contributes to the presidential election campaign, was born on August 31, 1970 and is not married. He was issued the Social Security shown below at birth. He has one son, Pedro, born on June 7, 1990 and his Social Security card is also shown below.

SOCIAL SECURITY

XXX-XX-XXXX

This number has been established for

MIGUEL IGNACIO AQUINAS

SOCIAL SECURITY

XXX-XX-XXXX

This number has been established for

PEDRO DOMINGUEZ-AQUINAS

a Control number 8709	OMB No. 1545-0008	Safe, accurate, FAST! Use IRS e-file	Visit the IRS Web Site at www.irs.gov.
b Employer identification number xx-xxxxxxx	1 Wages, tips, other compensation 23,949.22	2 Federal income tax withheld 1,547.56	
c Employer's name, address, and ZIP code THE BIOLA COURIER AND PRESS 2400 HAMILTON BLVD. YOUR CITY, STATE ZIP	3 Social security wages 24,986.31	4 Social security tax withheld 1,584.63	
	5 Medicare wages and tips 24,986.31	6 Medicare tax withheld 361.94	
	7 Social security tips	8 Allocated tips	
d Employee's social security number xxx-xx-xxxx	9 Advance EIC payment 294.82	10 Dependent care benefits	
e Employee's first name and initial Last name MIGUEL I. AQUINAS 9157 DANA DR. YOUR CITY, STATE ZIP	11 Nonqualified plans	12a See instructions for box 12 Code D 1036.76	
	13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	12b Code	
	14 Other	12c Code	
		12d Code	
f Employee's address and ZIP code			

15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
xx-xxxxxxx	23,949.22	828.44			

Form **W-2** Wage and Tax Statement 2003 Department of the Treasury—Internal Revenue Service

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

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

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

Pedro lives with his father in their house at 9157 Dana Drive, and their phone number is (000) 466-7842. Miguel purchased the house after attending homebuyer education classes despite the fact that he would not receive a mortgage interest certificate after finishing the course. On January 27, 2003, Miguel and Pedro moved into the house. They lived in the home throughout the remainder of the year and still reside there today.

Miguel used money he saved in an account at Coastal National Bank for the down payment on the property. Prior to buying the house, however, Miguel received interest on the savings account and the bank issued the 1099-INT, shown below, to report the amount earned. He also holds a checking account at the bank for all deposits and a voided check appears below.

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.	Payer's RTN (optional)	OMB No. 1545-0112	
COASTAL NATIONAL BANK 6405 W. COLBY PLACE YOUR CITY, STATE ZIP		2003 Form **1099-INT**	**Interest Income**
PAYER'S Federal identification number: xx-xxxxxxx	RECIPIENT'S identification number: xxx-xx-xxxx	1 Interest income not included in box 3: $ 58.05	**Copy B** **For Recipient** This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name: MIGUEL I. AQUINAS		2 Early withdrawal penalty: $	3 Interest on U.S. Savings Bonds and Treas. obligations: $
Street address (including apt. no.): 9157 DANA DRIVE		4 **Federal income tax withheld**: $	5 Investment expenses: $
City, state, and ZIP code: YOUR CITY, STATE ZIP		6 Foreign tax paid: $	7 Foreign country or U.S. possession
Account number (optional)			

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

MIGUEL I. AQUINAS
INEZ DOMINGUEZ
9157 Dana Dr.
Your City, State Zip

1235
15-000000000

20

PAY TO THE ORDER OF _____ $ _____

VOID

_____ DOLLARS

COASTAL NATIONAL BANK
Your City, State Zip

For _____

⑈ xxxxxxxx ⑆ :xxxxxx⑈ ⑈1235

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

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

Miguel financed his college education with student loans and an athletic scholarship. He received a Form 1098-E from his lender that lists the total interest paid on the loans during the year as $ 987.52. It is all deductible on line 25. Miguel delivers food several nights a week for his family's restaurant. They provided him with a Form 1099-MISC, reproduced below, that shows his earnings as a delivery driver for the calendar year. He wants to use the 36 cents mileage rate.

He drove 1912 miles in his only car while delivering orders. Miguel drove an additional 8856 miles commuting to and from his job at the newspaper and for other personal purposes. Miguel has maintained a written log documenting his business and total mileage since he began helping with the business on October 16, 2002. IRS business code 722221 covers his self-employment income.

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.	1 Rents	OMB No. 1545-0115	
EVANGEL FAMILY RESTAURANT 5612 HARTWICK AVE S.E. YOUR CITY, STATE ZIP	$	2003	**Miscellaneous Income**
	2 Royalties $	Form **1099-MISC**	
	3 Other income $	4 **Federal income tax withheld** $	**Copy B For Recipient**
PAYER'S Federal identification number: xx-xxxxxxx RECIPIENT'S identification number: xxx-xx-xxxx	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name MIGUEL IGNACIO AQUINAS	7 Nonemployee compensation $ 2,228.59	8 Substitute payments in lieu of dividends or interest $	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.) 9157 DANA DR.	9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ► ☐	10 Crop insurance proceeds $	
City, state, and ZIP code YOUR CITY, STATE ZIP	11	12	
Account number (optional)	13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

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

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

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

On August 9, 2003, Miguel's grandmother, Inez, moved into her grandson's house and still resides at that location. Since arriving, Inez pays a portion of all the household expenses, including utilities and groceries, from the $ 8,436.91 in taxable pension payments and $ 6,697.45 in social security benefits she received in 2003.

Miguel, on the other hand, paid all of the mortgage and mortgage interest listed on the 1098 shown below, $ 596.45 in property insurance, and $ 1,337.83 in property taxes for 2003. He also paid the larger portion of the grocery and utility bills throughout the year. During 2003, Miguel contributed $ 2,476.23 to his church by tithing around $ 45 per week and he donated $ 205 worth of food and new clothing directly to a family the church identified as needing assistance.

Inez deposits most of the money she receives into an account at Coastal National Bank to save for a trip to Spain and Portugal in 2004. She opened the bank account in 2001 using the Social Security card shown below and giving her date of birth as April 15, 1937.

SOCIAL SECURITY

XXX-XX-XXXX

This number has been established for

INEZ MORALES DOMINGUEZ

☐ CORRECTED (if checked)

RECIPIENT'S/LENDER'S name, address, and telephone number
COASTAL NATIONAL BANCORP
6405 W. COLBY PLACE
YOUR CITY, STATE ZIP

* **Caution:** *The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.*

OMB No. 1545-0901

2004

Form **1098**

Mortgage Interest Statement

RECIPIENT'S Federal identification no. xx-xxxxxxx

PAYER'S social security number xxx-xx-xxxx

1 Mortgage interest received from payer(s)/borrower(s)*
$ 2,165

PAYER'S/BORROWER'S name
MIGUEL I. AQUINAS

Street address (including apt. no.)
9157 DANA DR.

City, state, and ZIP code
YOUR CITY, STATE ZIP

Account number (optional)

2 Points paid on purchase of principal residence (See **Box 2** on back.)
$

3 Refund of overpaid interest (See **Box 3** on back.)
$

4
PROPERTY INS. $ 596.45
PROPERTY TAXES $ 1337.03

Copy B
For Payer

The information in boxes 1, 2, and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.

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

Draft as of 2/2003

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

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

For questions A-13 – A-15, answer true or false to each of the following statements about Miguel Aquinas's completed tax return.

a. True
b. False

A-13 The most beneficial filing status available to Miguel is indicated on Form 1040, line 1, Single.

A-14 The first and last name of Miguel's son on Form 1040, line 6c is Pedro Aquinas.

A-15 The number of exemptions shown on Form 1040, line 6d is 2

A-16 What is the amount shown on Form 1040, line 12?

a. 0
b. $ 2,229
c. $ 1,541
d. $ 1,531
e. $ 2,917

A-17 What is the amount shown on Form 1040, line 33?

a. $ 1,097
b. $ 988
c. $ 1,146
d. $ 109
e. $ 879

A-18 What is the amount shown on Schedule A, line 9?

a. $ 828
b. $ 2,164
c. $ 1,338
d. $ 2,762
e. $ 2,166

A-19 What is the amount shown on Form 1040, line 37?

a. $ 6,806
b. $ 7,607
c. $ 6,900
d. $ 7,000
e. $ 7,011

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

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

A-20 What is the amount shown on Form 8880, line 10?

a. $200
b. 0
c. $518
d. $207
e. $104

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

Form **1040** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 2003

IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2003, or other tax year beginning , 2003, ending , 20

OMB No. 1545-0074

Label

(See instructions on page 21.)

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

LABEL HERE

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 21.	Apt. no.	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 21.		

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

Presidential Election Campaign (See page 21.)

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

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child. (See page 21.)

Exemptions

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

b ☐ **Spouse**

No. of boxes checked on 6a and 6b

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 22)
			☐
			☐
			☐
			☐
			☐

If more than five dependents, see page 22.

No. of children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 22)

Dependents on 6c not entered above

d Total number of exemptions claimed

Add numbers on lines above ▶

Income

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

If you did not get a W-2, see page 23.

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

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7
8a	**Taxable** interest. Attach Schedule B if required		8a
b	**Tax-exempt** interest. **Do not** include on line 8a	8b	
9a	Ordinary dividends. Attach Schedule B if required		9a
b	Qualified dividends (see page 25)	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 25)		10
11	Alimony received		11
12	Business income or (loss). Attach Schedule C or C-EZ		12
13a	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13a
b	If box on 13a is checked, enter post-May 5 capital gain distributions	13b	
14	Other gains or (losses). Attach Form 4797		14
15a	IRA distributions 15a	b Taxable amount (see page 25)	15b
16a	Pensions and annuities 16a	b Taxable amount (see page 25)	16b
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
20a	Social security benefits 20a	b Taxable amount (see page 27)	20b
21	Other income. List type and amount (see page 29)		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 29)	23	
24	IRA deduction (see page 29)	24	
25	Student loan interest deduction (see page 31)	25	
26	Tuition and fees deduction (see page 32)	26	
27	Moving expenses. Attach Form 3903	27	
28	One-half of self-employment tax. Attach Schedule SE	28	
29	Self-employed health insurance deduction (see page 33)	29	
30	Self-employed SEP, SIMPLE, and qualified plans	30	
31	Penalty on early withdrawal of savings	31	
32a	Alimony paid b Recipient's SSN ▶	32a	
33	Add lines 23 through 32a		33
34	Subtract line 33 from line 22. This is your **adjusted gross income** ▶		34

Proof as of July 21, 2003 (subject to change)

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 76. Cat. No. 11320B Form **1040** (2003)

Tax and Credits

Standard Deduction for—

- People who checked any box on line 36a or 36b **or** who can be claimed as a dependent, see page 34.
- All others:

Single or Married filing separately, $4,750

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

Head of household, $7,000

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

Other Taxes

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

Payments

If you have a qualifying child, attach Schedule EIC.

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

Refund

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

69	If line 68 is more than line 60, subtract line 60 from line 68. This is the amount you **overpaid**		69
70a	Amount of line 69 you want **refunded to you** ▶		70a
▶ b	Routing number ▶ **c** Type: ☐ Checking ☐ Savings		
▶ d	Account number		
71	Amount of line 69 you want **applied to your 2004 estimated tax** ▶	71	

Amount You Owe

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

Third Party Designee

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

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

Sign Here

Joint return? See page 21. Keep a copy for your records.

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

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

Paid Preparer's Use Only

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

Proof as of July 21, 2003 (subject to change)

SCHEDULES A&B
(Form 1040)

Department of the Treasury
Internal Revenue Service

Schedule A—Itemized Deductions

(Schedule B is on back)

► **Attach to Form 1040.** ► **See Instructions for Schedules A and B (Form 1040).**

OMB No. 1545-0074

2003

Attachment Sequence No. **07**

Name(s) shown on Form 1040 | **Your social security number**

Medical and Dental Expenses		**Caution.** Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see page A-2)	1	
	2	Enter amount from Form 1040, line 35	2	
	3	Multiply line 2 by 7.5% (.075)	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid (See page A-2.)	5	State and local income taxes	5	
	6	Real estate taxes (see page A-2)	6	
	7	Personal property taxes	7	
	8	Other taxes. List type and amount ►	8	
	9	Add lines 5 through 8		9
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10	
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ►	11	
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See page A-3 for special rules	12	
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13	
	14	Add lines 10 through 13		14
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of $250 or more, see page A-4	15	
	16	Other than by cash or check. If any gift of $250 or more, see page A-4. You **must** attach Form 8283 if over $500	16	
	17	Carryover from prior year	17	
	18	Add lines 15 through 17		18
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)		19
Job Expenses and Most Other Miscellaneous Deductions (See page A-5 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You **must** attach Form 2106 or 2106-EZ if required. (See page A-5.) ►	20	
	21	Tax preparation fees	21	
	22	Other expenses—investment, safe deposit box, etc. List type and amount ►	22	
	23	Add lines 20 through 22	23	
	24	Enter amount from Form 1040, line 35	24	
	25	Multiply line 24 by 2% (.02)	25	
	26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-		26
Other Miscellaneous Deductions	27	Other—from list on page A-6. List type and amount ►		27
Total Itemized Deductions	28	Is Form 1040, line 35, over $139,500 (over $69,750 if married filing separately)?		
		☒ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 37.	►	28
		☒ **Yes.** Your deduction may be limited. See page A-6 for the amount to enter.		

Proof as of July 21, 2003 (subject to change)

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11330X **Schedule A (Form 1040) 2003**

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

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. 08

Part I Interest

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

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

		Amount
1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶	1	
2 Add the amounts on line 1	2	
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815. Attach Form 8815	3	
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶	4	

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

Part II Ordinary Dividends

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

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

		Amount
5 List name of payer ▶	5	
6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a ▶	6	

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

Part III Foreign Accounts and Trusts

(See page B-2.)

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

	Yes	No
7a At any time during 2003, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1		
b If "Yes," enter the name of the foreign country ▶		
8 During 2003, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2		

Proof as of July 21, 2003 (subject to change)

Printed on recycled paper

SCHEDULE C-EZ (Form 1040)

Department of the Treasury
Internal Revenue Service

Net Profit From Business

(Sole Proprietorship)

▶ **Partnerships, joint ventures, etc., must file Form 1065 or 1065-B.**

▶ **Attach to Form 1040 or 1041.** ▶ **See instructions on back.**

OMB No. 1545-0074

2003

Attachment Sequence No. **09A**

Name of proprietor

Social security number (SSN)

Part I General Information

You May Use Schedule C-EZ Instead of Schedule C Only If You:

- Had business expenses of $2,500 or less.
- Use the cash method of accounting.
- Did not have an inventory at any time during the year.
- Did not have a net loss from your business.
- Had only one business as a sole proprietor.

And You:

- Had no employees during the year.
- Are not required to file **Form 4562,** Depreciation and Amortization, for this business. See the instructions for Schedule C, line 13, on page C-4 to find out if you must file.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service

B Enter code from pages C-7, 8, & 9 ▶

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.). Address not required if same as on Form 1040, page 1.

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

Proof as of July 21, 2003 (subject to change)

Part II Figure Your Net Profit

1	**Gross receipts. Caution.** If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see **Statutory Employees** in the instructions for Schedule C, line 1, on page C-3 and check here ▶ ☐	1	
2	**Total expenses** (see instructions). If more than $2,500, you **must** use Schedule C	2	
3	**Net profit.** Subtract line 2 from line 1. If less than zero, you **must** use Schedule C. Enter on **Form 1040, line 12,** and **also** on **Schedule SE, line 2.** (Statutory employees **do not** report this amount on Schedule SE, line 2. Estates and trusts, enter on Form 1041, line 3.)	3	

Part III Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 2.

4 When did you place your vehicle in service for business purposes? (month, day, year) ▶ ____/____/____.

5 Of the total number of miles you drove your vehicle during 2003, enter the number of miles you used your vehicle for:

a Business ____ b Commuting ____ c Other ____

6 Do you (or your spouse) have another vehicle available for personal use? ☐ **Yes** ☐ **No**

7 Was your vehicle available for personal use during off-duty hours? ☐ **Yes** ☐ **No**

8a Do you have evidence to support your deduction? ☐ **Yes** ☐ **No**

b If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 14374D **Schedule C-EZ (Form 1040) 2003**

Instructions

You may use Schedule C-EZ instead of Schedule C if you operated a business or practiced a profession as a sole proprietorship and you have met all the requirements listed in Part I of Schedule C-EZ.

