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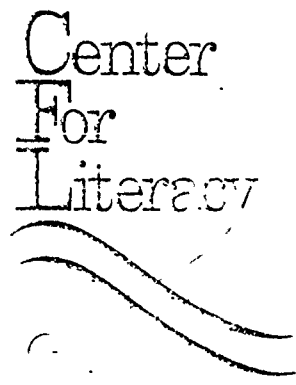
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ABSTRACT

This manual was developed to help low-reading-level adults understand how the tax system works. It is not intended to teach them how to prepare their own taxes, but to be more familiar with the tax system and what is required of them. The manual is organized in 10 chapters that cover the following material: introduction to taxes; who files and who does not; working under the table versus formal employment; how the Internal Revenue Service defines an employee; types and sources of income; how income is reported; tax forms; making a mistake; state taxes; and choosing a tax preparer. Each chapter contains information followed by a quiz consisting of vocabulary, comprehension, and discussion. An answer key and glossary are included in the manual. Appendixes contain further information for teachers and tutors, sample tax forms, a list of Internal Revenue Service offices, and a list of eight reference sources. (KC)

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PLAIN TALK ON TAXES

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SP Schedule

A Curriculum About Taxes  
Understanding Tax Reform:  
Responsibilities and Advantages

1040

by

1040A

Elsie Goss-Caldwell, Project Director  
Program Year 1987-88

W-2

PA40

1040X

State Taxes

Schedule B

Schedule A

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To my students at St. Elizabeths and at the Presbyterian Hospital: "Thank you for all you have taught me!"

## Dedication

This manual is dedicated to my parents John and Marv Goss.

They stressed that education is the key to opening many doors.

For various reasons both of my parents could not complete their education. My father was born and raised in the south and went only as far as the second grade; my mother went as far as the tenth grade.

**Dad and Mom, Thank you.**

To Yvette Walls, literacy teacher, wife, mother and B.B.W., also a person who believes in short people. Thanks, Yvette for believing in me (a non-short person).

## Introduction

Dear Literacy Student,

The purpose of this manual is not necessarily to teach you how to prepare your own taxes, but simply to help you understand how the tax system works.

The tax system is complicated and involved, but it touches each and every one of us directly or indirectly.

### **Taxes are everywhere!**

So, in preparing this manual, I have tried to address questions that you may have wanted to ask, and give you some insight into what the system is about.

Hopefully, this manual will let you become aware of your rights, duties and responsibilities as a taxpayer.

Elsie Goss-Caldwell  
Tax Consultant &  
Literacy Teacher

This booklet has been prepared to inform you about our tax system. It is not meant to advise you as to how the tax laws might apply to your own unique life and tax situation. If you have any questions about the tax law or your tax returns, you should find a qualified tax advisor.

Chapter 1

Taxes: An Introduction



## Taxes: An Introduction

Our present tax system is a system whose primary objective is to raise revenue (money). Taxes are based on **Voluntary Compliance**. This means that the responsibility of filing a tax return is on you. Would you believe that the federal income tax began as a tax on the wealthy? Then, during World War II the government decided to let all of us share in filing income taxes. Until the late 1960s taxes were raised mainly to fight wars. Now the personal income tax supplies more than half of all federal revenue.

The **Internal Revenue Service (I.R.S.)** is the government agency that collects income tax. All that the Internal Revenue Service (I.R.S.) asks is that you:

1. File taxes on a timely basis (that is, file your return by April 15th).
2. Pay your fair share of taxes.
3. Determine the amount, if any, of your tax liability (what you owe).

The government trusts that you will report all income and pay your taxes accordingly. Again this goes back to **Voluntary Compliance**.

Chapter 1

Vocabulary

I. Root words

Write the root word.

1. government \_\_\_\_\_
2. taxation \_\_\_\_\_
3. supplies \_\_\_\_\_
4. filing \_\_\_\_\_
5. compliance \_\_\_\_\_
6. personal \_\_\_\_\_
7. agencies \_\_\_\_\_
8. decided \_\_\_\_\_
9. liability \_\_\_\_\_
10. accordingly \_\_\_\_\_

II. Alphabetical Order

Arrange the following words in alphabetical order:

- filing \_\_\_\_\_
- federal \_\_\_\_\_
- fight \_\_\_\_\_
- fair \_\_\_\_\_
- file \_\_\_\_\_

III. Comprehension: Please answer in complete sentences.

1. What is the primary objective of the tax system?
2. What is Voluntary Compliance?
3. What are our duties and responsibilities as taxpayers?

IV. Discussion

Do you think tax revenue should be used to fight wars?

Chapter 2  
Who Files/Who Doesn't File

## Who Files/Who Doesn't File

The income tax laws of the United States are based on people's ability to pay.

How is the ability to pay determined?

The ability to pay taxes is determined by level of income and wealth.

The government places other taxes on all potential taxpayers. However, when all taxpayers are compared, the rich are often not the ones paying the highest taxes. Sometimes, due to distribution of wealth and tax loopholes, the rich often end up paying fewer taxes than the poor or middle income taxpayers.

'Loopholes' are provisions of the law which permit taxes to be lowered. With the Tax Reform Act of 1986, many of the loopholes that once existed have been wiped out all together or changed to some degree.

Individuals on welfare or receiving aid to families with dependent children (AFDC) are not required to report this income for tax purposes. These type of payments are called **transfer payments**. In general a transfer payment is a payment for which the recipient does not provide goods or services in order to obtain the funds. Transfer payment income is not earned, but is given as a result of government services provided by our tax dollars. Social Security benefits also belong to the transfer payment group.

Chapter 2

Vocabulary

I. Root words  
Write the root word.

1. distribution \_\_\_\_\_
2. provision \_\_\_\_\_
3. dependent \_\_\_\_\_
4. payment \_\_\_\_\_
5. recipient \_\_\_\_\_
6. required \_\_\_\_\_
7. richest \_\_\_\_\_
8. existed \_\_\_\_\_
9. security \_\_\_\_\_
10. wealthy \_\_\_\_\_
11. highest \_\_\_\_\_
12. families \_\_\_\_\_

II. Add er and est to these words

1. rich \_\_\_\_\_
2. poor \_\_\_\_\_
3. wealthy \_\_\_\_\_
4. high \_\_\_\_\_
5. few \_\_\_\_\_
6. low \_\_\_\_\_
7. tall \_\_\_\_\_

III. Write the singular

- |              |       |             |       |
|--------------|-------|-------------|-------|
| 1. funds     | _____ | 6. purposes | _____ |
| 2. dollars   | _____ | 7. states   | _____ |
| 3. families  | _____ | 8. taxes    | _____ |
| 4. children  | _____ | 9. sales    | _____ |
| 5. companies | _____ | 10. plans   | _____ |

IV. Comprehension

1. How are the income tax laws of the United States based?
2. How is the ability to pay taxes determined?
3. What are tax loopholes?
4. What is a transfer payment and who might receive one?

V. Discussion

Do you think it is a good idea not to tax transfer payments? Why or why not?

Chapter 3  
Working "Under the Table"  
vs.  
Formal Employment

working Under the table  
vs.  
Formal Employment

Some individuals try to beat the system. By working "under the table" they are evading the payment of taxes.

Many consider this a "get over". But in essence they are losing out. They are not obeying the law. Getting paid "under the table" and not reporting your full income on your tax return is a very serious legal matter. YOU WILL BE SUBJECTED TO HEAVY FINANCIAL PENALTIES IF YOU DO THIS, AND COULD EVEN GO TO JAIL. The individual who works and gets paid under the table as opposed to working a regular job does have the one and only advantage of taking his money home without any taxes being deducted. But what about all the other advantages this "under the table" individual loses out on?

Unless this individual is an organized person, many benefits for the future will be lost. As an "under the table" worker there are no pension plans or health benefits unless the worker makes the payments. There is no paid sick or vacation time.

Next, who's paying the Social Security for the "under the table" employee? No one. This is an important factor to consider. When you reach the age of 65 and need Social Security as a source of income, your account will have no payments applied because none of your "under the table" income was contributed to social security.

This informal type of employment does not allow for workman's compensation benefits, or unemployment compensation. If you are hurt on the job, it's your word against the person you've been working for. You may not receive any compensation. No job security exists in "under the table" employment.

Since your employer has not been filing Quarterly Payroll Tax reports to the I.R.S. and the state which indicate that you've been employed, you cannot collect any benefits. Unemployment compensation requires proof of employment. You lose out.

Now let's assume that you are working everyday for a company or individual "under the table". Suddenly you want to buy a home, open a charge account or just begin a credit history. One of the requirements for doing any of the above is to look at your past and present employment and sometimes at your past tax returns. But you can't provide proof of employment because you have no pay stubs, no tax returns. Problem? You have given time and energy, put in long hours and basically have nothing to show for it.



You have also allowed an employer not to pay his fair share of taxes. The business you work for does not have to file a 941 (Employer's Quarterly Federal Tax Return) where it lists the number of employees it pays per quarter. Nor does it have to file a UC-2 form (Employer's Report for Unemployment Compensation) to the state. The 941 form is sent to the federal government. When the employer withholds income tax (F.W.T.) from your pay and social security tax (F.I.C.A.) it is reported on this form.

Since you are paid "under the table" none of this information is being reported to the I.R.S. or the state. You've saved your employer a lot of time by eliminating this paper work for him. You've saved him money. Now he doesn't have to pay an accountant or bookkeeper to prepare the forms. He doesn't have to pay workman's compensation or unemployment compensation. However, these programs would benefit you as an employee.

Looking back on all that we've talked about, is "working under the table" the best way to be employed?

Think about it!

Chapter 3

Vocabulary

I. Root Words

Write the root word.

1. unemployment \_\_\_\_\_
2. formal \_\_\_\_\_
3. abiding \_\_\_\_\_
4. applied \_\_\_\_\_
5. basically \_\_\_\_\_
6. talked \_\_\_\_\_
7. quarter \_\_\_\_\_
8. eliminating \_\_\_\_\_
9. certainly \_\_\_\_\_
10. deducted \_\_\_\_\_
11. covered \_\_\_\_\_
12. working \_\_\_\_\_
13. responsible \_\_\_\_\_
14. compliance \_\_\_\_\_

II. Write the homonym.

- |          |       |          |       |
|----------|-------|----------|-------|
| 1. there | _____ | 8. him   | _____ |
| 2. to    | _____ | 9. buy   | _____ |
| 3. not   | _____ | 10. for  | _____ |
| 4. by    | _____ | 11. sent | _____ |
| 5. one   | _____ | 12. way  | _____ |
| 6. no    | _____ | 13. here | _____ |
| 7. your  | _____ | 14. sea  | _____ |

III. Comprehension - Please answer in complete sentences.

1. what is the one reason why some people want to work 'under the table'?
  
2. List five benefits that may be lost if you work 'under the table'.
  
3. If you were hurt on the job, but were working "under the table", why wouldn't you receive workmen's compensation?
  
4. Why is it better to be formally employed rather than work "under the table" if you want to open a charge account?

IV. Discussion

As explained in this chapter, it is sometimes more advantageous for an employer to pay workers "under the table." Is this really better for the employee? Why?

Chapter 4

How the I.R.S. Defines an Employee

## How the I.R.S. Defines an Employee

What makes you an employee? It is simply being hired by an individual to perform services and receive payment in return. Let's see what the I.R.S. has to say about your employee status:

If your boss tells you what time to report to work and what to do after you arrive, then you are considered to be an employee.

Two of the usual characteristics of this employer-employee relationship are that the employer:

- 1) provides a place to work and supplies the employee with equipment (typewriter, desk, tools, phone).
- 2) has the right to fire the employee.

You are also an employee if:

1. you are a driver who delivers meats, vegetables, fruit or bakery products. You may deliver beverages such as soda and beer but not milk. Maybe you pick up and deliver laundry or dry cleaning. If you are acting as an agent for the company or are paid on commission then you fit in this first category.
2. you are a full-time life insurance sales agent.
3. you work at home on materials or goods supplied by someone else and when finished they are returned to the same person.
4. you are a traveling salesperson.

Employers withhold income tax and social security tax from the wages of employees.

People who work for themselves are called independent contractors. What makes an individual an independent contractor? He or she is self-employed and doing some work for a business but not under the complete control of an employer. It is when the employer controls or directs only the result of the work but not how the work is actually accomplished. Employers must report to the I.R.S. payments of \$600 or more. A copy of this form (1099) is also sent to the independent contractor.

When an individual starts a new job, he or she is required by law to fill out a W-4 form. A w-4 allows the employer to withhold the proper amount of taxes from the employee's earnings. The w-4 form is also very flexible. You may change this form at any time without being penalized. Exemptions or allowances may be added on or taken off. Marital status may also be changed. Changes simply involve going to the payroll or personnel department where you work and requesting a new w-4. Each time your w-4 is changed be sure to check your take home pay next pay period. Below is a copy of a W-4 form. Any questions concerning the completion of your w-4 should be directed to your payroll department, business manager or tax preparer.

<b>Form W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b> ▶ For Privacy Act and Paperwork Reduction Act Notice, see instructions.		OMB No 1545 0010 <b>1987</b>
1 Type or print your full name		2 Your social security number		
Home address (number and street or rural route)		3 Marital Status { <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate <i>Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box</i>		
City or town, state, and ZIP code				
4 Total number of allowances you are claiming (from the Worksheet on page 3)				
5 Additional amount, if any, you want deducted from each pay (see Step 4 on page 2)		\$		
6 I claim exemption from withholding because (see Step 2 above and check boxes below that apply):		Year 19 <input type="text"/>		
a <input type="checkbox"/> Last year I did not owe any Federal income tax and had a right to a full refund of ALL income tax withheld, AND				
b <input type="checkbox"/> This year I do not expect to owe any Federal income tax and expect to have a right to a full refund of ALL income tax withheld. If both a and b apply, enter the year effective and "EXEMPT" here				
c If you entered "EXEMPT" on line 6b, are you a full-time student?		<input type="checkbox"/> Yes <input type="checkbox"/> No		
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or, if claiming exemption from withholding, that I am entitled to claim the exempt status				
Employee's signature ▶		Date ▶ . 19		
7 Employer's name and address (Employer: Complete 7, 8, and 9 only if sending to IRS)		8 Office code	9 Employer identification number	

Employees can be paid on a weekly, bi-weekly or monthly basis. Each time employees are paid a stub is attached to their pay check.