Line A

Describe the business or professional activity that provided your principal source of income reported on line 1. Give the general field or activity and the type of product or service.

Line B

Enter the six-digit code that identifies your principal business or professional activity. See pages C-7 through C-9 of the Instructions for Schedule C for the list of codes.

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, file **Form SS-4,** Application for Employer Identification Number. 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.

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. You must 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. Do not offset this amount by any losses.

Line 2

Enter the total amount of all deductible business expenses you actually paid during the year. Examples of these expenses include advertising, car and truck expenses, commissions and fees, insurance, interest, legal and professional services, office expense, rent or lease expenses, repairs and maintenance, supplies, taxes, travel, the allowable percentage of business meals and entertainment, and utilities (including telephone). For details, see the instructions for Schedule C, Parts II and V, on pages C-3 through C-7. If you wish, you may use the optional worksheet below to record your expenses.

If you claim car or truck expenses, be sure to complete Part III of Schedule C-EZ.

Proof as of July 21, 2003 (subject to change)

Optional Worksheet for Line 2 (keep a copy for your records)

a Business meals and entertainment	a				
b Enter nondeductible amount included on line **a** (see the instructions for lines 24b and 24c on page C-5)	b				
c Deductible business meals and entertainment. Subtract line **b** from line **a**				c	
d				d	
e				e	
f				f	
g				g	
h				h	
i				i	
j **Total.** Add lines **c** through **i.** Enter here and on line 2				j	

Printed on recycled paper

SCHEDULE D (Form 1040)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2003

Attachment Sequence No. 12

Name(s) shown on Form 1040

Your social security number

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

	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
1							

2	Enter your short-term totals, if any, from Schedule D-1, line 2	2		
3	**Total short-term sales price amounts.** Add lines 1 and 2 in column (d)	3		
4	Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4		
5	Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5		
6	Short-term capital loss carryover. Enter the amount, if any, from line 8 of your 2002 Capital Loss Carryover Worksheet	6	( )	
7a	Combine lines 1 through 5 in column (g). If the result is a loss, enter the result. Otherwise, enter -0-. **Do not** enter more than zero	7a		( )
b	**Net short-term capital gain or (loss).** Combine lines 1 through 6 in column (f)	7b		

Proof as of July 21, 2003 (subject to change)

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

	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
8							

9	Enter your long-term totals, if any, from Schedule D-1, line 9	9		
10	**Total long-term sales price amounts.** Add lines 8 and 9 in column (d)	10		
11	Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824	11		
12	Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	12		
13	Capital gain distributions. See page D-1 of the instructions	13		
14	Long-term capital loss carryover. Enter the amount, if any, from line 13 of your 2002 Capital Loss Carryover Worksheet	14	( )	
15	Combine lines 8 through 13 in column (g). If zero or less, enter -0-	15		
16	**Net long-term capital gain or (loss).** Combine lines 8 through 14 in column (f) **Next:** Go to Part III on the back.	16		

*Include in column (g) all gains and losses from column (f) from sales, exchanges, or conversions (including installment payments received) **after** May 5, 2003. However, **do not** include gain attributable to unrecaptured section 1250 gain, "collectibles gains and losses" (as defined on page D-6 of the instructions) or eligible gain on qualified small business stock (see page D-4 of the instructions).

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11338H **Schedule D (Form 1040) 2003**

Part III Taxable Gain or Deductible Loss

17a Combine lines 7b and 16 and enter the result. If a loss, enter -0- on line 17b and go to line 18. If a gain, enter the gain on Form 1040, line 13a, and go to line 17b below **17a**

b Combine lines 7a and 15. If zero or less, enter -0-. Then complete Form 1040 through line 40 . **17b**

Next: ● If both lines 16 and 17a of Schedule D are gains **or** you have qualified dividends on Form 1040, line 9b, complete **Part IV** below (unless Form 1040, line 40, is zero).
● Otherwise, skip the rest of Schedule D and complete Form 1040.

18 If line 17a is a loss, enter here and on Form 1040, line 13a, the **smaller** of **(a)** that loss or **(b)** ($3,000) (or, if married filing separately, ($1,500)) (see page D-6 of the instructions) . . . **18** ( )

Next: ● If you have qualified dividends on Form 1040, line 9b, complete Form 1040 through line 40, and then complete **Part IV** below (but skip lines 19 and 20).
● Otherwise, skip **Part IV** below and complete the rest of Form 1040.

Part IV Tax Computation Using Maximum Capital Gains Rates

If line 16 or line 17a is zero or less, skip lines 19 and 20 and go to line 21. Otherwise, go to line 19.

19 Enter your unrecaptured section 1250 gain, if any, from line 18 of the worksheet on page D-6 . . **19**

20 Enter your 28% rate gain, if any, from line 7 of the worksheet on page D-9 of the instructions . . **20**

If lines 19 and 20 are zero, go to line 21. Otherwise, complete the worksheet on page D-10 of the instructions to figure the amount to enter on lines 35 and 53 below, and skip all other lines below.

21 Enter your taxable income from Form 1040, line 40 . . . . . **21**

22 Enter the **smaller** of line 16 or line 17a, but not less than zero . . . **22**

23 Enter your qualified dividends from Form 1040, line 9b **23**

24 Add lines 22 and 23 . . . . . **24**

25 Amount from line 4g of Form 4952 (investment interest expense) . . **25**

26 Subtract line 25 from line 24. If zero or less, enter -0- **26**

27 Subtract line 26 from line 21. If zero or less, enter -0- **27**

28 Enter the **smaller** of line 21 **or:**
- $56,800 if married filing jointly or qualifying widow(er);
- $28,400 if single or married filing separately; or
- $38,050 if head of household

28

If line 27 is more than line 28, skip lines 29–39 and go to line 40.

29 Enter the amount from line 27 . . . . . **29**

30 Subtract line 29 from line 28. If zero or less, go to line 40 . . . . **30**

31 Add lines 17b and 23* **31**

32 Enter the **smaller** of line 30 or line 31 . . . . . **32**

33 Multiply line 32 by 5% (.05) **33**

If lines 30 and 32 are the same, skip lines 34–39 and go to line 40.

34 Subtract line 32 from line 30 . . . . . **34**

35 Enter your qualified 5-year gain, if any, from line 8 of the worksheet on page D-8 . . **35**

36 Enter the **smaller** of line 34 or line 35 . . . . . **36**

37 Multiply line 36 by 8% (.08) **37**

38 Subtract line 36 from line 34 . . . . . **38**

39 Multiply line 38 by 10% (.10) **39**

If lines 26 and 30 are the same, skip lines 40–49 and go to line 50.

40 Enter the **smaller** of line 21 or line 26 . . . . . **40**

41 Enter the amount from line 30 (if line 30 is blank, enter -0-) . . . **41**

42 Subtract line 41 from line 40 . . . . . **42**

43 Add lines 17b and 23* **43**

44 Enter the amount from line 32 (if line 32 is blank, enter -0-) **44**

45 Subtract line 44 from line 43 . . . . . **45**

46 Enter the **smaller** of line 42 or line 45 . . . . . **46**

47 Multiply line 46 by 15% (.15) **47**

48 Subtract line 46 from line 42 . . . . . **48**

49 Multiply line 48 by 20% (.20) **49**

50 Figure the tax on the amount on **line 27.** Use the Tax Table or Tax Rate Schedules, whichever applies **50**

51 Add lines 33, 37, 39, 47, 49, and 50 . . . . . **51**

52 Figure the tax on the amount on **line 21.** Use the Tax Table or Tax Rate Schedules, whichever applies **52**

53 **Tax on all taxable income.** Enter the **smaller** of line 51 or line 52 here and on Form 1040, line 41 **53**

*If line 25 is more than zero, see **Lines 31 and 43** on page D-9 for the amount to enter. *Printed on recycled paper* **Schedule D (Form 1040) 2003**

Proof as of July 21, 2003 (subject to change)

SCHEDULE SE
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Self-Employment Tax

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedule SE (Form 1040).**

OMB No. 1545-0074

2003

Attachment Sequence No. **17**

Name of person with **self-employment** income (as shown on Form 1040)

Social security number of person with **self-employment** income ▶

Draft as of 6/23/2003

Who Must File Schedule SE

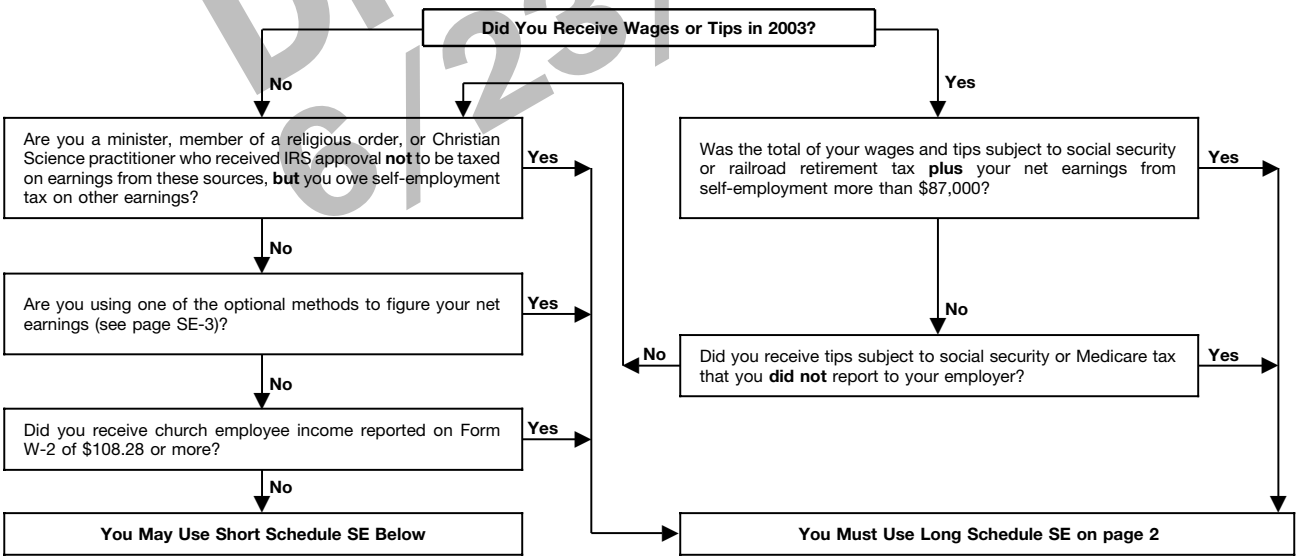
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of $400 or more **or**
- You had church employee income of $108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income (see page SE-1).

Note. Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE (see page SE-3).

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt–Form 4361" on Form 1040, line 55.

May I Use Short Schedule SE or Must I Use Long Schedule SE?



Section A—Short Schedule SE. Caution. Read above to see if you can use Short Schedule SE.

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	
3	Combine lines 1 and 2	3	
4	**Net earnings from self-employment.** Multiply line 3 by 92.35% (.9235). If less than $400, **do not** file this schedule; you do not owe self-employment tax ▶	4	
5	**Self-employment tax.** If the amount on line 4 is: • $87,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on **Form 1040, line 55.** • More than $87,000, multiply line 4 by 2.9% (.029). Then, add $10,788.00 to the result. Enter the total here and on **Form 1040, line 55.**	5	
6	**Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (.5). Enter the result here and on **Form 1040, line 28**	6	

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11358Z **Schedule SE (Form 1040) 2003**

Name of person with **self-employment** income (as shown on Form 1040) | Social security number of person with **self-employment** income ▶

Section B—Long Schedule SE

Part I Self-Employment Tax

Note. If your only income subject to self-employment tax is **church employee income,** skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See page SE-1.

A If you are a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361, but you had $400 or more of **other** net earnings from self-employment, check here and continue with Part I . . . . . ▶ ☐

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a. **Note.** Skip this line if you use the farm optional method (see page SE-3)	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report. **Note.** Skip this line if you use the nonfarm optional method (see page SE-4)	2	
3	Combine lines 1 and 2	3	
4a	If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	4a	
b	If you elect one or both of the optional methods, enter the total of lines 15 and 17 here	4b	
c	Combine lines 4a and 4b. If less than $400, **do not** file this schedule; you do not owe self-employment tax. **Exception.** If less than $400 and you had **church employee income,** enter -0- and continue ▶	4c	
5a	Enter your **church employee income** from Form W-2. See page SE-1 for definition of church employee income . . . 5a		
b	Multiply line 5a by 92.35% (.9235). If less than $100, enter -0-	5b	
6	**Net earnings from self-employment.** Add lines 4c and 5b	6	
7	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 2003	7	87,000 00
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation. If $87,000 or more, skip lines 8b through 10, and go to line 11 . . . 8a		
b	Unreported tips subject to social security tax (from Form 4137, line 9) . . . 8b		
c	Add lines 8a and 8b	8c	
9	Subtract line 8c from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	9	
10	Multiply the **smaller** of line 6 or line 9 by 12.4% (.124)	10	
11	Multiply line 6 by 2.9% (.029)	11	
12	**Self-employment tax.** Add lines 10 and 11. Enter here and on **Form 1040, line 55**	12	
13	**Deduction for one-half of self-employment tax.** Multiply line 12 by 50% (.5). Enter the result here and on **Form 1040, line 28** . . . 13		

Part II Optional Methods To Figure Net Earnings (see page SE-3)

Farm Optional Method. You may use this method **only** if:

- Your gross farm income[1] was not more than $2,400 **or**
- Your net farm profits[2] were less than $1,733.

14	Maximum income for optional methods	14	1,600 00
15	Enter the **smaller** of: two-thirds (⅔) of gross farm income[1] (not less than zero) **or** $1,600. Also include this amount on line 4b above	15	

Nonfarm Optional Method. You may use this method **only** if:

- Your net nonfarm profits[3] were less than $1,733 and also less than 72.189% of your gross nonfarm income[4] **and**
- You had net earnings from self-employment of at least $400 in 2 of the prior 3 years.

Caution. You may use this method no more than five times.

16	Subtract line 15 from line 14	16	
17	Enter the **smaller** of: two-thirds (⅔) of gross nonfarm income[4] (not less than zero) **or** the amount on line 16. Also include this amount on line 4b above	17	

[1]From Sch. F, line 11, and Sch. K-1 (Form 1065), line 15b.
[2]From Sch. F, line 36, and Sch. K-1 (Form 1065), line 15a.
[3]From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), line 15a; and Sch. K-1 (Form 1065-B), box 9.
[4]From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), line 15c; and Sch. K-1 (Form 1065-B), box 9.

Draft as of 6/23/2003

Form **8880**

Department of the Treasury
Internal Revenue Service

Credit for Qualified Retirement Savings Contributions

▶ **Attach to Form 1040 or Form 1040A.**

OMB No. 1545-1805

2003

Attachment Sequence No. **129**

Name(s) shown on return

Your social security number

Draft as of 8/20/2003

CAUTION

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

- The amount on Form 1040, line 35, or Form 1040A, line 22, is more than $25,000 ($37,500 if head of household, $50,000 if married filing jointly).
- The person(s) who made the qualified contribution or elective deferral **(a)** was born after January 1, 1986, **(b)** is claimed as a dependent on someone else's 2003 tax return, or **(c)** was a **student** in 2003 (see instructions).

			(a) You	(b) Your spouse
1	Traditional and Roth IRA contributions for 2003. **Do not** include rollover contributions	1		
2	Elective deferrals to a 401(k) or other qualified employer plan, voluntary employee contributions, and 501(c)(18) plan contributions for 2003 (see instructions)	2		
3	Add lines 1 and 2	3		
4	Certain distributions received **after** 2000 and **before** the due date (including extensions) of your 2003 tax return (see instructions). If married filing jointly, include **both** spouses' amounts in **both** columns. See instructions for an exception	4		
5	Subtract line 4 from line 3. If zero or less, enter -0-	5		
6	In each column, enter the **smaller** of line 5 or $2,000	6		
7	Add the amounts on line 6. If zero, **stop**; you cannot claim the credit	7		
8	Enter the amount from Form 1040, line 35*, or Form 1040A, line 22	8		
9	Enter the applicable decimal amount shown below:	9		X .