A pay stub reflects number of hours worked. It also reflects the employee's gross wages and the amount of federal withholding tax (F.W.T.), social security (F.I.C.A.), state tax (P.I.T.), unemployment compensation (P.U.) and city wage tax (C.W.T.) deducted for that pay period. It also states the employee's net pay, or take home pay.

Pay check stubs should always be kept as a part of your record keeping process. Below is a copy of John Doe's pay stub. John is employed at the Walls Office Cleaning & Maintenance Company. He is paid on a bi-weekly basis (every two weeks). His gross salary is \$500.00. John is married with 2 dependents. John claims 4 exemptions on his W-4.

Walls Cleaning and Maintenance							7289
EMP NO /DEPT	John Doe EMPLOYEE NAME		000-02-0000 SOCIAL SECURITY NO	7/25/88 PERIOD BEG	8/05/88 PERIOD END	7289 CHECK NO	
EARNINGS				DEDUCTIONS			
	HRS /UNITS	CURRENT AMOUNT	YEAR TO DATE		CURRENT AMOUNT	YEAR TO DATE	
1500.00	80.00	500.00	20000.00	F.W.T.	70.00	280.00	
				F.I.C.A.	37.50	150.00	
				P.I.T.	10.50	42.00	
				C.W.T.*	24.80	99.20	
				PA.U.C.	.50	2.00	
PAY RATE	CURRENT EARNINGS	CURRENT DEDUCTIONS	NET PAY	YTD EARNINGS	YTD DEDUCTIONS	YTD NET PAY	
6.25	500.00	143.35	356.65	2000.00	573.20	1426.60	

\* John lives in Philadelphia. His rate for C.W.T. is 4.96%.

By January 31 of every year, every employee receives a W-2 form. A W-2 states the total amount earned for that particular job for the calendar year. It also states the total amount of federal withholding tax, social security, state tax, and city wage tax that were withheld for that year. The W-2 is completed with 4 copies. Copy A is sent by your employer to the Social Security Administration for your area. Copies B and C are for your use in preparing your taxes. Copy D remains at the office of your employer.

It is very important to save your W-2 forms. You will need them to prepare your income tax returns.

Below is a copy of John Doe's W-2. His W-2 shows total gross wages and total deductions for the year using 1988 percentages. (See glossary for more details about deductions and percentages.)

1 Control number <b>22222</b>		For Paperwork Reduction Act Notice, see back of Copy D OMB No. 1545-0008		For Official Use Only ▶	
2 Employer's name, address, and ZIP code <b>Walls Office Cleaning &amp; Maint. 900 AnyStreet Anytown, Pa. 19000</b>			3 Employer's identification number <b>23-0000000</b>	4 Employer's state ID number	
			5 Statutory employee <input type="checkbox"/>	Deceased <input type="checkbox"/>	Legal rep <input type="checkbox"/>
			942 emp <input type="checkbox"/>	Subtotal <input type="checkbox"/>	400 <input type="checkbox"/>
			6 Allocated tips	7 Advance EIC payment*	
8 Employee's social security number <b>000-02-0000</b>	9 Federal income tax withheld <b>\$1820.00</b>	10 Wages, tips, other compensation <b>13000.00</b>	11 Social security tax withheld <b>976.30</b>		
12 Employee's name (first, middle, last) <b>John H. Doe</b>		13 Social security wages <b>13000.00</b>	14 Social security tips <b>-0-</b>		
1223 N. AnyStreet Anytown, Pa. 19000		15 *	16a Fringe benefits (incl. in Box 10) <b>P.A. U.C. 13.00 -0-</b>		
15 Employee's address and ZIP code		17 State income tax <b>273.00</b>	18 State wages, tips, etc. <b>13000.00</b>	19 Name of state <b>PA.</b>	
Form <b>W-2 Wage and Tax Statement</b> <i>1987</i>		20 Local income tax <b>644.80</b>	21 Local wages, tips, etc. <b>13000.00</b>	22 Name of locality <b>Phila. *</b>	
Copy A For Social Security Administration * See Instructions for Forms W-2 and W-2P			Department of the Treasury Internal Revenue Service		



Chapter 4

Vocabulary

I. Root words

Write the root word.

1. considered \_\_\_\_\_
2. supplies \_\_\_\_\_
3. characteristics \_\_\_\_\_
4. different \_\_\_\_\_
5. insurance \_\_\_\_\_
6. categories \_\_\_\_\_
7. classified \_\_\_\_\_
8. cleaning \_\_\_\_\_
9. equipment \_\_\_\_\_
10. relationship \_\_\_\_\_
11. driver \_\_\_\_\_
12. independent \_\_\_\_\_
13. contractors \_\_\_\_\_
14. accomplished \_\_\_\_\_

II. Vowel Sounds

Write the long vowel sound that you hear.

- |          |       |          |       |
|----------|-------|----------|-------|
| 1. hire  | _____ | 6. same  | _____ |
| 2. fire  | _____ | 7. make  | _____ |
| 3. bake  | _____ | 8. time  | _____ |
| 4. phone | _____ | 9. drive | _____ |
| 5. place | _____ | 10. sale | _____ |

III. Silent E Practice - Read each pair of words. Compare vowel sounds and word meanings.

1. fat.....fate
2. cut.....cute
3. cap.....cape
4. hat.....hate
5. dim.....dime
6. win.....wine
7. cop.....cope
8. cub.....cube
9. not.....note
10. tap.....tape
11. us ..... use
12. ton.....tone
13. rid.....ride
14. rat.....rate
15. rob.....robe

IV. Comprehension - Please answer in complete sentences.

1. What qualifies a person to be considered an employee?
2. What are the two usual characteristics of the employer-employee relationship?
3. What makes an individual an independent contractor?
4. What form is an individual required to fill out when he or she becomes an employee?
5. As an employee, which form do you receive from your employer by January 31 of every year and what information is included on it? Please be specific.

V. Discussion

Do you see any advantages in being an employee as opposed to an independent contractor?

Chapter 5  
Types and Sources  
of  
Income

## Types and Sources of Income

Contrary to popular belief, not all income is taxable. In this chapter, we will talk about the types of income that are both taxable and nontaxable.

Below is a list of many taxable income sources:

1. Wages, salaries, bonuses and commissions are the most common sources of income. As a taxpayer you may earn this income through employment, as an outside salesperson, or as an incentive to do a better job.
2. Some fringe benefits (i.e. gift certificates, meals paid by an employer)
3. Tips (received by waitresses and waiters, hairdressers, delivery people, etc.) and other compensation for personal services
4. Interest earned from savings, checking, money market accounts, certificates of deposit (C.D.s)
5. Dividends earned from stocks and bonds
6. Refunds of state and city taxes (Only taxable if, when you filed your previous year's returns, you used state and city taxes as an itemized deduction to lower your tax liability).
7. Alimony or separate maintenance payments
8. Income from operating a business
9. A hobby that produces income
10. Money from the selling of property including stocks and bonds
11. Certain pensions and annuities
12. Rental income (Yes, the rent you pay each month is taxable to your landlord as income.)

13. Estate or trust income
14. Unemployment compensation
15. Railroad retirement benefits (part may be taxable)
16. Social Security benefits (Only part of these may be taxable.)
17. Jury duty fees (Yes, when you do your civic duty, you must include this income on your tax return)
18. Executor fees - (An individual who handles the affairs of the estate of a deceased person is an executor.)
19. Lottery winnings (Won that Big 4? Don't forget to report it to Uncle Sam.)
20. Gambling winnings! (After subtracting gambling losses)

So, what's left to be non-taxable? Here's a list of non-taxable income:

1. Gifts of money or property
2. Child Support  
In addition, child support is not a deduction to the individual paying the support.
3. Federal income tax refunds
4. Dividends received on veterans life insurance
5. Insurance and money received for injuries received as the result of an accident
6. Interest on certain state and local bonds
7. Most life insurance proceeds paid upon death
8. Public assistance payments (Welfare, A.F.D.C.)
9. Railroad retirement benefits (part or all may be exempt from tax)
10. Social Security benefits (depending on marital status and amount of additional income apart from your benefits)
11. Veteran disability benefits
12. Workmen's compensation

In the preparation of your income tax return it is important to be able to determine what your sources of income are and whether they should be included on your tax return.

Income that is earned by you is considered to be your individual income. This is used for completing your taxes. However, total family income is used for applying for government financial aid (grants, scholarships and loans) for schools and colleges and acceptance in some job training programs. Total family income is all income from whatever sources that is brought into the household.

Chapter 5

Vocabulary

I. Root Words

Write the root word.

1. unearned \_\_\_\_\_
2. nontaxable \_\_\_\_\_
3. retirement \_\_\_\_\_
4. annuities \_\_\_\_\_
5. itemized \_\_\_\_\_
6. gambling \_\_\_\_\_
7. winnings \_\_\_\_\_
8. assistance \_\_\_\_\_
9. additional \_\_\_\_\_
10. disabilities \_\_\_\_\_
11. preparation \_\_\_\_\_
12. assessing \_\_\_\_\_
13. compensation \_\_\_\_\_
14. retirement \_\_\_\_\_

II. Spelling

Find the misspelled word on each line. Write the word correctly.

- |    |              |            |             |          |
|----|--------------|------------|-------------|----------|
| 1. | waiters      | waitresses | wages       | business |
| 2. | checking     | estate     | maintenance | previous |
| 3. | retirment    | insurance  | benefits    | exempt   |
| 4. | employment   | deduction  | anunities   | pension  |
| 5. | compensation | addition   | assistence  | marital  |

- |    |         |           |            |            |
|----|---------|-----------|------------|------------|
| 6. | prepare | important | received   | individual |
| 7. | fringe  | previous  | government | damage     |
| 8. | taxable | insentive | itemized   | proceed    |

III. Comprehension: True or False

Write True or False next to each of the following statements.

Taxable income includes:

- |     |  |       |
|-----|--|-------|
| 1.  | Tips   | _____ |
| 2.  | Money gained from selling property           | _____ |
| 3.  | Workmen's compensation                       | _____ |
| 4.  | Public assistance payments                   | _____ |
| 5.  | Gambling winnings                            | _____ |
| 6.  | Most life insurance proceeds paid upon death | _____ |
| 7.  | Jury duty fees                               | _____ |
| 8.  | Social security benefits                     | _____ |
| 9.  | wages  | _____ |
| 10. | Pensions and annuities                       | _____ |
| 11. | Unemployment compensation                    | _____ |
| 12. | Bonuses                                      | _____ |
| 13. | Interest                                     | _____ |
| 14. | Veteran's disability benefits                | _____ |
| 15. | Hobby that produces income                   | _____ |

IV. Discussion

Is it a good idea to keep records of all your financial matters? Why or why not?



Chapter 6  
How Income Is Reported

## How Income Is Reported

Ever wonder how the Internal Revenue Service knows just how much money we've earned for a given year? Your employer is required to send in what is known as a W-3: Transmittal of Income and Tax Statements. A W-3 is a statement showing the amount of federal income tax withheld, number of employees employed, total wages paid, social security tax withheld, and others employer related information. This form helps the I.R.S. keep a check on businesses.

Copy A of your W-2 is forwarded along with the W-3 to the Social Security Administration for your particular area. Since we live in the state of Pennsylvania our W-2's are forwarded to Wilkes Barre, PA. Copy D remains at the office of your employer. All others are given to you to use in preparation of your taxes. Some companies who use computers report the W-2 information on tapes.

Each employer who withholds income or Social Security tax must file what is known as a Form 941. A 941 is an Employer's Quarterly Federal Tax Return. It is due the last day of the month after each calendar quarter ends. For instance the first quarter consists of January, February and March. This quarter ends on March 31st. But your employer has until April 30th to file his 941. What happens if the due date falls on Saturday, Sunday or a holiday? The tax law gives your employer until the next regular workday to have the forms in their office.

When the company you work for went into business, the owner applied for an employer identification number (E.I.N.) from the I.R.S. This number is used on all I.R.S. forms filled out by the business, or for any correspondence between the business and the I.R.S. The number begins with a 23 and is followed by seven additional numbers. Some individuals in business simply refer to the E.I.N. as there 23 number

Chapter 6

Vocabulary

I. Root words

Write the root word.

1. reported \_\_\_\_\_
2. earned \_\_\_\_\_
3. required \_\_\_\_\_
4. statement \_\_\_\_\_
5. information \_\_\_\_\_
6. forwarded \_\_\_\_\_
7. preparation \_\_\_\_\_
8. identification \_\_\_\_\_
9. referred \_\_\_\_\_
10. applies \_\_\_\_\_
11. decided \_\_\_\_\_
12. employer \_\_\_\_\_
13. information \_\_\_\_\_
14. security \_\_\_\_\_

II. Alphabetical Order

Arrange each set of words in alphabetical order:

- | I              | II          | III           |
|----------------|-------------|---------------|
| taxpayer _____ | must _____  | defend _____  |
| office _____   | media _____ | defense _____ |
| employer _____ | micro _____ | demand _____  |

four \_\_\_\_\_ March \_\_\_\_\_ simply \_\_\_\_\_  
number \_\_\_\_\_ money \_\_\_\_\_ since \_\_\_\_\_  
business \_\_\_\_\_  
computer \_\_\_\_\_

III. Comprehension - Please answer in complete sentences.

1. Who is required to send in W-3: Transmittal of Income Tax Statements to the federal government?
2. What information is on the W-3 and what does it help the I.R.S. do?
3. What is a 941 form and who must file one?
4. How can the I.R.S. tell one employer from another, even though some companies may have the same names?

IV. Discussion

Do you think the system for reporting income to the I.R.S. is necessary? Why or why not?

Chapter 7

Forms!

Forms'

Forms!

Which Form Should  
I Use?  
which One is Right  
for Me?

1040 EZ?

1040?

Schedule A?

1040 A ?

2441?

2106?

## Which Form Should I Use      which One is Right for Me

Now that you've learned how your income is reported and what type of income to report, the next question is, "What form or forms should you use to report your taxes to the I.R.S.?"

### 1040 EZ

You can use form 1040 EZ if you are single, have no dependents, have interest income of \$400 or less, and your taxable income is less than \$50,000. This is by far the simplest of all the I.R.S. forms.