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

Note: *If line 9 is zero,* ***stop****; you cannot claim the credit.*

10	Multiply line 7 by line 9	10		
11	Enter the amount from Form 1040, line 43, or Form 1040A, line 28	11		
12	Enter the total of your credits from Form 1040, lines 44 through 47, or Form 1040A, lines 29 through 31	12		
13	Subtract line 12 from line 11. If zero, **stop**; you cannot take the credit	13		
14	**Credit for qualified retirement savings contributions.** Enter the **smaller** of line 10 or line 13 here and on Form 1040, line 48, or Form 1040A, line 32	14		

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

For Paperwork Reduction Act Notice, see back of form. Cat. No. 33394D Form **8880** (2003)

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

Part B — Wage Earner

B-1 Which of the following series of credits are considered **only** nonrefundable?

a. Hope Credit, Retirement Savings Contributions Credit, Child and Dependent Care Credit

b. Earned Income Credit (EIC), Lifetime Learning Credit, Child Tax Credit

c. Additional Child Tax Credit and EIC

d. Child and Dependent Care Credit, Hope Credit, Additional Child Tax Credit

e. None of the above

B-2 Anita would like you to prepare her return at your VITA site. She is 21 and attends a qualified college full time. This is her third year as a student. Pedro and Maria, Anita's parents, can claim Anita as a dependent on their joint return. Carmen, Anita's grandmother, paid for all eligible expenses, tuition and fees. Anita has never claimed the credit before and is unsure of what to do. What is the **best credit** for the situation described?

a. Anita can take advantage of the Tuition and Fees Deduction on Form 1040, line 26

b. Pedro and Maria are the only eligible taxpayers to claim the Hope Credit

c. Anita's grandmother, Carmen, is the only eligible taxpayer to take the credit

d. Pedro and Maria, Anita's parents, are the only eligible taxpayers to claim the Lifetime Learning Credit

e. Anita can take the full Lifetime Learning Credit

B-3 The Lifetime Learning Credit can be used if a taxpayer has a felony conviction whereas the Hope Credit cannot.

a. True

b. False

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

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

For questions B-4 – B-6, determine if the taxpayer can claim the Earned Income Credit (EIC).

a. Yes
b. No

B-4 Julio, age 24, has two children both under the age of 5 and they all lived with Julio's mother, Maria, for all of 2003. Julio and Maria decided that Maria would claim the EIC for both children. Later they have a disagreement and Julio files for EIC for the same two children. The IRS finds the mismatch and applies the tie-breaking rules. Will Maria keep the EIC because she claimed the children as dependents and filed Head of household?

B-5 Anthony will file Head of household and has one child, Samuel, who lives with him. Anthony's father, who lives in another city, will claim Anthony as a dependent. Can Anthony or Anthony's father claim Samuel as a qualifying child for EIC purposes?

B-6 Carol has three children, all under the age of 19. Carol and the children all live with her mother, Susan. Susan has a higher AGI than Carol. They have lived together for over two years. They decide together to let Susan claim 2 children for EIC because she will get more EIC than Carol. Carol will claim the remaining child for EIC purposes. Carol does not have to claim the two youngest children.

B-7 Which of the following is a **benefit** of the Advanced Earned Income Credit (AEIC)?

a. The taxpayer will get some of the credit in their payroll check from their employer during the tax year with the balance paid as a refund and/or will reduce the total tax when the return is filed
b. With advanced payment of the Earned Income Credit, the taxpayer will never get the full amount of his EIC
c. If the taxpayer has received AEIC, they have to file a return even if their income is below their filing requirement
d. The advanced payments do not have to be reported on the tax return
e. The taxpayer will receive 100% of their credit as advanced payments

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

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

For questions B-8 – B-10, determine whether each of the statements is true or false regarding the pre-certification/certification for the Earned Income Credit (EIC).

a. True
b. False

B-8 Pre-certification started in 2002.

B-9 Two objectives of precertification are: 1) Increase taxpayer's refunds, and 2) Improve participation.

B-10 Taxpayers who have not received a determination letter stating they are eligible for EIC should claim EIC if they are eligible.

For questions B-11 – B-13, determine if each statement about the Advance Child Tax Credit (CTC) is true or false.

a. True
b. False

B-11 Those qualifying taxpayers who received up to $ 400 as an advanced CTC will have to pay the money back if they do not qualify for the $ 1,000 Child Tax Credit on their 2003 return.

B-12 Subject to income and tax limitations, taxpayers eligible for the advance payment of the CTC and who did not receive it, will be able to claim the increased tax credit on their 2003 return for each qualifying child.

B-13 Eligible taxpayers who received filing extensions still received advance payment checks approximately four to six weeks after filing their 2002 return.

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

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

This problem continues the return started in the Basic section of this retest. The relevant facts and documents used to prepare the prior portion of that tax return still apply. All information returns presented earlier are reproduced bleow for your convenience. If you are not required to take the Basic section of the Retest, you will still need to refer to the information on pages 12-15 to gather information to complete this problem.

Complete the remainder of the 2003 federal income tax return using the additional information that follows. You can continue using the forms you started in the Basic section, or you can start "from scratch". Use any applicable forms, worksheets and tables located on pages 41-56, then answer questions B-14 – B-20.

Miguel pays the YMCA of Chadwick, a program operated at Pedro's middle school, to care for his son until he can arrive after his workday ends. The organization provided the receipt, shown below, documenting the amount Miguel paid in 2003.

During the spring and fall semesters in 2003, Miguel attended classes in the evening and on weekends at the local university. The college admitted him into the masters program in the School of Journalism after he received a Bachelor of Arts from the college in 2002. The univeristy provided a 1098-T, shown below, listing the amount received for tuition from Miguel and any third party sources for the year.

Miguel qualified for the Earned Income Credit the last two years and elected to receive a portion of the credit with each paycheck during 2003. The IRS has never disallowed or reduced his EIC in the past for any reason. Miguel usually qualifies for several of the other credits available to taxpayers with low and moderate incomes. Miguel did not receive any advance child tax credit.

YMCA of Chadwick
5440 Wilson Dr.
Your City, State ZIP
xx-xxxxxxx

Received $2,151 from Miguel Aquinas for the care of Pedro Aquinas

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

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

a Control number 8709		OMB No. 1545-0008	Safe, accurate, FAST! Use IRS e-file. Visit the IRS Web Site at www.irs.gov.
b Employer identification number xx-xxxxxxx		1 Wages, tips, other compensation 23,949.22	2 Federal income tax withheld 1,547.56
c Employer's name, address, and ZIP code ALBRIGHT COUNTY BOARD OF EDUCTION 2400 HAMILTON BLVD. YOUR CITY, STATE ZIP		3 Social security wages 24,986.31	4 Social security tax withheld 1,548.63
		5 Medicare wages and tips 24,986.31	6 Medicare tax withheld 361.94
		7 Social security tips	8 Allocated tips
d Employee's social security number xxx-xx-xxxx		9 Advance EIC payment 294.82	10 Dependent care benefits
e Employee's first name and initial Last name MIGUEL I. AQUINAS 9157 DANA DR. YOUR CITY, STATE ZIP		11 Nonqualified plans	12a See instructions for box 12 Code D 1,036.76
		13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐	12b Code
		14 Other	12c Code
			12d Code
f Employee's address and ZIP code			

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
	xx-xxxxxxx	23,949.22	828.44			

Form **W-2** **Wage and Tax Statement** 2003 Department of the Treasury—Internal Revenue Service

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

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. COASTAL NATIONAL BANCORP 6405 W. COLBY PLACE YOUR CITY, STATE ZIP		Payer's RTN (optional)	OMB No. 1545-0112 2003 Form **1099-INT**
PAYER'S Federal identification number xx-xxxxxxx	RECIPIENT'S identification number xxx-xx-xxxx	1 Interest income not included in box 3 $ 58.05	**Interest Income**
RECIPIENT'S name MIGUEL I. AQUINAS		2 Early withdrawal penalty $	3 Interest on U.S. Savings Bonds and Treas. obligations $
Street address (including apt. no.) 9157 DANA DRIVE		4 Federal income tax withheld $	5 Investment expenses $
City, state, and ZIP code YOUR CITY, STATE ZIP		6 Foreign tax paid $	7 Foreign country or U.S. possession
Account number (optional)			

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

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

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

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

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.	1 Rents	OMB No. 1545-0115	Miscellaneous Income
EVANGEL FAMILY RESTAURANT 5612 HARTWICK AVE. S.E. YOUR CITY, STATE ZIP	$	2004	
	2 Royalties $	Form 1099-MISC	
	3 Other income $	4 Federal income tax withheld $	Copy B For Recipient
PAYER'S Federal identification number: xx-xxxxxxx RECIPIENT'S identification number: xxx-xx-xxxx	5 Fishing boat proceeds $	6 Medical and health care payments $	
RECIPIENT'S name MIGUEL IGNACIO AQUINAS	7 Nonemployee compensation $ 2,228.59	8 Substitute payments in lieu of dividends or interest $	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.) 9157 DANA DR.	9 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ► ☐	10 Crop insurance proceeds $	
City, state, and ZIP code YOUR CITY, STATE ZIP	11	12	
Account number (optional)	13 Excess golden parachute payments $	14 Gross proceeds paid to an attorney $	
15	16 State tax withheld $ $	17 State/Payer's state no.	18 State income $ $

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

Draft as of 8/20/2003

☐ CORRECTED (if checked)

RECIPIENT'S/LENDER'S name, address, and telephone number	* **Caution:** *The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.*	OMB No. 1545-0901	Mortgage Interest Statement
COASTAL NATIONAL BANCORP 6450 W. COLBY PLACE YOUR CITY, STATE ZIP		2004 Form 1098	
RECIPIENT'S Federal identification no. PAYER'S social security number	1 Mortgage interest received from payer(s)/borrower(s)* $		Copy B For Payer
PAYER'S/BORROWER'S name MIGUEL IGNACIO AQUINAS	2 Points paid on purchase of principal residence (See **Box 2** on back.) $		The information in boxes 1, 2, and 3 is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points or because you did not report this refund of interest on your return.
Street address (including apt. no.) 9157 DANA DR.	3 Refund of overpaid interest (See **Box 3** on back.) $		
City, state, and ZIP code YOUR CITY, STATE ZIP	4 PROPERTY INS. $ 596.45 PROPERTY TAXES $ 1,337.83		
Account number (optional)			

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

Draft as of 8/20/2003

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

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

8383 ☐ VOID ☐ CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone number		1 Payments received for qualified tuition and related expenses $ 1085.26	OMB No. 1545-1574 2004 Form 1098-T	Tuition Statement
TULANE COLLEGE 8732 TAYLOR AVENUE YOUR CITY, STATE ZIP		2 Amounts billed for qualified tuition and related expenses $		
FILER'S Federal identification no. xx-xxxxxxx	STUDENT'S social security number xxx-xx-xxxx	3 Adjustments made for a prior year $	4 Scholarships or grants $	Copy B For Student
SERVICE PROVIDER/Account Number (optional)		5 Adjustments to scholarships or grants for a prior year $		This is important tax information and is being furnished to the Internal Revenue Service.
STUDENT'S name MIGUEL AQUINAS		6 Check this box if the amount in box 1 or 2 includes amounts for an academic period beginning January-March 2005 ▶ ☐	7 Reimbursements or refunds of qualified tuition and related expenses from an insurance contract $	
Street address (including apt. no.) 9157 DANA DR.				
City, state, and ZIP code YOUR CITY, STATE ZIP		8 Check if at least half-time student ☐	9 Check if a graduate student . . . ☐	

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

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Draft as of 03/2023

The amount for line 4 of Form 8812 will be the same as line 4b of Worksheet B for the Earned Income Credit.

Remember to complete lines 11-14 of the Form 8880 on page 29 to determine the allowable Retirement Saver's Contribution Credit.

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

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

B-14 What is the amount on Form 2441, line 2c?

a. 0
b. $ 1,000
c. $ 2,151
d. $ 3,000
e. $ 3,151

B-15 What is the decimal on Form 2441, line 8?

a. .29
b. .30
c. .31
d. .32
e. .33

B-16 What is the amount on Form 8863, line 14?

a. $ 217
b. $ 401
c. $ 500
d. $ 1,000
e. $ 1,085

B-17 What is the amount on Form 1040, line 49?

a. 0
b. $ 47
c. $ 240
d. $ 410
e. $ 600

B-18 What is the amount on Form 1040, line 60?

a. 0
b. $ 217
c. $ 295
d. $ 404
e. $ 513

B-19 What is the amount on Form 1040, line 63?

a. $ 498
b. $ 686
c. $ 1,059
d. $ 1,081
e. $ 2,254

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

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

B-20 What is the amount on Form 1040, line 65?

a. $ 0

b. $ 1

c. $ 599

d. $ 760

e. $ 1,211

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

Form **1040** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 2003

IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2003, or other tax year beginning , 2003, ending , 20

OMB No. 1545-0074

Label

(See instructions on page 21.)

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

LABEL HERE

Your first name and initial	Last name	**Your social security number**
If a joint return, spouse's first name and initial	Last name	**Spouse's social security number**
Home address (number and street). If you have a P.O. box, see page 21.	Apt. no.	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 21.		

▲ Important! ▲

You **must** enter your SSN(s) above.

Presidential Election Campaign (See page 21.)

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

Filing Status

Check only one box.

1 ☐ Single

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

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

4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 ☐ Qualifying widow(er) with dependent child. (See page 21.)

Exemptions

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

b ☐ **Spouse** . . . .

No. of boxes checked on 6a and 6b ____

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 22)
			☐
			☐
			☐
			☐
			☐

If more than five dependents, see page 22.

No. of children on 6c who:
- **lived with you** ____
- **did not live with you due to divorce or separation (see page 22)** ____

Dependents on 6c not entered above ____

d Total number of exemptions claimed . . . .

Add numbers on lines above ▶ ☐

Proof as of July 21, 2003 (subject to change)

Income

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

If you did not get a W-2, see page 23.

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

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7
8a	**Taxable** interest. Attach Schedule B if required		8a
b	**Tax-exempt** interest. **Do not** include on line 8a	8b	
9a	Ordinary dividends. Attach Schedule B if required		9a
b	Qualified dividends (see page 25)	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 25)		10
11	Alimony received		11
12	Business income or (loss). Attach Schedule C or C-EZ		12
13a	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13a
b	If box on 13a is checked, enter post-May 5 capital gain distributions	13b	
14	Other gains or (losses). Attach Form 4797		14
15a	IRA distributions	15a	b Taxable amount (see page 25) 15b
16a	Pensions and annuities	16a	b Taxable amount (see page 25) 16b
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
20a	Social security benefits	20a	b Taxable amount (see page 27) 20b
21	Other income. List type and amount (see page 29)		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 29)	23	
24	IRA deduction (see page 29)	24	
25	Student loan interest deduction (see page 31)	25	
26	Tuition and fees deduction (see page 32)	26	
27	Moving expenses. Attach Form 3903	27	
28	One-half of self-employment tax. Attach Schedule SE	28	
29	Self-employed health insurance deduction (see page 33)	29	
30	Self-employed SEP, SIMPLE, and qualified plans	30	
31	Penalty on early withdrawal of savings	31	
32a	Alimony paid b Recipient's SSN ▶	32a	
33	Add lines 23 through 32a		33
34	Subtract line 33 from line 22. This is your **adjusted gross income** ▶		34

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 76. Cat. No. 11320B Form **1040** (2003)

Tax and Credits

Standard Deduction for—

- People who checked any box on line 36a or 36b **or** who can be claimed as a dependent, see page 34.
- All others:

Single or Married filing separately, $4,750

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

Head of household, $7,000

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

Other Taxes

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

Payments

If you have a qualifying child, attach Schedule EIC.

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

Refund

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

69	If line 68 is more than line 60, subtract line 60 from line 68. This is the amount you **overpaid**	69
70a	Amount of line 69 you want **refunded to you** ▶	70a
▶ b	Routing number ▶ **c** Type: ☐ Checking ☐ Savings	
▶ d	Account number	
71	Amount of line 69 you want **applied to your 2004 estimated tax** ▶ 71	

Amount You Owe

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

Third Party Designee

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

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

Sign Here

Joint return? See page 21. Keep a copy for your records.