Information supplied on this form consists of your name, address, city, state and social security number. Remember to insert your social security number on any form that you use. This is important. Failure to include your social security number on any tax return will subject you to penalties.

Next you report your wages, and any taxable interest income you may have. This determines your **Adjusted Gross Income**. To find your taxable income, enter the amount of tax withheld from your W-2. Next, you subtract your **personal exemptions** (\$1900 for tax year 1987). You then look at the tax tables in the tax booklet you received from I.R.S. to find your tax.

If the sufficient amount of taxes has been withheld you will receive a refund or break even with the I.R.S. If an insufficient amount of taxes has been withheld, you will owe Uncle Sam more money.

Now you have completed your return. Remember to sign and date it.

### 1040 A

After the 1040EZ form comes the 1040A. Some people call this the short form. It is pink in color as opposed to the green and white of 1040EZ.

In order to use the 1040A your taxable income still should be under \$50,000. Normally your income is from wages, tips, salaries, interest, dividends, or unemployment compensation.

The 1040A is a step up in complexity from 1040EZ. On the 1040A the I.R.S. allows you to take deductions for Individual Retirement Account (I.R.A.) payments if you and your spouse qualify. It also allows you credit for child and dependent care expenses (babysitting, home care nursing) if you qualify. If your interest and dividend income total more than \$400.00, you may still use the short form.

You also use form 1040A if you have dependents. Before the 1986 Tax Reform Act you were also allowed to take a deduction (Schedule W) for a married couple when both worked. This is no longer allowed. Deductions for charitable contributions are no longer allowed on a 1040A, but they are allowed on a 1040 if you itemize your deductions.

In order to use a 1040A you must also determine your filing status. There are five different types of filing status. The first four are as follows:

1. **Single** - you've never been married or are divorced or widowed,
2. **Married** - filing a joint return.

This status combines the income of both working people to get a better tax break. But suppose a wife doesn't work and a husband does work, or vice-versa? The couple can still file jointly because filing jointly does not necessarily mean both husband and wife are working. Even if they lived apart but still want to file the tax return together, it is legal.

Remember that since both partners must sign the "married filing jointly" return, you are both responsible for the tax and any penalties due on the joint return.

3. **Married Filing Separate Return** This type of filing status causes the highest tax liability. Generally, individuals use this status when they do not want to be responsible for each other's tax liability, or when the husband and wife are separated and one partner refuses to file a joint return.

The government, in a sense, penalizes you for filing using this status because your tax liability is higher than if you filed a joint return. One reason for this is the government unofficially would like for the American tradition of family and cohesiveness to prevail. So once you begin to file taxes as married filing separately, you have broken tradition.

4. **Head of Household** - To qualify as head of household you must have been unmarried on the last day of the year or have lived apart from your spouse for the last six months of the year (July 1-December 31). Also you must have a dependent. Head of household filing status gives you better rates than married filing separate or as a single filer.

1040

Now let's go on to the most complex of all the I.R.S. forms, the 1040. Use of the 1040 allows for more deductions, if you qualify. Some people must use the 1040 depending on their source of income.

Your 1040 requires the same general information at the top as does the 1040 EZ and 1040A: name, address, city, state and social security number.

In addition to the other filing statuses already discussed, there is a fifth filing status that can be used on your 1040. It is:

**Qualifying widow/widower with a dependent child** To qualify for this status the taxpayer must not have remarried and in addition must meet all of these tests:

- a.) could have filed a joint return with their spouse in the year that the spouse died
- b.) have a dependent child or children living in the household
- c.) paid more than half the cost of keeping a household for the child or children the entire year

In the next section of the 1040, you must begin to list your **exemptions**.

Now you ask, what is an exemption?

Exemptions help to reduce your taxable income. For the year 1987 each exemption that you were allowed to claim was worth \$1,900.

There are two types of exemptions:

- a. **personal exemptions:** These are exemptions that you claim for you or your spouse.
- b. **dependency exemptions:** These are claimed only for the person who qualify as your dependents.

Prior to 1986, if an individual were over 65 and or blind he could claim an additional exemption for himself or his spouse. Now the **standard deduction** for those taxpayers is higher. Standard deduction is the amount according to your filing status that the I.R.S. allows to be subtracted from your adjusted gross income.



Remember all dependents over the age of five must have a Social Security number and it must be listed on the tax forms. How does an individual qualify to be considered your dependent?

Actually there are five tests to determine if a taxpayer may claim an individual dependent:

1. Support Test
2. Gross Income Test
3. Member of Household or Relationship Test
4. Citizenship Test
5. Joint Return Test

A tax preparer can give you information about these tests. (See Chapter 10)

In the next section of the 1040 the taxpayer lists all taxable income. All income from whatever sources should be placed on the proper lines, then totaled on line 22.

Now you're ready to make **adjustments** to your income. Adjustments are always subtracted from the amount of your total income. They may include such items as IRA contributions, certain unreimbursed employee business expenses, or alimony paid by you to another individual.

In order to compute the tax we need to fill in our standard deduction or determine our eligibility for **itemized deductions**.

Itemized deductions, reported on Schedule A, can include a percentage of medical and dental expenses, state and local taxes, real estate taxes, interest expenses, mortgage interest (car loans, Visa etc.), charitable contributions, casualty and theft losses and miscellaneous deductions such as union dues, tax preparation fee and uniform maintenance.

Your itemized deductions or standard deduction (whichever you qualify to use) help to lower your taxable income. Taxpayers itemize only when their expenses are larger than their standard deduction.

Tax credits are different from itemized deductions because itemized deductions lower your taxable income while credits lower your actual tax. Credits reduce your tax liability dollar for dollar. Credits left after the 1986 Tax Reform Act are credit for child and dependent care expenses (form 2441), and credit for the elderly or for the permanently and totally disabled (Schedule R).

As a employee you have already paid in towards your federal tax liability by having tax withheld each pay period. If you are self-employed you should be paying estimated tax payments on a quarterly basis. By subtracting any tax payments you have paid in through withholding or estimated payments, you will determine whether you owe additional tax or will receive a refund.

The **Earned Income Credit** is considered to be another payment of taxes. If your earned income and your adjusted gross income are both less than \$15,432 and you have a child, you may be eligible for Earned Income Credit. This child must have lived with you for six months or more during the year. You may qualify for an additional credit of up to \$851.00. If your income is so low that you have no tax liability, you can still get money back from the I.R.S. if you qualify for and use the Earned Income Credit. In addition, your status must be married filing a joint return, qualifying widow/widower with dependent child, or head of household. Taxpayers filing married separately are normally not eligible for the earned income credit. If you'd like to receive your earned income credit in advance, you should fill out form **W-5 Earned Income Credit Advance Payment Certificate**. The bottom part goes to you employer. You keep the top for your records.

What follows next are samples of the 1040EZ, and 1040A forms filled out according to the directions.