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

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

Paid Preparer's Use Only

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

Proof as of July 21, 2003 (subject to change)

Form **2441**

Department of the Treasury
Internal Revenue Service

Child and Dependent Care Expenses

▶ **Attach to Form 1040.**

▶ **See separate instructions.**

OMB No. 1545-0068

2003

Attachment Sequence No. **21**

Name(s) shown on Form 1040 | **Your social security number**

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

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

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

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

Did you receive **dependent care benefits?**

- **No** ▶ Complete only Part II below.
- **Yes** ▶ Complete Part III on the back next.

Caution. If the care was provided in your home, you may owe employment taxes. See the instructions for Form 1040, line 59.

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

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

(a) Qualifying person's name First	Last	(b) Qualifying person's social security number	(c) **Qualified expenses** you incurred and paid in 2003 for the person listed in column (a)

3 Add the amounts in column (c) of line 2. **Do not** enter more than $3,000 for one qualifying person or $6,000 for two or more persons. If you completed Part III, enter the amount from line 26 . . . . . **3**

4 Enter your **earned income** **4**

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

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

7 Enter the amount from Form 1040, line 35 . . . . **7**

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

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

8 × .

9 Multiply line 6 by the decimal amount on line 8. If you paid 2002 expenses in 2003, see the instructions **9**

10 Enter the amount from Form 1040, line 43, minus any amount on Form 1040, line 44 . **10**

11 **Credit for child and dependent care expenses.** Enter the **smaller** of line 9 or line 10 here and on Form 1040, line 45 . . . . . **11**

For Paperwork Reduction Act Notice, see page 3 of the instructions. Cat. No. 11862M Form **2441** (2003)

Proof as of July 21, 2003 (subject to change)

Part III Dependent Care Benefits

12	Enter the total amount of **dependent care benefits** you received for 2003. This amount should be shown in box 10 of your W-2 form(s). **Do not** include amounts that were reported to you as wages in box 1 of Form(s) W-2	12	
13	Enter the amount forfeited, if any (see the instructions)	13	
14	Subtract line 13 from line 12	14	
15	Enter the total amount of **qualified expenses** incurred in 2003 for the care of the **qualifying person(s)**	15	
16	Enter the **smaller** of line 14 or 15	16	
17	Enter your **earned income**	17	
18	Enter the amount shown below that applies to you. • If married filing jointly, enter your spouse's earned income (if your spouse was a student or was disabled, see the instructions for line 5). • If married filing separately, see the instructions for the amount to enter. • All others, enter the amount from line 17.	18	
19	Enter the **smallest** of line 16, 17, or 18	19	
20	**Excluded benefits.** Enter here the **smaller** of the following: • The amount from line 19 or • $5,000 ($2,500 if married filing separately **and** you were required to enter your spouse's earned income on line 18).	20	
21	**Taxable benefits.** Subtract line 20 from line 14. Also, include this amount on Form 1040, line 7. On the dotted line next to line 7, enter "DCB"	21	

To claim the child and dependent care credit, complete lines 22–26 below.

22	Enter $3,000 ($6,000 if two or more qualifying persons)	22	
23	Enter the amount from line 20	23	
24	Subtract line 23 from line 22. If zero or less, **stop.** You cannot take the credit. **Exception.** If you paid 2002 expenses in 2003, see the instructions for line 9	24	
25	Complete line 2 on the front of this form. **Do not** include in column (c) any benefits shown on line 20 above. Then, add the amounts in column (c) and enter the total here	25	
26	Enter the **smaller** of line 24 or 25. Also, enter this amount on line 3 on the front of this form and complete lines 4–11	26	

Proof as of July 21, 2003 (subject to change)

SCHEDULE EIC
(Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service

Earned Income Credit

Qualifying Child Information

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

OMB No. 1545-0074

2003

Attachment Sequence No. **43**

Name(s) shown on return

Your social security number

Before you begin: See the instructions for Form 1040A, line 41, or Form 1040, line 63, to make sure that **(a)** you can take the EIC and **(b)** you have a qualifying child.

CAUTION

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

Proof as of July 21, 2003 (subject to change)

Qualifying Child Information	**Child 1**		**Child 2**	
1 Child's name If you have more than two qualifying children, you only have to list two to get the maximum credit.	First name	Last name	First name	Last name
2 Child's SSN The child must have an SSN as defined on page 44 of the Form 1040A instructions or page 46 of the Form 1040 instructions unless the child was born and died in 2003. If your child was born and died in 2003 and did not have an SSN, enter "Died" on this line and attach a copy of the child's birth certificate.				

Next, if the child was born after 1984, go to line 4. Otherwise, continue.

3 If the child was born before 1985— **a** Was the child under age 24 at the end of 2003 and a student?	☐ **Yes.** *Go to line 4.*	☐ **No.** *Continue*	☐ **Yes.** *Go to line 4.*	☐ **No.** *Continue*
b Was the child permanently and totally disabled during any part of 2003?	☐ **Yes.** *Continue*	☐ **No.** The child is not a qualifying child.	☐ **Yes.** *Continue*	☐ **No.** The child is not a qualifying child.
4 Child's relationship to you (for example, son, daughter, grandchild, niece, nephew, foster child, etc.)				
5 Number of months child lived with you in the United States during 2003 • If the child lived with you for more than half of 2003 but less than 7 months, enter "7". • If the child was born or died in 2003 and your home was the child's home for the entire time he or she was alive during 2003, enter "12".	_____ months *Do not enter more than 12 months.*		_____ months *Do not enter more than 12 months.*	

TIP

You may also be able to take the additional child tax credit if your child **(a)** was under age 17 at the end of 2003, **(b)** is claimed as your dependent on line 6c of Form 1040A or Form 1040, **and (c)** is a U.S. citizen or resident alien. For more details, see the instructions for line 42 of Form 1040A or line 65 of Form 1040.

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

Cat. No. 13339M

Schedule EIC (Form 1040A or 1040) 2003

Form **8812**

Department of the Treasury
Internal Revenue Service

Additional Child Tax Credit

Complete and attach to Form 1040 or Form 1040A.

OMB No. 1545-1620

2003

Attachment Sequence No. **47**

Name(s) shown on return

Your social security number

Draft as of 7/02/2003

Part I All Filers

1 Enter the amount from line 3 of your Child Tax Credit Worksheet on page 40 of the Form 1040 instructions or page 39 of the Form 1040A instructions. If you used Pub. 972, enter the amount from line 10 of the worksheet on page 3 of the publication **1**

2 Enter the amount from Form 1040, line 49, or Form 1040A, line 33 . . . . . **2**

3 Subtract line 2 from line 1. If zero, **stop**; you cannot take this credit **3**

4 Enter your total taxable earned income. See the instructions on back . . **4**

5 Is the amount on line 4 more than $10,500?

☐ **No.** Leave line 5 blank and enter -0- on line 6.

☐ **Yes.** Subtract $10,500 from the amount on line 4. Enter the result . **5**

6 Multiply the amount on line 5 by 10% (.10) and enter the result **6**

Next. Do you have three or more qualifying children?

☐ **No.** If line 6 is zero, **stop;** you cannot take this credit. Otherwise, skip Part II and enter the **smaller** of line 3 or line 6 on line 13.

☐ **Yes.** If line 6 is equal to or more than line 3, skip Part II and enter the amount from line 3 on line 13. Otherwise, go to line 7.

Part II Certain Filers Who Have Three or More Qualifying Children

7 Enter the total of the withheld social security and Medicare taxes from Form(s) W-2, boxes 4 and 6. If married filing jointly, include your spouse's amounts with yours. If you worked for a railroad, see the instructions on back . . **7**

8 **1040 filers:** Enter the total of the amounts from Form 1040, lines 28 and 56, plus any uncollected social security and Medicare or tier 1 RRTA taxes included on line 60.

1040A filers: Enter -0-. **8**

9 Add lines 7 and 8 . . . . . **9**

10 **1040 filers:** Enter the total of the amounts from Form 1040, lines 63 and 64.

1040A filers: Enter the total of the amount from Form 1040A, line 41, plus any excess social security and tier 1 RRTA taxes withheld that you entered to the left of line 43 (see the instructions on back). **10**

11 Subtract line 10 from line 9. If zero or less, enter -0- **11**

12 Enter the **larger** of line 6 or line 11 here **12**

Next, enter the **smaller** of line 3 or line 12 on line 13.

Part III Your Additional Child Tax Credit

13 **This is your additional child tax credit** **13**

Enter this amount on Form 1040, line 65, or Form 1040A, line 42.

For Paperwork Reduction Act Notice, see back of form. Cat. No. 10644E Form **8812** (2003)

Form **8863**

Department of the Treasury
Internal Revenue Service

Education Credits (Hope and Lifetime Learning Credits)

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

OMB No. 1545-1618

2003

Attachment Sequence No. **50**

Name(s) shown on return

Your social security number

Caution: *You **cannot** take both an education credit and the tuition and fees deduction (Form 1040, line 26, or Form 1040A, line 19) for the **same student** in the same year.*

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

1

(a) Student's name (as shown on page 1 of your tax return) First name / Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions). **Do not** enter more than $2,000 for each student).	(d) Enter the **smaller** of the amount in column (c) or $1,000	(e) Subtract column (d) from column (c)	(f) Enter one-half of the amount in column (e)

2 Add the amounts in columns (d) and (f) 2

3 Tentative Hope credit. Add the amounts on line 2, columns (d) and (f). If you are claiming the lifetime learning credit for another student, go to Part II; otherwise, go to Part III ▶ 3

Part II **Lifetime Learning Credit**

4

Caution: *You cannot take the Hope credit and the lifetime learning credit for the same student in the same year.*

(a) Student's name (as shown on page 1 of your tax return) First name / Last name	(b) Student's social security number (as shown on page 1 of your tax return)	(c) Qualified expenses (see instructions)

5 Add the amounts on line 4, column (c), and enter the total 5

6 Enter the **smaller** of line 5 or $10,000 6

7 Tentative lifetime learning credit. Multiply line 6 by 20% (.20) and go to Part III . . ▶ 7

Part III **Allowable Education Credits**

8 Tentative education credits. Add lines 3 and 7 8

9 Enter: $103,000 if married filing jointly; $51,000 if single, head of household, or qualifying widow(er) 9

10 Enter the amount from Form 1040, line 35 *, or Form 1040A, line 22 . 10

11 Subtract line 10 from line 9. If zero or less, **stop;** you cannot take any education credits 11

12 Enter: $20,000 if married filing jointly; $10,000 if single, head of household, or qualifying widow(er) 12

13 If line 11 is equal to or more than line 12, enter the amount from line 8 on line 14 and go to line 15. If line 11 is less than line 12, divide line 11 by line 12. Enter the result as a decimal (rounded to at least three places) . . . . . 13 × .

14 Multiply line 8 by line 13 . . . . . ▶ 14

15 Enter the amount from Form 1040, line 43, or Form 1040A, line 28 15

16 Enter the total, if any, of your credits from Form 1040, lines 44 through 46, or Form 1040A, lines 29 and 30 16

17 Subtract line 16 from line 15. If zero or less, **stop;** you cannot take any education credits . . . . . ▶ 17

18 **Education credits.** Enter the **smaller** of line 14 or line 17 here and on Form 1040, line 47, or Form 1040A, line 31 . . . . . ▶ 18

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

For Paperwork Reduction Act Notice, see page 3. Cat. No. 25379M Form **8863** (2003)

Draft as of 7/07/2003

Line 63
Earned Income Credit (EIC)

What Is the EIC?

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

To Take the EIC:

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

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

Step 1 All Filers

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

☐ **Yes.** *Continue* ☐ **No.** STOP You cannot take the credit.

2. 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 45)?

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

3. Is your filing status married filing separately?

☐ **Yes.** STOP You cannot take the credit. ☐ **No.** *Continue*

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

☐ **Yes.** STOP You cannot take the credit. ☐ **No.** *Continue*

5. Were you a nonresident alien for any part of 2003?

☐ **Yes.** *See Nonresident Aliens on page 45.* ☐ **No.** *Go to Step 2.*

Step 2 Investment Income

1. Add the amounts from Form 1040:

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

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

2. Is your investment income more than $2,600?

☐ **Yes.** *Continue* ☐ **No.** *Skip question 3; go to question 4.*

3. Are you filing Form 4797 (relating to sales of business property)?

☐ **Yes.** *See Form 4797 Filers on page 44.* ☐ **No.** STOP You cannot take the credit.

4. Do any of the following apply for 2003?
- You are filing Schedule E.
- You are reporting income or a loss from the rental of personal property not used in a trade or business.
- You are reporting income on Form 1040, line 21, from Form 8814 (relating to election to report child's interest and dividends).

☐ **Yes.** *You must use Worksheet 1 in Pub. 596 to see if you can take the credit. To get Pub. 596, see page 7.* ☐ **No.** *Continue*

5. Did a child live with you in 2003?

☐ **Yes.** *Go to Step 3 on page 43.* ☐ **No.** *Go to Step 4 on page 43.*

Draft as of 08/27/2003

Step 3 Qualifying Child

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

Son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild)
or
Brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew), whom you cared for as you would your own child
or
Foster child (any child placed with you by an authorized placement agency whom you cared for as you would your own child)

AND

was at the end of 2003...

Under age 19

or

Under age 24 and a student (see page 45)

or

Any age and permanently and totally disabled (see page 45)

AND

who...

Lived with you in the United States for more than half of 2003.
If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 44.

Note. If the child was married, see page 44.

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

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

   ☐ **No.** *Continue*

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

   ☐ **Yes.** *Go to question 3.*

   ☐ **No.** *Skip the next two questions; go to Step 4, question 2.*

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

   ☐ **Yes.** *See Qualifying Child of More Than One Person on page 45.*

   ☐ **No.** This child is your qualifying child. The child must have a valid social security number as defined on page 45 unless the child was born and died in 2003. *Skip Step 4; go to Step 5 on page 44.*

Step 4 Filers Without a Qualifying Child

1. Look at the qualifying child conditions in Step 3. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 2003?

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

   ☐ **No.** *Continue*

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

   ☐ **Yes.** STOP You cannot take the credit.

   ☐ **No.** *Continue*

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

   ☐ **Yes.** *Continue*

   ☐ **No.** STOP You cannot take the credit.

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 2003? Members of the military stationed outside the United States, see page 45 before you answer.

   ☐ **Yes.** *Go to Step 5 on page 44.*

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

Draft as of 06/27/2003

Step 5 Earned Income

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

☐ **Yes.** *See Clergy or Church Employees, whichever applies, on this page.* ☐ **No.** *Continue*

2. Figure earned income:

Form 1040, line 7 _____

Subtract, if included on line 7, any:

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

– _____

Earned Income = ☐

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

☐ **Yes.** *Skip question 4 and Step 6; go to Worksheet B on page 47.* ☐ **No.** *Continue*

4. If you have:

- 2 or more qualifying children, is your earned income less than $33,692 ($34,692 if married filing jointly)?
- 1 qualifying child, is your earned income less than $29,666 ($30,666 if married filing jointly)?
- No qualifying children, is your earned income less than $11,230 ($12,230 if married filing jointly)?

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

Step 6 How To Figure the Credit

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

☐ **Yes.** *See Credit Figured by the IRS on this page.* ☐ **No.** *Go to Worksheet A on page 46.*

Definitions and Special Rules

(*listed in alphabetical order*)

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

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

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

1. Put "Clergy" on the dotted line next to line 63 of Form 1040.

2. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.

3. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 5, line 2.

4. Be sure to answer "Yes" on line 3 of Step 5.

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

1. Put "EIC" on the dotted line next to line 63 of Form 1040.

2. If you have a qualifying child, complete and attach Schedule EIC. If your EIC for a year after 1996 was reduced or disallowed, see Form 8862, Who Must File below.

Exception to "Time Lived With You" Condition. A child is considered to have lived with you for all of 2003 if the child was born or died in 2003 and your home was this child's home for the entire time he or she was alive in 2003. Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. If your child is presumed to have been kidnapped by someone who is not a family member, see Pub. 596 to find out if that child is a qualifying child for the EIC. To get Pub. 596, see page 7. If you were in the military stationed outside the United States, see Members of the Military on page 45.

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

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

- After your EIC was reduced or disallowed in an earlier year **(a)** you filed Form 8862 (or other documents) and your EIC was then allowed and **(b)** your EIC has not been reduced or disallowed again for any reason other than a math or clerical error.
- You are taking the EIC without a qualifying child and the only reason your EIC was reduced or disallowed in the earlier year was because it was determined that a child listed on Schedule EIC was not your qualifying child.

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

Draft as of 08/27/2003

Married Child. A child who was married at the end of 2003 is a qualifying child only if **(a)** you can claim him or her as your dependent on Form 1040, line 6c, or **(b)** this child's other parent claims him or her as a dependent under the rules in Pub. 501 for children of divorced or separated parents.

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

Nonresident Aliens. If your filing status is married filing jointly, go to Step 2 on page 42. Otherwise, stop; you cannot take the EIC.

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

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

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

- If only one of the persons is the child's parent, the child will be treated as the qualifying child of the parent.
- If both persons are the child's parents, the child will be treated as the qualifying child of the parent with whom the child lived for the longer period of time during 2003. If the child lived with each parent for the same amount of time, the child will be treated as the qualifying child of the parent who had the **higher** adjusted gross income (AGI) for 2003.
- If none of the persons is the child's parent, the child will be treated as the qualifying child of the person who had the highest AGI for 2003.

The child must have a valid social security number as defined on this page unless the child was born and died in 2003. If you do not have a qualifying child, stop; you cannot take the EIC. Put "No" on the dotted line next to line 63. If you have a qualifying child, skip Step 4; go to Step 5 on page 44.

Example. You and your 5-year-old daughter moved in with your mother in April 2003. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. If you and your mother cannot agree on who will treat your daughter as a qualifying child, the rules above apply. Under these rules, you are entitled to treat your daughter as a qualifying child because you are the child's parent. Your mother would not be entitled to claim any EIC unless she has a different qualifying child.

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

To find out how to get an SSN, see page 19. If you will not have an SSN by April 15, 2004, see What if You Cannot File on Time? on page 15.

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

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

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

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

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

Draft as of 08/27/2003

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

Keep for Your Records

Before you begin: √ Be sure you are using the correct worksheet. **Do not** use this worksheet if you were self-employed, or you are filing Schedule SE because you were a member of the clergy or you had church employee income, or you are filing Schedule C or C-EZ as a statutory employee. Instead, use Worksheet B that begins on page 47.

Part 1

All Filers Using Worksheet A

1. Enter your earned income from Step 5 on page 44. | 1 | |

2. Look up the amount on line 1 above in the EIC Table on pages 49–53 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, STOP You cannot take the credit.
Put "No" on the dotted line next to line 63.

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

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

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

☐ **No.** *Go to line 5.*

Draft as of 08/27/2003

Part 2

Filers Who Answered "No" on Line 4

5. If you have:

- No qualifying children, is the amount on line 3 less than $6,250 ($7,250 if married filing jointly)?
- 1 or more qualifying children, is the amount on line 3 less than $13,750 ($14,750 if married filing jointly)?

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

☐ **No.** Look up the amount on line 3 in the EIC Table on pages 49–53 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 63.

Reminder—

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

CAUTION

If your EIC for a year after 1996 was reduced or disallowed, see page 44 to find out if you must file Form 8862 to take the credit for 2003.

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

Keep for Your Records

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

√ Complete the parts below (Parts 1 through 3) that apply to you. Then, continue to Part 4.

√ If you are married filing a joint return, include your spouse's amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

Part 1

Self-Employed, Members of the Clergy, and People With Church Employee Income Filing Schedule SE

1a.	Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.		1a
b.	Enter any amount from Schedule SE, Section B, line 4b, and line 5a.	+	1b
c.	Combine lines 1a and 1b.	=	1c
d.	Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.	–	1d
e.	Subtract line 1d from 1c.	=	1e

Part 2

Self-Employed NOT Required To File Schedule SE

For example, your net earnings from self-employment were less than $400.

2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.

a.	Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a*.		2a
b.	Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9*.	+	2b
c.	Combine lines 2a and 2b.	=	2c

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

Draft as of 03/27/2003

Part 3

Statutory Employees Filing Schedule C or C-EZ

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

Part 4

All Filers Using Worksheet B

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.

4a. Enter your earned income from Step 5 on page 44. **4a**

b. Combine lines 1e, 2c, 3, and 4a. **This is your total earned income.** **4b**

If line 4b is zero or less, STOP You cannot take the credit. *Put "No" on the dotted line next to line 63.*

5. If you have:

- 2 or more qualifying children, is line 4b less than $33,692 ($34,692 if married filing jointly)?
- 1 qualifying child, is line 4b less than $29,666 ($30,666 if married filing jointly)?
- No qualifying children, is line 4b less than $11,230 ($12,230 if married filing jointly)?

☐ **Yes.** If you want the IRS to figure your credit, see page 45. *If you want to figure the credit yourself, enter the amount from line 4b on line 6 (page 48).*

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

(Continued on page 48)

Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4b, on page 47. | **6** |

7. Look up the amount on line 6 above in the EIC Table on pages 49–53 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. | **7** |

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

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

9. Are the amounts on lines 8 and 6 the same?

☐ **Yes.** *Skip line 10; enter the amount from line 7 on line 11.*

☐ **No.** *Go to line 10.*

Part 6

Filers Who Answered "No" on Line 9

10. If you have:

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

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

☐ **No.** Look up the amount on line 8 in the EIC Table on pages 49–53 to find the credit. Be sure you use the correct column for your filing status and the number of children you have. Enter the credit here. | **10** |
Look at the amounts on lines 10 and 7.
*Then, enter the **smaller** amount on line 11.*

Draft as of 09/27/2003

Part 7

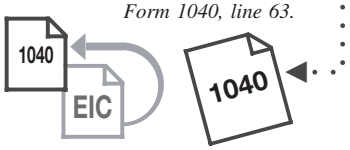
Your Earned Income Credit

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

Enter this amount on Form 1040, line 63.

Reminder—

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



CAUTION

If your EIC for a year after 1996 was reduced or disallowed, see page 44 to find out if you must file Form 8862 to take the credit for 2003.

Line 49—Child Tax Credit

What Is the Child Tax Credit?

This credit is for people who have a qualifying child as defined below. It is in addition to the credit for child and dependent care expenses on Form 1040, line 45, and the earned income credit on Form 1040, line 63.

Three Steps To Take the Child Tax Credit!

Step 1. Make sure you have a qualifying child for the child tax credit. See **Qualifying Child for Child Tax Credit** below.

Step 2. Make sure you checked the box in column (4) of line 6c on Form 1040 for each qualifying child.

Step 3. Answer the questions on this page to see if you may use the worksheet on page 39 to figure your credit or if you must use Pub. 972, Child Tax Credit. If you need Pub. 972, see page 9.

Qualifying Child for Child Tax Credit

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

- Is claimed as your dependent on line 6c, **and**
- Was **under age 17** at the end of 2003, **and**
- Is your **(a)** son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild); **(b)** brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew), whom you cared for as you would your own child; or **(c)** foster child (any child placed with you by an authorized placement agency whom you cared for as you would your own child), **and**
- Is a U.S. citizen or resident alien.

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

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

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

Questions **Who Must Use Pub. 972**

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

- Form 2555 or 2555-EZ (relating to foreign earned income)
- Form 4563 (exclusion of income for residents of American Samoa)

☐ **No.** *Continue*

☐ **Yes.** STOP You must use Pub. 972 to figure your credit.

2. Is the amount on Form 1040, line 35, more than the amount shown below for your filing status?

- Married filing jointly – $110,000
- Single, head of household, or qualifying widow(er) – $75,000
- Married filing separately – $55,000

☐ **No.** *Continue*

☐ **Yes.** STOP You must use Pub. 972 to figure your credit.

3. Are you claiming any of the following credits?

- Adoption credit, Form 8839 (see the instructions for Form 1040, line 50, on page 40)
- Mortgage interest credit, Form 8396 (see the instructions for Form 1040, line 51, on page 40)
- District of Columbia first-time homebuyer credit, Form 8859

☐ **No.** Use the worksheet on page 39 to figure your child tax credit.

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

Draft as of 08/21/2003

Child Tax Credit Worksheet—Line 49

Keep for Your Records

Before you begin: √ If you received (before offset) an advance payment of the child tax credit and you filed a joint return for 2002, you and your spouse are each considered to have received one-half of the payment.

CAUTION

- To be a qualifying child for the child tax credit, the child must be **under age 17** at the end of 2003 and meet the other requirements listed on page 38.
- **Do not** use this worksheet if you answered "Yes" to question 1, 2, or 3 on page 38. Instead, use Pub. 972.

1. Number of qualifying children: _____ X $1,000. Enter the result. | **1** |

2. Enter the amount, if any, of your advance child tax credit (before offset). | **2** |

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

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

☐ **No.** Subtract line 2 from line 1. | **3** |

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

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

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

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

☐ **No.** Subtract line 5 from line 4. | **6** |

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

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

☐ **No.** Enter the amount from line 3.

} **This is your child tax credit.** | **7** |

Enter this amount on Form 1040, line 49.

TIP

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

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

Draft as of 08/27/2003

Need more information or forms? See page 7.

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

Part C – Pension Earner

C-1 Elmer sold 300 shares of RST stock on June 14, 2003 for $ 1,000. He had purchased the 300 shares on January 3, 1999 for $ 900, not including commission. The company sent him a dividend check for $ 28 in 1999. They also sent him a dividend check for $ 31 in 2000, $ 22 in 2001, and $ 7 in 2002. When Elmer bought the stock, he had to pay a $ 15 commission fee. What is the adjusted basis of Elmer's stock?

a. $ 1,000
b. $ 900
c. $ 915
d. $ 988
e. $ 1,003

C-2 Ronald and Jennifer sold 900 shares of YYY stock on August 28, 2003. Box 2 of the 1099B they received from the stockbroker is $ 7,090 and the box for gross proceeds is marked. Ronald and Jennifer had paid $ 3,600 for this stock in 1980. They did not pay any commissions when they bought the stock. They have never reinvested their dividends. The stock has never split and they are selling their entire holding of this stock. They paid a sales commission of $ 50 when they sold the stock. On their Schedule D, what will they show as the sales price for this sale and what will be shown as the cost of the stock?

a. $ 3,600 gross proceeds, $ 7,090 cost
b. $ 7,090 gross proceeds, $ 3,650 cost
c. $ 7,040 gross proceeds, $ 3,600 cost
d. $ 7,040 gross proceeds, $ 3,650 cost
e. $ 7,090 gross proceeds, $ 3,600 cost

C-3 Mary and Gustav sold their lake-front home on June 9, 2003 for $420,000. They come to you and ask you to help them figure how much tax they have to pay on the sale. They tell you that they bought the home jointly in 1962 for $ 51,000. They have a large envelope of receipts for improvements that they have made to the home over the last 40 years. The total of their improvements is $ 149,000. They always file a joint return. How much of their sale will be subject to federal income tax?

a. $ 420,000
b. $ 369,000
c. 0
d. $ 220,000
e. $ 250,000

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

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

C-4 Nathan had the following stock sales in 2003. All sales were a net gain.

Stock Name	Number of shares	Sales Date	Purchase Date
MNM	200	1-31-03	4-9-01
COA	150	5-22-03	6-30-01
GHG	400	5-1-03	7-26-92

Which answer best describes the tax treatment for these sales?

a. The sale of the COA stock qualifies for the 5/15% reduced tax rate and the GHG sale is a qualified 5 year gain sale. The MNM sale will receive no special treatment
b. All three sales will be taxed at the 5/15% reduced tax rates because the sales were completed in 2003
c. The sales of MNM and GHG are qualified 5 year gain. The sale of COA is eligible for the 5/15% reduced tax rate
d. Only the sales before May 6 have to be reported. Sales after that date are tax-free
e. None of the above

C-5 Wisdom had the following sources of income for 2003:

Fully-taxable pension reported on Form 1099R

Fully-taxable IRA distribution reported on Form 1099R

Social Security benefits

Interest income

$ 3,674 in wages

$ 219 in net income from his small business

Which statement **best** describes how Wisdom's income should be reported?

a. He should report his pension and IRA disbursement on the same line on his return because they were both reported on Form 1099R
b. He does not have to report his wages because they are less than the amount that he is allowed to earn and still receive his full Social Security benefit
c. Depending on his total income, all of his Social Security benefits may be taxable
d. He should report his pension on Form 1040, line 16b. He should report his IRA on Form 1040, line 15b. He will need to complete the Social Security benefits worksheet to determine if any of his benefits are taxable
e. He does not have to report the income from his small business because it is under $ 400

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

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

C-6 Which of the following answers contains only items that can be reported on the pension line of the federal income tax return?

a. Disbursement from employer's pension plan; minimum distribution from an IRA; private annuity payment
b. Disability pension received before normal retirement age; disbursement from employer's pension plan
c. Disbursement from employer's pension plan; Social Security benefits; payments from a private annuity
d. Social Security benefits, IRA distribution
e. None of the above

C-7 Which of the following statements best describes the Minimum Distribution Rules?

a. The excise tax collected from people who do not take the minimum distribution is directly used to fund senior citizen programs
b. Minimum distributions must begin at age 65 or whenever the taxpayer retires
c. If a minimum distribution is not taken, the taxpayer will have to pay 5% excise tax on the amount of money they should have withdrawn
d. As long as the taxpayer takes a distribution every other year, there will be no excise tax imposed
e. Taxpayers are required to receive minimum distributions from certain qualified retirement plans. If the minimum distribution is not taken an excise tax of 50% may be imposed

C-8 Francisco comes to your site for help with his taxes. He has been paying someone to do his taxes for many years, but he feels that they have not been giving him all of the deductions he is entitled to. Specifically, he tells you that since he is a 87 year old single man he knows he should be getting a special credit for the elderly. You look through his income documents and find the following:

Interest	$ 1,100
Pension	$ 18,410
Social Security	$ 6,043
Dividends	$ 359

What do you tell Francisco?

a. He will not receive a credit because he has investment income
b. His adjusted gross income exceeds the allowable amount for the credit and therefore he can't take the credit
c. He should receive a credit for the elderly because once you are over 75 years-old, it is not dependent on your income
d. You tell him that the credit for the elderly no longer exists
e. You tell him that he must be married to qualify for this credit

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

C-9 Gabriella is very upset when she comes in to see you. She is 84 and she has always done her own taxes. When she completed her 2003 return, she showed a balance due of $2,462. She has always had a small refund and she is sure that she has done something wrong. You review her return and compare it to the copy of her 2002 return that she brought with her. You notice that she had no capital gain in 2002 but she had a large capital gain in 2003. She tells you that she sold all of her stock in 2003 to help pay for expenses for her granddaughter who is an artist. You determine that Gabriella has properly computed her tax. What advice would you give her?

a. She should pay the balance over the next 12 months because the IRS has a "one-year-same-as-cash" plan and she might as well take advantage of it
b. She should not delay filing her return even if she can't pay all of the balance when she files the return. She should send what she can and ask for an installment agreement for the remaining balance. She also will be required to submit a new W-4 to the issuer of her pension and she must make estimated payments for the next five years
c. You encourage her to pay as much as possible, if not all, of the balance due by the due date her return. You tell her that she probably doesn't need to adjust the withholding from her pension or make estimated tax payments since her balance due is from a "onetime event"
d. You tell her that she can't use the withholding from her pension to offset the taxes on the sale of the stock
e. None of the above

C-10 Anna is 43 years-old and is receiving a disability pension from her employer due to her high-risk pregnancy. She wants to know if she is qualified for the credit for the disabled. She also wants to know if her brother, Sampson, can have the credit. He is retired on permanent and total disability?

a. Anna and Sampson are qualified individuals for the Credit for the Elderly or the Disabled
b. Only Anna is a qualified individual
c. Only Sampson is a qualified individual for the credit and he will receive a minimum of $ 500
d. Neither Sampson nor Anna are qualified individuals
e. Sampson is a qualified individual for the credit and the amount of his credit will be based on his income

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

This problem involves a taxpayer from the Basic section of this test. The relevant facts and tax documents for this individual still apply.