(See Appendix B, for blank samples of the 1040EZ, 1040A, Schedule 1, 1040, Schedule A, Schedule B, 2441)

What follows is a sample 1040EZ filled out for Mary L. Doe for 1987. Her gross pay for the year on Line 1 is \$13,000.00. On line 2, she has \$150.00 of interest income from her savings account. On line 3, she added her gross income to her interest income so her adjusted gross income is \$13,150.00. In the box for the question on line 4, Mary checked "No" and entered the standard deduction of \$2,540.00 on line 4. Line 5 totals 10,610.00 when line 4 is subtracted from line 3. Since she checked the "No" box on line 4, Mary can now enter \$1,900.00 for a personal exemption on line 6. The instructions now say to subtract line 6 from line 5 and, if line 6 is larger than line 5, enter 0 on line 7. This is your taxable income. For Mary, line 6 was not larger than line 5. It was much lower. Mary subtracted line 6 from line 5 she entered \$8,710.00 on line 7. This amount is her taxable income.

On line 8 Mary entered the federal income tax withheld from her earnings as indicated on Box 9 of her w-2. Using the single column on the tax table in her 1040EZ/1040A instruction booklet (a copy of the tax table Mary used follows her 1040EZ), Mary found the tax for the taxable income to be \$1,237.00 so she indicated this on line 9. Now she can compare the total amount of federal taxes actually withheld from her pay for the year on line 8, with the amount taken from the tax table entered on line 9. As you can see line 8 is larger than line 9 so Mary can subtract line 9 from line 8. The amount of \$583.00 is her refund. If, however, line 9 was larger than line 8, line 8 would be subtracted from line 9. That amount would be owed to IRS.

Form 1040EZ

Income Tax Return for Single filers with no dependents 1987

OMB No 1545 0675

Name & address

Use the IRS mailing label. If you don't have one, please print.

Please print your numbers like this:

MARY L Doe
1223 N ANY STREET
ANY TOWN, PA. 19000

0 1 2 3 4 5 6 7 8 9

Your social security number

000 01 0000

Please read the instructions for this form on the reverse side.

Presidential Election Campaign Fund Do you want \$1 to go to this fund?

Note: Choosing Yes will not change your tax or reduce your refund

Report your income

1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).) 1

13 000 00

2 Taxable interest income of \$400 or less. If the total is more than \$400, you cannot use Form 1040EZ. 2

150 00

3 Add line 1 and line 2. This is your adjusted gross income. 3

13 150 00

Attach Copy B of Form(s) W-2 here

4 Can you be claimed as a dependent on another person's return?
Yes. Do work sheet on back; enter amount from line E here.
No. Enter 2,540 as your standard deduction. 4

2 540 00

5 Subtract line 4 from line 3. 5

10 610 00

6 If you checked the "Yes" box on line 4, enter 0. If you checked the "No" box on line 4, enter 1,900. This is your personal exemption. 6

1 900 00

7 Subtract line 6 from line 5. If line 6 is larger than line 5, enter 0 on line 7. This is your taxable income. 7

8 710 00

Figure your tax

8 Enter your Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). 8

\* 1 820 00

9 Use the single column in the tax table on pages 32-37 of the Form 1040A instruction booklet to find the tax on the amount shown on line 7 above. Enter the amount of tax. 9

1 237 00

Refund or amount you owe

10 If line 8 is larger than line 9, subtract line 9 from line 8. Enter the amount of your refund. 10

582 00

11 If line 9 is larger than line 8, subtract line 8 from line 9. Enter the amount you owe. Attach check or money order for the full amount, payable to "Internal Revenue Service." 11

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature

Date

\* F.W.T. is based on 1988 CIRCULAR E, EMPLOYER'S TAX GUIDE. MAY differ if PERCENTAGE FORMULA is used by EMPLOYER for withholding TAX. BASED on zero Withholding Allowance TAKEN from W-4.