Complete the taxpayer's 2003 federal income tax return using the additional information that follows. Use any applicable forms, worksheets and tables located on pages 65-70, then answer questions C-11 – C-15.

Miguel's widowed mother, Inez Dominguez, would like for you to prepare her return. She retired on July 4, 2000 and lives with her grandson Miguel at 9157 Dana Dr. Inez, who was born on July 4, 1935 and is a U.S. citizen, paid Miguel one-third of the utilities and groceries from the pension, shown on the 1099-R below, and Social Security benefits, presented on the SSA-1099 below, she receives.

Inez does not want to contribute to the Presidential Election Campaign. She received $ 700 in interest income in 2003 and sold some stock. She had purchased 100 shares of XEM stock on June 1, 1995 for $ 9,038. She sold all 100 shares on May 2, 2003 for $ 4,522. This was the only income she had besides her pension and Social Security benefits. If she has a refund, she wants it deposited into her checking account.

SOCIAL SECURITY

XXX-XX-XXXX

This number has been established for

INEZ MORALES DOMINGUEZ

INEZ DOMINGUEZ
MIGUEL AQUINAS
9157 Dana Dr.
Your City, State Zip

915
15-000000000

20

PAY TO THE ORDER OF _____ $ _____

VOID

_____ DOLLARS

COASTAL NATIONAL BANK
Your City, State Zip

For _____ _____

⑈ xxxxxxxxx ⑈ :xxxxxx⑆⑆915

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

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

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, and ZIP code	1 Gross distribution	OMB No. 1545-0119	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
STATE EMPLOYEE'S RETIREMENT FUND 143 W MCPHERSON ST. SUITE 500 YOUR CITY, STATE ZIP	$ 7,438.00	2003	
	2a Taxable amount $	Form 1099-R	
	2b Taxable amount not determined ☒	Total distribution ☐	**Copy B**
PAYER'S Federal identification number: xx-xxxxxxx RECIPIENT'S identification number: xxx-xx-xxxx	3 Capital gain (included in box 2a) $	4 Federal income tax withheld $	**Report this income on your Federal tax return. If this form shows Federal income tax withheld in box 4, attach this copy to your return.**
RECIPIENT'S name INEZ M. DOMINGUEZ	5 Employee contributions or insurance premiums $ 13,000.00	6 Net unrealized appreciation in employer's securities $	
Street address (including apt. no.) 9517 DANA DR	7 Distribution code(s) 7 — IRA/SEP/SIMPLE ☐	8 Other $ %	This information is being furnished to the Internal Revenue Service.
City, state, and ZIP code YOUR CITY, STATE ZIP	9a Your percentage of total distribution %	9b Total employee contributions $	
Account number (optional)	10 State tax withheld $ $	11 State/Payer's state no.	12 State distribution $ $
	13 Local tax withheld $ $	14 Name of locality	15 Local distribution $ $

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

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2003 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
• SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name	Box 2. Beneficiary's Social Security Number
INEZ M. DOMINGUEZ	xxx-xx-xxxx

Box 3. Benefits Paid in 2003	Box 4. Benefits Repaid to SSA in 2003	Box 5. Net Benefits for 2003 *(Box 3 minus Box 4)*
$6,697.45	NONE	$6,697.45

DESCRIPTION OF AMOUNT IN BOX 3

Paid by check or direct deposit	7,297.45
Medicare premiums deducted	600.00
Total	6,697.45

DESCRIPTION OF AMOUNT IN BOX 4

NONE

Box 6. Voluntary Federal Income Tax Withholding

Box 7. Address

9157 DANA DR.
YOUR CITY, STATE ZIP

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

Form **SSA-1099-SM (1-2004)** **DO NOT RETURN THIS FORM TO SSA OR IRS**

Draft as of 09/01/2003

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

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

C-11 What is the amount shown on Form 1040, line 13?

a. $ 3,000
b. $ -3,000
c. $ 9,038
d. $ 4,522
e. $ -5,160

C-12 What is the amount shown on Form 1040, line 16b?

a. $ 7,438
b. $ 6,838
c. $ 13,000
d. $ 4,933
e. $ 12,371

C-13 What is the amount shown on Form 1040, line 40?

a. $ 6,838
b. $ 7,438
c. $ 700
d. 0
e. $ 12,371

C-14 How does the excess capital loss affect Inez's future returns?

a. Since Inez did not have any taxable income this year, she can't get any benefit from the excess loss
b. Inez can carry the excess loss over to her 2004 return
c. Inez can let her grandson, Miguel, deduct the excess loss since they live in the same household
d. Inez can't carryover the excess loss because she is over 65
e. Inez can carry over the loss and use it in any year that she sells stock for a profit

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

Form **1040** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 2003

IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2003, or other tax year beginning , 2003, ending , 20

OMB No. 1545-0074

Label

(See instructions on page 21.)

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

LABEL HERE

Your first name and initial	Last name	**Your social security number**
If a joint return, spouse's first name and initial	Last name	**Spouse's social security number**
Home address (number and street). If you have a P.O. box, see page 21.	Apt. no.	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 21.		

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

Presidential Election Campaign (See page 21.)

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

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child. (See page 21.)

Exemptions

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

b ☐ **Spouse**

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 22)
			☐
			☐
			☐
			☐
			☐

If more than five dependents, see page 22.

d Total number of exemptions claimed

No. of boxes checked on 6a and 6b ____

No. of children on 6c who:
- **lived with you** ____
- **did not live with you due to divorce or separation (see page 22)** ____

Dependents on 6c not entered above ____

Add numbers on lines above ▶ ☐

Income

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

If you did not get a W-2, see page 23.

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

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	
8a	**Taxable** interest. Attach Schedule B if required		8a	
b	**Tax-exempt** interest. **Do not** include on line 8a	8b		
9a	Ordinary dividends. Attach Schedule B if required		9a	
b	Qualified dividends (see page 25)	9b		
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 25)		10	
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	
13a	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13a	
b	If box on 13a is checked, enter post-May 5 capital gain distributions	13b		
14	Other gains or (losses). Attach Form 4797		14	
15a	IRA distributions	15a	b Taxable amount (see page 25)	15b
16a	Pensions and annuities	16a	b Taxable amount (see page 25)	16b
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	
20a	Social security benefits	20a	b Taxable amount (see page 27)	20b
21	Other income. List type and amount (see page 29)		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 29)	23		
24	IRA deduction (see page 29)	24		
25	Student loan interest deduction (see page 31)	25		
26	Tuition and fees deduction (see page 32)	26		
27	Moving expenses. Attach Form 3903	27		
28	One-half of self-employment tax. Attach Schedule SE	28		
29	Self-employed health insurance deduction (see page 33)	29		
30	Self-employed SEP, SIMPLE, and qualified plans	30		
31	Penalty on early withdrawal of savings	31		
32a	Alimony paid b Recipient's SSN ▶	32a		
33	Add lines 23 through 32a		33	
34	Subtract line 33 from line 22. This is your **adjusted gross income** ▶		34	

Proof as of July 21, 2003 (subject to change)

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 76. Cat. No. 11320B Form **1040** (2003)

Tax and Credits

Standard Deduction for—

- People who checked any box on line 36a or 36b **or** who can be claimed as a dependent, see page 34.
- All others:

Single or Married filing separately, $4,750

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

Head of household, $7,000

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

Other Taxes

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

Payments

If you have a qualifying child, attach Schedule EIC.

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

Refund

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

69	If line 68 is more than line 60, subtract line 60 from line 68. This is the amount you **overpaid**	69	
70a	Amount of line 69 you want **refunded to you** ▶	70a	
▶ b	Routing number ▶ **c** Type: ☐ Checking ☐ Savings		
▶ d	Account number		
71	Amount of line 69 you want **applied to your 2004 estimated tax** ▶ — 71		

Amount You Owe

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

Third Party Designee

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

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

Sign Here

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

Joint return? See page 21. Keep a copy for your records.

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

Paid Preparer's Use Only

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

Proof as of July 21, 2003 (subject to change)

SCHEDULE D (Form 1040)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2003

Attachment Sequence No. **12**

Name(s) shown on Form 1040

Your social security number

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

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
1						

2 Enter your short-term totals, if any, from Schedule D-1, line 2	2		
3 **Total short-term sales price amounts.** Add lines 1 and 2 in column (d)	3		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4		
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5		
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your 2002 Capital Loss Carryover Worksheet	6	( )	
7a Combine lines 1 through 5 in column (g). If the result is a loss, enter the result. Otherwise, enter -0-. **Do not** enter more than zero	7a		( )
b **Net short-term capital gain or (loss).** Combine lines 1 through 6 in column (f)	7b		

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

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
8						

9 Enter your long-term totals, if any, from Schedule D-1, line 9	9		
10 **Total long-term sales price amounts.** Add lines 8 and 9 in column (d)	10		
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824	11		
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	12		
13 Capital gain distributions. See page D-1 of the instructions	13		
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your 2002 Capital Loss Carryover Worksheet	14	( )	
15 Combine lines 8 through 13 in column (g). If zero or less, enter -0-	15		
16 **Net long-term capital gain or (loss).** Combine lines 8 through 14 in column (f) **Next:** Go to Part III on the back.	16		

*Include in column (g) all gains and losses from column (f) from sales, exchanges, or conversions (including installment payments received) **after** May 5, 2003. However, **do not** include gain attributable to unrecaptured section 1250 gain, "collectibles gains and losses" (as defined on page D-6 of the instructions) or eligible gain on qualified small business stock (see page D-4 of the instructions).

Proof as of July 21, 2003 (subject to change)

Part III Taxable Gain or Deductible Loss

17a Combine lines 7b and 16 and enter the result. If a loss, enter -0- on line 17b and go to line 18. If a gain, enter the gain on Form 1040, line 13a, and go to line 17b below **17a**

b Combine lines 7a and 15. If zero or less, enter -0-. Then complete Form 1040 through line 40 . **17b**

Next: ● If both lines 16 and 17a of Schedule D are gains **or** you have qualified dividends on Form 1040, line 9b, complete **Part IV** below (unless Form 1040, line 40, is zero).
● Otherwise, skip the rest of Schedule D and complete Form 1040.

18 If line 17a is a loss, enter here and on Form 1040, line 13a, the **smaller** of **(a)** that loss or **(b)** ($3,000) (or, if married filing separately, ($1,500)) (see page D-6 of the instructions) . . . **18** ( )

Next: ● If you have qualified dividends on Form 1040, line 9b, complete Form 1040 through line 40, and then complete **Part IV** below (but skip lines 19 and 20).
● Otherwise, skip **Part IV** below and complete the rest of Form 1040.

Part IV Tax Computation Using Maximum Capital Gains Rates

If line 16 or line 17a is zero or less, skip lines 19 and 20 and go to line 21. Otherwise, go to line 19.

19 Enter your unrecaptured section 1250 gain, if any, from line 18 of the worksheet on page D-6 . . **19**

20 Enter your 28% rate gain, if any, from line 7 of the worksheet on page D-9 of the instructions . . **20**

If lines 19 and 20 are zero, go to line 21. Otherwise, complete the worksheet on page D-10 of the instructions to figure the amount to enter on lines 35 and 53 below, and skip all other lines below.

21 Enter your taxable income from Form 1040, line 40 . . . . . **21**

22 Enter the **smaller** of line 16 or line 17a, but not less than zero . . **22**

23 Enter your qualified dividends from Form 1040, line 9b **23**

24 Add lines 22 and 23 . . . . . **24**

25 Amount from line 4g of Form 4952 (investment interest expense) . **25**

26 Subtract line 25 from line 24. If zero or less, enter -0- **26**

27 Subtract line 26 from line 21. If zero or less, enter -0- **27**

28 Enter the **smaller** of line 21 **or:**
- $56,800 if married filing jointly or qualifying widow(er);
- $28,400 if single or married filing separately; or
- $38,050 if head of household

} . . . **28**

If line 27 is more than line 28, skip lines 29–39 and go to line 40.

29 Enter the amount from line 27 . . . . . **29**

30 Subtract line 29 from line 28. If zero or less, go to line 40 . . . . **30**

31 Add lines 17b and 23* **31**

32 Enter the **smaller** of line 30 or line 31 . . . . . **32**

33 Multiply line 32 by 5% (.05) **33**

If lines 30 and 32 are the same, skip lines 34–39 and go to line 40.

34 Subtract line 32 from line 30 . . . . . **34**

35 Enter your qualified 5-year gain, if any, from line 8 of the worksheet on page D-8 . . **35**

36 Enter the **smaller** of line 34 or line 35 . . . . . **36**

37 Multiply line 36 by 8% (.08) **37**

38 Subtract line 36 from line 34 . . . . . **38**

39 Multiply line 38 by 10% (.10) **39**

If lines 26 and 30 are the same, skip lines 40–49 and go to line 50.

40 Enter the **smaller** of line 21 or line 26 . . . . . **40**

41 Enter the amount from line 30 (if line 30 is blank, enter -0-) . . . **41**

42 Subtract line 41 from line 40 . . . . . **42**

43 Add lines 17b and 23* **43**

44 Enter the amount from line 32 (if line 32 is blank, enter -0-) **44**

45 Subtract line 44 from line 43 . . . . . **45**

46 Enter the **smaller** of line 42 or line 45 . . . . . **46**

47 Multiply line 46 by 15% (.15) **47**

48 Subtract line 46 from line 42 . . . . . **48**

49 Multiply line 48 by 20% (.20) **49**

50 Figure the tax on the amount on **line 27.** Use the Tax Table or Tax Rate Schedules, whichever applies **50**

51 Add lines 33, 37, 39, 47, 49, and 50 . . . . . **51**

52 Figure the tax on the amount on **line 21.** Use the Tax Table or Tax Rate Schedules, whichever applies **52**

53 **Tax on all taxable income.** Enter the **smaller** of line 51 or line 52 here and on Form 1040, line 41 **53**

*If line 25 is more than zero, see **Lines 31 and 43** on page D-9 for the amount to enter.

Proof as of July 21, 2003 (subject to change)

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records

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

Note. If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 2003 on Form 1040, line 16a.

Draft as of 08/27/2003

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

Table 1 for Line 3 Above

	AND your annuity starting date was—	
IF the age at annuity starting date (see page 26) 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 26) were . . .	THEN enter on line 3 . . .
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

Need more information or forms? See page 7.

Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

Before you begin:

- √ Complete Form 1040, lines 21, 23, 24, and 27 through 32a, if they apply to you.
- √ Figure any amount to be entered on the dotted line next to line 33 (see page 32.)
- √ If you are married filing separately and you **lived apart** from your spouse for all of 2003, enter "D" to the right of the word "benefits" on line 20a.
- √ Be sure you have read the **Exception** on page 26 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.

1. Enter the total amount from **box 5** of **all** your **Forms SSA-1099** and **Forms RRB-1099** . . . . . **1.** _____

2. Enter one-half of line 1 . . . . . **2.** _____

3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 12, 13a, 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . . **3.** _____

4. Enter the amount, if any, from Form 1040, line 8b . . . . . **4.** _____

5. Add lines 2, 3, and 4 . . . . . **5.** _____

6. Enter the total of the amounts from Form 1040, lines 23, 24, and 27 through 32a, plus any amount you entered on the dotted line next to line 33 . . . . . **6.** _____

7. Is the amount on line 6 less than the amount on line 5?

☐ **No.** STOP None of your social security benefits are taxable.

☐ **Yes.** Subtract line 6 from line 5 . . . . . **7.** _____

8. If you are:

- Married filing jointly, enter $32,000
- Single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2003, enter $25,000
- Married filing separately and you lived with your spouse at any time in 2003, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17

. . . . . **8.** _____

9. Is the amount on line 8 less than the amount on line 7?

☐ **No.** STOP None of your social security benefits are taxable. You do not have to enter any amounts on lines 20a or 20b of Form 1040. **But** if you are married filing separately and you **lived apart** from your spouse for all of 2003, enter -0- on line 20b. Be sure you entered "D" to the right of the word "benefits" on line 20a.

☐ **Yes.** Subtract line 8 from line 7 . . . . . **9.** _____

10. Enter: $12,000 if married filing jointly; $9,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2003 **10.** _____

11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . . **11.** _____

12. Enter the **smaller** of line 9 or line 10 . . . . . **12.** _____

13. Enter one-half of line 12 . . . . . **13.** _____

14. Enter the **smaller** of line 2 or line 13 . . . . . **14.** _____

15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . . **15.** _____

16. Add lines 14 and 15 . . . . . **16.** _____

17. Multiply line 1 by 85% (.85) . . . . . **17.** _____

18. **Taxable social security benefits.** Enter the **smaller** of line 16 or line 17 . . . . . **18.** _____

- Enter the amount from line 1 above on Form 1040, line 20a.
- Enter the amount from line 18 above on Form 1040, line 20b.

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

Draft as of 08/27/2003

Need more information or forms? See page 7.

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

Based only on the information below and on the next two pages, complete the following taxpayers' 2003 federal income tax return. Use any applicable forms, worksheets and tables located on pages 77-83, then answer questions C-15 – C-20.

Ramesh and Christiana Patel arrive at your site with documents needed to prepare their 2003 federal income tax return. They are retired, wish to file an electronic return, if you provide this service, and are filing jointly. Ramesh was born February 26, 1935 in India and Christiana was born in South Carolina on April 4, 1944. They both provide their Social Security cards and the information returns shown below. Ramesh tells you he has been a naturalized U.S. citizen since 1985. Both want to contribute to the Presidential Election Campaign fund. They live at 903 Trenton Road and their telephone number is (813) 222-1515.

Ramesh tells you that he retired January 1, 2003 and began receiving his pension on that date. He did not contribute to his pension and his wife will continue to receive a portion of his pension after his death. Estimated tax payments of $ 150 per quarter were made on the 15th of April, June, and September of 2003, and the fourth payment was made on the 15th of January 2004. The Patel's 2002 income tax liability, before withholding and payments, was $ 1,022.00. Christiana has started taking an IRA withdrawal from the bank. Christiana withdrew her IRA funds in December 2003.

Ramesh accumulated 688 shares of Make Money Electric (MME) stock over a ten year period ending in 1997. His total investment in the stock was $603.20. The Get Rich Now (GRN) stock was purchased on September 23, 2002 on a tip that did not work out. There are no qualified 5 year capital gain issues.

SOCIAL SECURITY

XXX-XX-XXXX

This number has been established for

RAMESH C. PATEL

SOCIAL SECURITY

XXX-XX-XXXX

This number has been established for

CHRISTIANA M. PATEL

RAMESH C. PATEL **2269**
CHRISTIANA M. PATEL 15-000000000
903 Tenton Rd.
Your City, State Zip _____ 20

PAY TO THE ORDER OF _____ $ _____

VOID

_____ DOLLARS

ASH SAVINGS BANK
Your City, State Zip

For _____ _____

⑈xxxxxxxxx⑈ ⑆xxxxxx⑈ 2269

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

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

9292 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.	Payer's RTN (optional)	OMB No. 1545-0112	
ASH SAVINGS BANK 1603 MONMOUTH RD YOUR CITY, STATE ZIP		2003 Form **1099-INT**	**Interest Income**
PAYER'S Federal identification number: xx-xxxxxxx	RECIPIENT'S identification number: xxx-xx-xxxx	1 Interest income not included in box 3: $ 345.00	**Copy A** **For Internal Revenue Service Center** **File with Form 1096.** For Privacy Act and Paperwork Reduction Act Notice, see the **2003 General Instructions for Forms 1099, 1098, 5498, and W-2G.**
RECIPIENT'S name: CHRISTIANA M. PATEL		2 Early withdrawal penalty: $	3 Interest on U.S. Savings Bonds and Treas. obligations: $
Street address (including apt. no.): 903 TRENTION ROAD		4 Federal income tax withheld: $	5 Investment expenses: $
City, state, and ZIP code: YOUR CITY, STATE ZIP		6 Foreign tax paid: $	7 Foreign country or U.S. possession
Account number (optional)	2nd TIN not. ☐		

Form **1099-INT** Cat. No. 14410K Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2003 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
• SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name	Box 2. Beneficiary's Social Security Number
RAMESH C. PATEL	xxx-xx-xxxx

Box 3. Benefits Paid in 2003	Box 4. Benefits Repaid to SSA in 2003	Box 5. Net Benefits for 2003 *(Box 3 minus Box 4)*
$9,934.00	NONE	$9,934.00

DESCRIPTION OF AMOUNT IN BOX 3	DESCRIPTION OF AMOUNT IN BOX 4
	NONE
	Box 6. Voluntary Federal Income Tax Withholding
	Box 7. Address 903 TRENTON RD. YOUR CITY, STATE ZIP
	Box 8. Claim Number *(Use this number if you need to contact SSA.)* xxx-xx-xxxx

Form **SSA-1099-SM (1-2004)** **DO NOT RETURN THIS FORM TO SSA OR IRS**

Draft as of 09/01/2003

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

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

9898 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	OMB No. 1545-0119	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
MAPLE PENSION TRUST 800 ELM BLVD. YOUR CITY, STATE ZIP		$ 15,670.00 2a Taxable amount $ 15,670.00	2003 Form 1099-R	
		2b Taxable amount not determined ☐	Total distribution ☐	Copy A For Internal Revenue Service Center
PAYER'S Federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a)	4 Federal income tax withheld	
xx-xxxxxxx	xxx-xx-xxxx	$	$ 775.00	File with Form 1096.
RECIPIENT'S name RAMESH C. PATEL		5 Employee contributions or insurance premiums $	6 Net unrealized appreciation in employer's securities $	For Privacy Act and Paperwork Reduction Act Notice, see the 2003 General Instructions for Forms 1099, 1098, 5498, and W-2G.
Street address (including apt. no.) 903 TRENTON RD.		7 Distribution code(s) 7 — IRA/SEP/SIMPLE ☐	8 Other $ %	
City, state, and ZIP code YOUR CITY, STATE ZIP		9a Your percentage of total distribution %	9b Total employee contributions $	
Account number (optional)		10 State tax withheld $ $	11 State/Payer's state no.	12 State distribution $ $
		13 Local tax withheld $ $	14 Name of locality	15 Local distribution $ $

Form **1099-R** Cat. No. 14436Q Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

9898 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution	OMB No. 1545-0119	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
MOODY BANK AND TRUST 1332 BIRCH AVE. YOUR CITY, STATE ZIP		$ 3,678.21 2a Taxable amount $ 3,678.21	2003 Form 1099-R	
		2b Taxable amount not determined ☐	Total distribution ☐	Copy A For Internal Revenue Service Center
PAYER'S Federal identification number	RECIPIENT'S identification number	3 Capital gain (included in box 2a)	4 Federal income tax withheld	
xx-xxxxxxx	xxx-xx-xxxx	$	$	File with Form 1096.
RECIPIENT'S name CHRISTANA PATEL		5 Employee contributions or insurance premiums $	6 Net unrealized appreciation in employer's securities $	For Privacy Act and Paperwork Reduction Act Notice, see the 2003 General Instructions for Forms 1099, 1098, 5498, and W-2G.
Street address (including apt. no.) 903 TRENTON RD.		7 Distribution code(s) 7 — IRA/SEP/SIMPLE ☐	8 Other $ %	
City, state, and ZIP code YOUR CITY, STATE ZIP		9a Your percentage of total distribution %	9b Total employee contributions $	
Account number (optional)		10 State tax withheld $ $	11 State/Payer's state no.	12 State distribution $ $
		13 Local tax withheld $ $	14 Name of locality	15 Local distribution $ $

Form **1099-R** Cat. No. 14436Q Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

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

Consolidated Statement **Account Number: A9876X**

Payer
Employer ID #: xx-xxxxxxx
Blackhawk Financial Services
840 Memphis Parkway
Your City, State Zip

Account Holder
SSN: xxx-xx-xxxx
Ramesh C. Patel
Christiana M. Patel
903 Trenton Rd
Your City, State Zip

2003 Interest Income ï 1099-INT

Type	Box 1: Interest Income Not Included in Box 3	Box 2: Early Withdrawal Penalty	Box 3 US Savings Bond	Box 4 Federal Income Tax Withheld	Box 6 Foreign Tax Paid	Box 7 Foreign Country or US Possession
Cash Management Account	84.93		1,045.86			
Jefferson Bank CD	789.23					

2003 Dividends & Distributions ï 1099-DIV

Box 1a Total Ordinary Dividends	Box 1b Qualified Dividends	Box 2a Total CGl Gain Distribution	Box 2b Post May 5 Cap. Gain	Box 2c Qualified 5 yr Gain	Box 2d Unrecap. Sec. 1250 Gain	Box 2e Section 1202 Gain	Box 2f Collectibles (28%) Gain
488.27		4.58					

No other entries

2003 Proceeds form Broker and Barter Exchange Transactions ï 1099-B

Security	Quantity	Date Acquired	Date Liquidated	Sale Price	Cost Basis	Gain (Loss)
GRN	205	09/13/02	06/12/03	6,787.00	7,667.00	(880.00)
MME	688	N/A	09/9/03	9,804.00	N/A	N/A
			Total Sales	16,591.00		

2003 Non-Reportable Dividends/Interest

		Dividend Distribution
Pennsylvania Municipal Bond	District 5	437.17

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

C-15 What is the amount shown on Form 1040, line 8a?

a. $ 1,812
b. $ 2,265
c. $ 2,157
d. $ 2,594
e. $ 3,112

C-16 What is the amount shown on Schedule D, line 16?

a. $ -880
b. $ 7,667
c. $ 9,201
d. $ 9,206
e. $ 9,808

C-17 What is the amount shown on Form 1040, line 13a?

a. $ 8,326
b. $ 8,329
c. $ 9,201
d. $ 9,205
e. None of the above

C-18 What is the amount shown on the Social Security Income Worksheet, line 4?

a. 0
b. $ 437
c. $ 454
d. $ 655
e. $ 1,223

C-19 What is the amount shown on Form 1040, line 20a?

a. No entry
b. 0
c. $ 1,663
d. $ 9,733
e. $ 9,934

C-20 What is the amount shown on Form 1040, line 68?

a. 0
b. $ 555
c. $ 600
d. $ 1,155
e. $ 1,375

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

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **2003**

IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2003, or other tax year beginning , 2003, ending , 20

OMB No. 1545-0074

Label

(See instructions on page 21.)

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

LABEL HERE

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 21.	Apt. no.	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 21.		

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

Presidential Election Campaign (See page 21.)

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

Filing Status

Check only one box.

1 ☐ Single

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

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

4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 ☐ Qualifying widow(er) with dependent child. (See page 21.)

Exemptions

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

b ☐ **Spouse**

No. of boxes checked on 6a and 6b

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 22)
			☐
			☐
			☐
			☐
			☐

If more than five dependents, see page 22.

No. of children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 22)

Dependents on 6c not entered above

d Total number of exemptions claimed

Add numbers on lines above ▶

Proof as of July 21, 2003 (subject to change)

Income

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

If you did not get a W-2, see page 23.

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

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	
8a	**Taxable** interest. Attach Schedule B if required		8a	
b	**Tax-exempt** interest. **Do not** include on line 8a	8b		
9a	Ordinary dividends. Attach Schedule B if required		9a	
b	Qualified dividends (see page 25)	9b		
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 25)		10	
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	
13a	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13a	
b	If box on 13a is checked, enter post-May 5 capital gain distributions	13b		
14	Other gains or (losses). Attach Form 4797		14	
15a	IRA distributions	15a	b Taxable amount (see page 25)	15b
16a	Pensions and annuities	16a	b Taxable amount (see page 25)	16b
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	
20a	Social security benefits	20a	b Taxable amount (see page 27)	20b
21	Other income. List type and amount (see page 29)		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 29)	23		
24	IRA deduction (see page 29)	24		
25	Student loan interest deduction (see page 31)	25		
26	Tuition and fees deduction (see page 32)	26		
27	Moving expenses. Attach Form 3903	27		
28	One-half of self-employment tax. Attach Schedule SE	28		
29	Self-employed health insurance deduction (see page 33)	29		
30	Self-employed SEP, SIMPLE, and qualified plans	30		
31	Penalty on early withdrawal of savings	31		
32a	Alimony paid b Recipient's SSN ▶	32a		
33	Add lines 23 through 32a		33	
34	Subtract line 33 from line 22. This is your **adjusted gross income** ▶		34	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 76. Cat. No. 11320B Form **1040** (2003)

Tax and Credits

Standard Deduction for—

- People who checked any box on line 36a or 36b **or** who can be claimed as a dependent, see page 34.
- All others:

Single or Married filing separately, $4,750

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

Head of household, $7,000

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

Other Taxes

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

Payments

If you have a qualifying child, attach Schedule EIC.

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

Refund

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

69	If line 68 is more than line 60, subtract line 60 from line 68. This is the amount you **overpaid**		69
70a	Amount of line 69 you want **refunded to you** ▶		70a
▶ b	Routing number ▶ **c** Type: ☐ Checking ☐ Savings		
▶ d	Account number		
71	Amount of line 69 you want **applied to your 2004 estimated tax** ▶	71	

Amount You Owe

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

Third Party Designee

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

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

Sign Here

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

Joint return? See page 21. Keep a copy for your records.

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

Paid Preparer's Use Only

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

Proof as of July 21, 2003 (subject to change)

SCHEDULES A&B (Form 1040)

Department of the Treasury
Internal Revenue Service

Schedule A—Itemized Deductions

(Schedule B is on back)

► **Attach to Form 1040.** ► **See Instructions for Schedules A and B (Form 1040).**

OMB No. 1545-0074

2003

Attachment Sequence No. **07**

Name(s) shown on Form 1040 | **Your social security number**

Medical and Dental Expenses		**Caution.** Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see page A-2)	1	
	2	Enter amount from Form 1040, line 35 [2]		
	3	Multiply line 2 by 7.5% (.075)	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid (See page A-2.)	5	State and local income taxes	5	
	6	Real estate taxes (see page A-2)	6	
	7	Personal property taxes	7	
	8	Other taxes. List type and amount ►	8	
	9	Add lines 5 through 8		9
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10	
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ►	11	
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See page A-3 for special rules	12	
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13	
	14	Add lines 10 through 13		14
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of $250 or more, see page A-4	15	
	16	Other than by cash or check. If any gift of $250 or more, see page A-4. You **must** attach Form 8283 if over $500	16	
	17	Carryover from prior year	17	
	18	Add lines 15 through 17		18
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)		19
Job Expenses and Most Other Miscellaneous Deductions (See page A-5 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You **must** attach Form 2106 or 2106-EZ if required. (See page A-5.) ►	20	
	21	Tax preparation fees	21	
	22	Other expenses—investment, safe deposit box, etc. List type and amount ►	22	
	23	Add lines 20 through 22	23	
	24	Enter amount from Form 1040, line 35 [24]		
	25	Multiply line 24 by 2% (.02)	25	
	26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-		26
Other Miscellaneous Deductions	27	Other—from list on page A-6. List type and amount ►		27
Total Itemized Deductions	28	Is Form 1040, line 35, over $139,500 (over $69,750 if married filing separately)?		
		☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 37.	►	28
		☐ **Yes.** Your deduction may be limited. See page A-6 for the amount to enter.		

Proof as of July 21, 2003 (subject to change)

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11330X **Schedule A (Form 1040) 2003**

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

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. 08

Part I Interest

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

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

		Amount
1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶	1	
2 Add the amounts on line 1	2	
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815. Attach Form 8815	3	
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶	4	

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

Part II Ordinary Dividends

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

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

		Amount
5 List name of payer ▶	5	
6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9a ▶	6	

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

Part III Foreign Accounts and Trusts

(See page B-2.)