1987 Tax Table—Continued

If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—				If line 36 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
<b>5,000</b>					<b>8,000</b>					<b>11,000</b>							
5,000	5,050	682	634	694	654	8,000	8,050	1,132	1,084	1,144	1,104	11,000	11,050	1,582	1,534	1,594	1,554
5,050	5,100	689	641	701	661	8,050	8,100	1,139	1,091	1,151	1,111	11,050	11,100	1,589	1,541	1,601	1,561
5,100	5,150	697	649	709	669	8,100	8,150	1,147	1,099	1,159	1,119	11,100	11,150	1,597	1,549	1,609	1,569
5,150	5,200	704	656	716	676	8,150	8,200	1,154	1,106	1,166	1,126	11,150	11,200	1,604	1,556	1,616	1,576
5,200	5,250	712	664	724	684	8,200	8,250	1,162	1,114	1,174	1,134	11,200	11,250	1,612	1,564	1,624	1,584
5,250	5,300	719	671	731	691	8,250	8,300	1,169	1,121	1,181	1,141	11,250	11,300	1,619	1,571	1,631	1,591
5,300	5,350	727	679	739	699	8,300	8,350	1,177	1,129	1,189	1,149	11,300	11,350	1,627	1,579	1,639	1,599
5,350	5,400	734	686	746	706	8,350	8,400	1,184	1,136	1,196	1,156	11,350	11,400	1,634	1,586	1,646	1,606
5,400	5,450	742	694	754	714	8,400	8,450	1,192	1,144	1,204	1,164	11,400	11,450	1,642	1,594	1,654	1,614
5,450	5,500	749	701	761	721	8,450	8,500	1,199	1,151	1,211	1,171	11,450	11,500	1,649	1,601	1,661	1,621
5,500	5,550	757	709	769	729	8,500	8,550	1,207	1,159	1,219	1,179	11,500	11,550	1,657	1,609	1,669	1,629
5,550	5,600	764	716	776	736	8,550	8,600	1,214	1,166	1,226	1,186	11,550	11,600	1,664	1,616	1,676	1,636
5,600	5,650	772	724	784	744	8,600	8,650	1,222	1,174	1,234	1,194	11,600	11,650	1,672	1,624	1,684	1,644
5,650	5,700	779	731	791	751	8,650	8,700	1,229	1,181	1,241	1,201	11,650	11,700	1,679	1,631	1,691	1,651
5,700	5,750	787	739	799	759	8,700	8,750	1,237	1,189	1,249	1,209	11,700	11,750	1,687	1,639	1,699	1,659
5,750	5,800	794	746	806	766	8,750	8,800	1,244	1,196	1,256	1,216	11,750	11,800	1,694	1,646	1,706	1,666
5,800	5,850	802	754	814	774	8,800	8,850	1,252	1,204	1,264	1,224	11,800	11,850	1,702	1,654	1,714	1,674
5,850	5,900	809	761	821	781	8,850	8,900	1,259	1,211	1,271	1,231	11,850	11,900	1,709	1,661	1,721	1,681
5,900	5,950	817	769	829	789	8,900	8,950	1,267	1,219	1,279	1,239	11,900	11,950	1,717	1,669	1,729	1,689
5,950	6,000	824	776	836	796	8,950	9,000	1,274	1,226	1,286	1,246	11,950	12,000	1,724	1,676	1,736	1,696
<b>6,000</b>					<b>9,000</b>					<b>12,000</b>							
6,000	6,050	832	784	844	804	9,000	9,050	1,282	1,234	1,294	1,254	12,000	12,050	1,732	1,684	1,744	1,704
6,050	6,100	839	791	851	811	9,050	9,100	1,289	1,241	1,301	1,261	12,050	12,100	1,739	1,691	1,751	1,711
6,100	6,150	847	799	859	819	9,100	9,150	1,297	1,249	1,309	1,269	12,100	12,150	1,747	1,699	1,759	1,719
6,150	6,200	854	806	866	826	9,150	9,200	1,304	1,256	1,316	1,276	12,150	12,200	1,754	1,706	1,766	1,726
6,200	6,250	862	814	874	834	9,200	9,250	1,312	1,264	1,324	1,284	12,200	12,250	1,762	1,714	1,774	1,734
6,250	6,300	869	821	881	841	9,250	9,300	1,319	1,271	1,331	1,291	12,250	12,300	1,769	1,721	1,781	1,741
6,300	6,350	877	829	889	849	9,300	9,350	1,327	1,279	1,339	1,299	12,300	12,350	1,777	1,729	1,789	1,749
6,350	6,400	884	836	896	856	9,350	9,400	1,334	1,286	1,346	1,306	12,350	12,400	1,784	1,736	1,796	1,756
6,400	6,450	892	844	904	864	9,400	9,450	1,342	1,294	1,354	1,314	12,400	12,450	1,792	1,744	1,804	1,764
6,450	6,500	899	851	911	871	9,450	9,500	1,349	1,301	1,361	1,321	12,450	12,500	1,799	1,751	1,811	1,771
6,500	6,550	907	859	919	879	9,500	9,550	1,357	1,309	1,369	1,329	12,500	12,550	1,807	1,759	1,819	1,779
6,550	6,600	914	866	926	886	9,550	9,600	1,364	1,316	1,376	1,336	12,550	12,600	1,814	1,766	1,826	1,786
6,600	6,650	922	874	934	894	9,600	9,650	1,372	1,324	1,384	1,344	12,600	12,650	1,822	1,774	1,834	1,794
6,650	6,700	929	881	941	901	9,650	9,700	1,379	1,331	1,391	1,351	12,650	12,700	1,829	1,781	1,841	1,801
6,700	6,750	937	889	949	909	9,700	9,750	1,387	1,339	1,399	1,359	12,700	12,750	1,837	1,789	1,849	1,809
6,750	6,800	944	896	956	916	9,750	9,800	1,394	1,346	1,406	1,366	12,750	12,800	1,844	1,796	1,856	1,816
6,800	6,850	952	904	964	924	9,800	9,850	1,402	1,354	1,414	1,374	12,800	12,850	1,852	1,804	1,864	1,824
6,850	6,900	959	911	971	931	9,850	9,900	1,409	1,361	1,421	1,381	12,850	12,900	1,859	1,811	1,871	1,831
6,900	6,950	967	919	979	939	9,900	9,950	1,417	1,369	1,429	1,389	12,900	12,950	1,867	1,819	1,879	1,839
6,950	7,000	974	926	986	946	9,950	10,000	1,424	1,376	1,436	1,396	12,950	13,000	1,874	1,826	1,886	1,846
<b>7,000</b>					<b>10,000</b>					<b>13,000</b>							
7,000	7,050	982	934	994	954	10,000	10,050	1,432	1,384	1,444	1,404	13,000	13,050	1,882	1,834	1,894	1,854
7,050	7,100	989	941	1,001	961	10,050	10,100	1,439	1,391	1,451	1,411	13,050	13,100	1,889	1,841	1,901	1,861
7,100	7,150	997	949	1,009	969	10,100	10,150	1,447	1,399	1,459	1,419	13,100	13,150	1,897	1,849	1,909	1,869
7,150	7,200	1,004	956	1,016	976	10,150	10,200	1,454	1,406	1,466	1,426	13,150	13,200	1,904	1,856	1,916	1,876
7,200	7,250	1,012	964	1,024	984	10,200	10,250	1,462	1,414	1,474	1,434	13,200	13,250	1,912	1,864	1,924	1,884
7,250	7,300	1,019	971	1,031	991	10,250	10,300	1,469	1,421	1,481	1,441	13,250	13,300	1,919	1,871	1,931	1,891
7,300	7,350	1,027	979	1,039	999	10,300	10,350	1,477	1,429	1,489	1,449	13,300	13,350	1,927	1,879	1,939	1,899
7,350	7,400	1,034	986	1,046	1,006	10,350	10,400	1,484	1,436	1,496	1,456	13,350	13,400	1,934	1,886	1,946	1,906
7,400	7,450	1,042	994	1,054	1,014	10,400	10,450	1,492	1,444	1,504	1,464	13,400	13,450	1,942	1,894	1,954	1,914
7,450	7,500	1,049	1,001	1,061	1,021	10,450	10,500	1,499	1,451	1,511	1,471	13,450	13,500	1,949	1,901	1,961	1,921
7,500	7,550	1,057	1,009	1,069	1,029	10,500	10,550	1,507	1,459	1,519	1,479	13,500	13,550	1,957	1,909	1,969	1,929
7,550	7,600	1,064	1,016	1,076	1,036	10,550	10,600	1,514	1,466	1,526	1,486	13,550	13,600	1,964	1,916	1,976	1,936
7,600	7,650	1,072	1,024	1,084	1,044	10,600	10,650	1,522	1,474	1,534	1,494	13,600	13,650	1,972	1,924	1,984	1,944
7,650	7,700	1,079	1,031	1,091	1,051	10,650	10,700	1,529	1,481	1,541	1,501	13,650	13,700	1,979	1,931	1,991	1,951
7,700	7,750	1,087	1,039	1,099	1,059	10,700	10,750	1,537	1,489	1,549	1,509	13,700	13,750	1,987	1,939	1,999	1,959
7,750	7,800	1,094	1,046	1,106	1,066	10,750	10,800	1,544	1,496	1,556	1,516	13,750	13,800	1,994	1,946	2,006	1,966
7,800	7,850	1,102	1,054	1,114	1,074	10,800	10,850	1,552	1,504	1,564	1,524	13,800	13,850	2,002	1,954	2,014	1,974
7,850	7,900	1,109	1,061	1,121	1,081	10,850	10,900	1,559	1,511	1,571	1,531	13,850	13,900	2,009	1,961	2,021	1,981
7,900	7,950	1,117	1,069	1,129	1,089	10,900	10,950	1,567	1,519	1,579	1,539	13,900	13,950	2,017	1,969	2,029	1,989
7,950	8,000	1,124	1,076	1,136	1,096	10,950	11,000	1,574	1,526	1,586	1,546	13,950	14,000	2,024	1,976	2,036	1,996

\* This column must also be used by a qualifying widow(er).

Continued on next page

Now let's take a brief look at a tax return filled out for Mary after she married John Doe and has 2 children. Since Mary is married, she and John are filing a joint return on a 1040A. This year John worked and Mary did not. Their return shows 4 exemptions, one for John, one for Mary and one for each of their two dependent children. As a result of this, the amount of personal exemptions increases from 1.900 for 1 single person to 4 times \$1,900 or \$7,600 for a family of 4. Since their adjusted gross income is less than \$15,432, Mary and John are also eligible for earned income credit. This increases the amount of their refund. (a copy of a Earned Income Credit Table follows the 1040 A form) So, as you can see, although John's salary is the same as Mary's was when she filed single, as a family, their tax refund is larger.