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

	Yes	No
7a At any time during 2003, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1		
b If "Yes," enter the name of the foreign country ▶		
8 During 2003, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2		

Proof as of July 21, 2003 (subject to change)

Printed on recycled paper

SCHEDULE D (Form 1040)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

OMB No. 1545-0074

2003

Attachment Sequence No. 12

Name(s) shown on Form 1040

Your social security number

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

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
1						

2 Enter your short-term totals, if any, from Schedule D-1, line 2	2		
3 **Total short-term sales price amounts.** Add lines 1 and 2 in column (d)	3		
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4		
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5		
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your 2002 Capital Loss Carryover Worksheet	6	( )	
7a Combine lines 1 through 5 in column (g). If the result is a loss, enter the result. Otherwise, enter -0-. **Do not** enter more than zero	7a		( )
b **Net short-term capital gain or (loss).** Combine lines 1 through 6 in column (f)	7b		

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

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-5 of the instructions)	(e) Cost or other basis (see page D-5 of the instructions)	(f) Gain or (loss) for the entire year Subtract (e) from (d)	(g) Post-May 5 gain or (loss)* (see below)
8						

9 Enter your long-term totals, if any, from Schedule D-1, line 9	9		
10 **Total long-term sales price amounts.** Add lines 8 and 9 in column (d)	10		
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824	11		
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	12		
13 Capital gain distributions. See page D-1 of the instructions	13		
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your 2002 Capital Loss Carryover Worksheet	14	( )	
15 Combine lines 8 through 13 in column (g). If zero or less, enter -0-	15		
16 **Net long-term capital gain or (loss).** Combine lines 8 through 14 in column (f) **Next:** Go to Part III on the back.	16		

*Include in column (g) all gains and losses from column (f) from sales, exchanges, or conversions (including installment payments received) **after** May 5, 2003. However, **do not** include gain attributable to unrecaptured section 1250 gain, "collectibles gains and losses" (as defined on page D-6 of the instructions) or eligible gain on qualified small business stock (see page D-4 of the instructions).

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11338H **Schedule D (Form 1040) 2003**

Proof as of July 01, 2003 (subject to change)

Part III Taxable Gain or Deductible Loss

17a Combine lines 7b and 16 and enter the result. If a loss, enter -0- on line 17b and go to line 18. If a gain, enter the gain on Form 1040, line 13a, and go to line 17b below **17a**

b Combine lines 7a and 15. If zero or less, enter -0-. Then complete Form 1040 through line 40 . **17b**

Next:
- If both lines 16 and 17a of Schedule D are gains **or** you have qualified dividends on Form 1040, line 9b, complete **Part IV** below (unless Form 1040, line 40, is zero).
- Otherwise, skip the rest of Schedule D and complete Form 1040.

18 If line 17a is a loss, enter here and on Form 1040, line 13a, the **smaller** of **(a)** that loss or **(b)** ($3,000) (or, if married filing separately, ($1,500)) (see page D-6 of the instructions) . . . **18** ( )

Next:
- If you have qualified dividends on Form 1040, line 9b, complete Form 1040 through line 40, and then complete **Part IV** below (but skip lines 19 and 20).
- Otherwise, skip **Part IV** below and complete the rest of Form 1040.

Part IV Tax Computation Using Maximum Capital Gains Rates

If line 16 or line 17a is zero or less, skip lines 19 and 20 and go to line 21. Otherwise, go to line 19.

19 Enter your unrecaptured section 1250 gain, if any, from line 18 of the worksheet on page D-6 . . **19**

20 Enter your 28% rate gain, if any, from line 7 of the worksheet on page D-9 of the instructions . . **20**

If lines 19 and 20 are zero, go to line 21. Otherwise, complete the worksheet on page D-10 of the instructions to figure the amount to enter on lines 35 and 53 below, and skip all other lines below.

21 Enter your taxable income from Form 1040, line 40 . . . . . **21**

22 Enter the **smaller** of line 16 or line 17a, but not less than zero . . **22**

23 Enter your qualified dividends from Form 1040, line 9b **23**

24 Add lines 22 and 23 . . . . . **24**

25 Amount from line 4g of Form 4952 (investment interest expense) . . **25**

26 Subtract line 25 from line 24. If zero or less, enter -0- **26**

27 Subtract line 26 from line 21. If zero or less, enter -0- **27**

28 Enter the **smaller** of line 21 **or:**
- $56,800 if married filing jointly or qualifying widow(er);
- $28,400 if single or married filing separately; or
- $38,050 if head of household

. . . **28**

If line 27 is more than line 28, skip lines 29–39 and go to line 40.

29 Enter the amount from line 27 . . . . . **29**

30 Subtract line 29 from line 28. If zero or less, go to line 40 . . . . **30**

31 Add lines 17b and 23* **31**

32 Enter the **smaller** of line 30 or line 31 . . . . . **32**

33 Multiply line 32 by 5% (.05) **33**

If lines 30 and 32 are the same, skip lines 34–39 and go to line 40.

34 Subtract line 32 from line 30 . . . . . **34**

35 Enter your qualified 5-year gain, if any, from line 8 of the worksheet on page D-8 . . **35**

36 Enter the **smaller** of line 34 or line 35 . . . . . **36**

37 Multiply line 36 by 8% (.08) **37**

38 Subtract line 36 from line 34 . . . . . **38**

39 Multiply line 38 by 10% (.10) **39**

If lines 26 and 30 are the same, skip lines 40–49 and go to line 50.

40 Enter the **smaller** of line 21 or line 26 . . . . . **40**

41 Enter the amount from line 30 (if line 30 is blank, enter -0-) . . . **41**

42 Subtract line 41 from line 40 . . . . . **42**

43 Add lines 17b and 23* **43**

44 Enter the amount from line 32 (if line 32 is blank, enter -0-) **44**

45 Subtract line 44 from line 43 . . . . . **45**

46 Enter the **smaller** of line 42 or line 45 . . . . . **46**

47 Multiply line 46 by 15% (.15) **47**

48 Subtract line 46 from line 42 . . . . . **48**

49 Multiply line 48 by 20% (.20) **49**

50 Figure the tax on the amount on **line 27.** Use the Tax Table or Tax Rate Schedules, whichever applies **50**

51 Add lines 33, 37, 39, 47, 49, and 50 . . . . . **51**

52 Figure the tax on the amount on **line 21.** Use the Tax Table or Tax Rate Schedules, whichever applies **52**

53 **Tax on all taxable income.** Enter the **smaller** of line 51 or line 52 here and on Form 1040, line 41 **53**

*If line 25 is more than zero, see **Lines 31 and 43** on page D-9 for the amount to enter.

Printed on recycled paper

Proof as of July 21, 2003 (subject to change)

Simplified Method Worksheet—Lines 16a and 16b

Keep for Your Records

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

Draft as of 08/27/2003

Note. If you had more than one partially taxable pension or annuity, figure the taxable part of each separately. Enter the total of the taxable parts on Form 1040, line 16b. Enter the total pension or annuity payments received in 2003 on Form 1040, line 16a.

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

Table 1 for Line 3 Above

	AND your annuity starting date was—	
IF the age at annuity starting date (see page 26) 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 26) were . . .	THEN enter on line 3 . . .
110 or under	410
111–120	360
121–130	310
131–140	260
141 or older	210

Need more information or forms? See page 7.

Social Security Benefits Worksheet—Lines 20a and 20b

Keep for Your Records

Before you begin:

- √ Complete Form 1040, lines 21, 23, 24, and 27 through 32a, if they apply to you.
- √ Figure any amount to be entered on the dotted line next to line 33 (see page 32.)
- √ If you are married filing separately and you **lived apart** from your spouse for all of 2003, enter "D" to the right of the word "benefits" on line 20a.
- √ Be sure you have read the **Exception** on page 26 to see if you can use this worksheet instead of a publication to find out if any of your benefits are taxable.

1. Enter the total amount from **box 5** of **all** your **Forms SSA-1099** and **Forms RRB-1099** . . . . . **1.** _____

2. Enter one-half of line 1 . . . . . **2.** _____

3. Enter the total of the amounts from Form 1040, lines 7, 8a, 9a, 10 through 12, 13a, 14, 15b, 16b, 17 through 19, and 21. Do not include amounts from box 5 of Forms SSA-1099 or RRB-1099 . . . . . **3.** _____

4. Enter the amount, if any, from Form 1040, line 8b . . . . . **4.** _____

5. Add lines 2, 3, and 4 . . . . . **5.** _____

6. Enter the total of the amounts from Form 1040, lines 23, 24, and 27 through 32a, plus any amount you entered on the dotted line next to line 33 . . . . . **6.** _____

7. Is the amount on line 6 less than the amount on line 5?

☐ **No.** STOP None of your social security benefits are taxable.

☐ **Yes.** Subtract line 6 from line 5 . . . . . **7.** _____

8. If you are:

- Married filing jointly, enter $32,000
- Single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2003, enter $25,000
- Married filing separately and you lived with your spouse at any time in 2003, skip lines 8 through 15; multiply line 7 by 85% (.85) and enter the result on line 16. Then go to line 17

. . . . . **8.** _____

9. Is the amount on line 8 less than the amount on line 7?

☐ **No.** STOP None of your social security benefits are taxable. You do not have to enter any amounts on lines 20a or 20b of Form 1040. **But** if you are married filing separately and you **lived apart** from your spouse for all of 2003, enter -0- on line 20b. Be sure you entered "D" to the right of the word "benefits" on line 20a.

☐ **Yes.** Subtract line 8 from line 7 . . . . . **9.** _____

10. Enter: $12,000 if married filing jointly; $9,000 if single, head of household, qualifying widow(er), or married filing separately and you **lived apart** from your spouse for all of 2003 **10.** _____

11. Subtract line 10 from line 9. If zero or less, enter -0- . . . . . **11.** _____

12. Enter the **smaller** of line 9 or line 10 . . . . . **12.** _____

13. Enter one-half of line 12 . . . . . **13.** _____

14. Enter the **smaller** of line 2 or line 13 . . . . . **14.** _____

15. Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- . . . . . **15.** _____

16. Add lines 14 and 15 . . . . . **16.** _____

17. Multiply line 1 by 85% (.85) . . . . . **17.** _____

18. **Taxable social security benefits.** Enter the **smaller** of line 16 or line 17 . . . . . **18.** _____

- Enter the amount from line 1 above on Form 1040, line 20a.
- Enter the amount from line 18 above on Form 1040, line 20b.

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

Draft as of 08/27/2003

Need more information or forms? See page 7.

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

Part D – Military Returns

For questions D-1 – D-12, determine whether each of the following statements is true or false.

a. True
b. False

D-1 Imminent Danger pay is always includible income.

D-2 Student loan repayments that are attributable to the period of service in the combat zone are excludible from income.

D-3 Sally is 18 and has been in the military all year. Her mother cannot claim her as a dependent.

D-4 Captain Baker can claim his mother, who is a citizen and resident of Austria, on his tax return.

D-5 A re-enlistment bonus signed while assigned to a combat zone is taxable income.

D-6 Betty Scott was separated from service due to a medical condition. She was given $ 20,000 of medical separation pay in 2002. She included this amount on her 2002 tax return. In 2003, due to her medical condition, 20 percent of the medical separation pay is a disability pension. Betty can amended her 2002 return to recover the taxes she paid on the amount of medical separation pay determined to be a disability pension.

D-7 If illness occurs due to service in a combat zone, the income exclusion continues during the time spent in a hospital outside the combat zone.

D-8 If a serviceperson becomes a prisoner of war, the combat zone exclusion does not continue.

D-9 If a member of the armed forces serves in a combat zone from March 1 to November 1, they cannot deduct all eight months of combat zone pay.

D-10 If a Form 1099 is received, the income received does not have to be claimed on the return.

D-11 Airman Baker cannot file Schedule C-EZ to report business income of $40,000 and business expenses of $ 3,000.

D-12 Private Jones has net income of $ 390 on his Schedule C-EZ and needs to file Schedule SE to calculate self-employment tax.

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

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

For questions D-13 – D-27, determine whether each of the following statements is true or false.

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

D-13 A Schedule E has to be filed if the house is rented out any time during the year.

D-14 Private Brent cannot deduct moving costs associated with a permanent change of station.

D-15 Uniforms worn only on duty and exceeding any allowances can be deducted by active duty personnel.

D-16 Required insignia such as rank, epaulet, and swords are non-deductible.

D-17 Active duty personnel should send their returns to their permanent home rather than the service center for where they reside.

D-18 The filing date for active duty personnel in the United States and Puerto Rico is April 1.

D-19 Active duty personnel serving outside of the United States and Puerto Rico are granted an automatic three-month extension.

D-20 All extensions to file, including combat zone, are subject to interest charges on taxes due.

D-21 The 180-day rule starts the first day in a combat zone or in a hospital.

D-22 If travel and transportation costs are fully covered by the military, you need to report all of the transactions on the tax return.

D-23 If excess travel funds are reimbursed to the government, those funds are not reported as income.

D-24 In order to be deductible, travel expenses must exceed any advance, allowance, or reimbursement.

D-25 Contributions to a Thrift Savings Plan from pay earned while serving in a combat zone reduces taxable income.

D-26 Eligibility for the Retirement Savings Contribution Credit is determined by taxable income.

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

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

D-27 Which of the following is not a designated combat zone?

a. Yemen
b. Djibouti
c. Germany
d. Jordan

D-28 To claim a personal exemption for a spouse that is a non-resident alien, the following must be true:

a. The spouse's world-wide income must be reported
b. The spouse must be treated as a resident alien
c. A joint return must be filed the first year
d. All of the above

D-29 Box 1 on what form indicates includible income?

a. W-7
b. W-5
c. W-4
d. W-2

D-30 What agency makes the determination whether a medical disability is approved?

a. Veterans' Administration
b. Department of Defense
c. Internal Revenue Service
d. Social Security Administration

D-31 What item is not a qualifying item in a combat zone?

a. Active Duty pay
b. Student loan repayments
c. Awards for suggestions
d. Retirement pay

D-32 What tax year is used when claiming business income?

a. The year in which the income is used
b. Whatever tax year is most beneficial to the taxpayer
c. The year when the income was received
d. None of the above

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

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

D-33 If a mortgaged residence is rented out for part of the year, what form(s) is (are) used to claim mortgage interest and property taxes.

a. You cannot take the claim
b. Only Schedule A
c. Only Schedule E
d. Both Schedule A and E

D-34 Which of the following is a permanent change of station?

a. A move from the last post of duty to the home of record
b. A move from Maxwell AFB to Andersen AFB for a six-month detail
c. Neither
d. Both

D-35 In which of the following situations are allowances and reimbursements included in income?

a. Payment for a do-it-yourself permanent change station move
b. Reimbursement for temporary lodging, and per diem
c. Reimbursements/allowances (other than non-tax allowances) not included on the W-2 and in excess of deductible moving expenses
d. All of the above

D-36 Which of the following excess expenses are not deductible?

a. Packing of household goods
b. Renting a trailer to transport household goods
c. Meals en-route from one permanent change of station to another
d. Automobile expenses from one permanent change of station to another

D-37 Seaman Sam White and his wife moved from Naval Station, San Diego to Naval Station, Norfolk. He received a dislocation allowance of $ 1,400, mileage allowance of $ 500, and per diem allowance of $ 300. The allowances were not reported on his W-2. His expenses included: dislocation ($ 1,500), travel ($ 350), and meals ($ 500). Compute his moving expense deduction.

a. 0
b. $ 100
c. $ 1,400
d. $ 1,500

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

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

D-38 Deadline extensions for combat zone are arrived at:

a. 30 days after return
b. 180 days after return
c. 180 days plus any time remaining from the filing season
d. There is no extension

D-39 The deduction for meals, if fully reimbursed, is limited to what percent?

a. 100%
b. 75%
c. 10%
d. 0

D-40 The maximum amount contributed to all Thrift Savings Plans of a uniformed service member includes:

a. Part or all of incentive, special pay or bonus amounts
b. If over age 50, a catch up amount of $2,000 in 2003
c. 8% of basic pay per period
d. All of the above

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

Help Us To

Picture Them Home

Wilda Benoit

Female, Age Now: 25
Blue eyes, Brown hair

Age Progression By NCMEC

Missing From: Creole, LA on 07/23/1992

National Center for Missing and Exploited Children

Call 1-800-THE-LOST
(1-800-843-5678)

Proud Partners With
Internal Revenue Service

NATIONAL CENTER FOR MISSING & EXPLOITED CHILDREN

www.missingkids.com