**Step 1**

**Label**

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) <i>John H. &amp; Mary L.</i>	Last name <i>Doe</i>
Present home address (number and street) (If you have a P.O. Box, see page 9 of the instructions.) <i>1223 N. ANY STREET</i>	
City, town or post office, state, and ZIP code <i>ANYTOWN, Pa. 19000</i>	

Your social security no.  
*000 02 0000*

Spouse's social security no.  
*000 01 0000*

For Privacy Act and Paperwork Reduction Act Notice, see page 31.

**Presidential Election Campaign Fund**

Do you want \$1 to go to this fund?  Yes  No

If joint return, does your spouse want \$1 to go to this fund?  Yes  No

Note: Checking "Yes" will not change your tax or reduce your refund.

**Step 2**

**Check your filing status**

(Check only one)

- Single (See if you can use Form 1040EZ.)
- Married filing joint return (even if only one had income)
- Married filing separate return. Enter spouse's social security number above and spouse's full name here.
- Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here.

**Step 3**

**Figure your exemptions**

(See page 12 of instructions.)

If more than 7 dependents, attach statement.

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 5a. But be sure to check the box on line 14b on page 2.

5a  Yourself

5b  Spouse

c Dependents:	2. Check if under age 5	3. If age 5 or over, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1987
<i>Keisha Doe</i>		<i>000 03 0000</i>	<i>DAUGHTER</i>	<i>12</i>
<i>*Kenneth A. Doe</i>	<input checked="" type="checkbox"/>		<i>SON</i>	<i>10</i>

No. of boxes checked on 5a and 5b *2*

No. of children on 5c who lived with you *2*

No. of children on 5c who didn't live with you due to divorce or separation *0*

No. of parents listed on 5c *0*

No. of other dependents listed on 5c *0*

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here

e Total number of exemptions claimed. (Also complete line 16.) *4*

Add numbers entered on lines above *4*

**Step 4**

**Figure your total income**

Attach check or money order here.

6 Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.)	6	<i>12000</i>	-
7a Taxable interest income (see page 17). (If over \$400, also complete and attach Schedule 1, Part II.)	7a	<i>150</i>	-
b Tax-exempt interest income (see page 17). (DO NOT include on line 7a.)	7b		
8 Dividends. (If over \$400, also complete and attach Schedule 1, Part III.)	8	<i>- 0 -</i>	-
9 Unemployment compensation (insurance) from Form(s) 1099-G.	9	<i>- 0 -</i>	-
10 Add lines 6, 7a, 8, and 9. Enter the total. This is your total income.	10	<i>12150</i>	-

**Step 5**

**Figure your adjusted gross income**

11a Your IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18.	11a	<i>-</i>	
b Spouse's IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18.	11b	<i>-</i>	
c Add lines 11a and 11b. Enter the total. These are your total adjustments.	11c	<i>- 0 -</i>	
12 Subtract line 11c from line 10. Enter the result. This is your adjusted gross income. (If this line is less than \$15,432 and a child lived with you, see "Earned Income Credit" (line 21b) on page 27 of instructions.)	12	<i>12150</i>	-

\* Kenneth Doe was born in February 1987. He is 10 months old and does not need a SS# because he is a dependent child under 5 years of age

Step 6

Figure your standard deduction,

13 Enter the amount from line 12. 13 13150 -

14a Check if: [ ] You were 65 or over [ ] Blind [ ] Spouse was 65 or over [ ] Blind Enter number of boxes checked > 14a [ ]

b If you can be claimed as a dependent on another person's return (such as your parents' return), check here. > 14b [ ]

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, check here. > 14c [ ]

d Standard deduction. If you checked a box on line 14a, b, or c, see page 22 for amount to enter on line 14d. If no box is checked, enter amount shown below for your filing status.

Filing status from page 1 { Single or Head of household, enter \$2,540 Married filing joint return, enter \$3,760 Married filing separate return, enter \$1,880 } 14d 3760 -

Exemption amount, and

15 Subtract line 14d from line 13. Enter the result. 15 9390 -

16 Multiply \$1,900 by the total number of exemptions claimed on line 5e. Or, figure your exemption amount from the chart on page 24 of the instructions. 16 7600 -

Taxable income

17 Subtract line 16 from line 15. Enter the result. This is your taxable income. > 17 1790 -

If You Want IRS To Figure Your Tax, See Page 24 of the Instructions.

Caution: If you are under age 14 and have more than \$1,000 of investment income, see page 24 of the instructions and check here > [ ]

Step 7

Figure your tax, credits, and payments (including advance EIC payments)

18 Find the tax on the amount on line 17. Check if from: [X] Tax Table (pages 32-37); or [ ] Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000. 18 197 -

19 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 19 -0-

20 Subtract line 19 from line 18. Enter the result. (If line 19 is more than line 18, enter -0- on line 20.) This is your total tax. > 20 197 -

21a Total Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). (If line 6 is more than \$43,800, see page 26.) 21a 1820 -

b Earned income credit, from the worksheet on page 28 of the instructions. Also see page 27. 21b 227 -

22 Add lines 21a and 21b. Enter the total. These are your total payments. > 22 2047 -

Step 8

Figure your refund or amount you owe

23 If line 22 is larger than line 20, subtract line 20 from line 22. Enter the result. This is the amount of your refund. 23 1850 -

24 If line 20 is larger than line 22, subtract line 22 from line 20. Enter the result. This is the amount you owe. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040A" on it. 24 -0-

Step 9

Sign your return

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 the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature: John H. Doe Date: 3-12-88 Your occupation: MAINT. MAN

Spouse's signature (if joint return, both must sign): Mary L. Doe Date: 3-12-88 Spouse's occupation: Housewife

Paid preparer's use only

Preparer's signature: [ ] Date: [ ] Preparer's social security no: [ ]

Firm's name (or yours if self-employed): [ ] Employer identification no: [ ]

Address and ZIP code: [ ] Check if self employed: [ ]



# 1987 Earned Income Credit Table

## Caution: This Is Not a Tax Table

To find your earned income credit: Read down the column titled "If line 3 or 4 of the worksheet is—" and find the appropriate

amount from: the Earned Income Credit Worksheet on page 19. Read across to the right and find the amount of the earned

income credit. Enter that amount on line 5 or 6 of the worksheet, whichever applies.

If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—		
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
\$0	\$25	\$2	\$1,600	\$1,625	\$226	\$3,200	\$3,225	\$450	\$4,800	\$4,825	\$674	\$7,225	\$7,250	\$819			
25	50	5	1,625	1,650	229	3,225	3,250	453	4,825	4,850	677	7,250	7,275	817			
50	75	9	1,650	1,675	233	3,250	3,275	457	4,850	4,875	681	7,275	7,300	814			
75	100	12	1,675	1,700	236	3,275	3,300	460	4,875	4,900	684	7,300	7,325	812			
100	125	16	1,700	1,725	240	3,300	3,325	464	4,900	4,925	688	7,325	7,350	809			
125	150	19	1,725	1,750	243	3,325	3,350	467	4,925	4,950	691	7,350	7,375	807			
150	175	23	1,750	1,775	247	3,350	3,375	471	4,950	4,975	695	7,375	7,400	804			
175	200	26	1,775	1,800	250	3,375	3,400	474	4,975	5,000	698	7,400	7,425	802			
200	225	30	1,800	1,825	254	3,400	3,425	478	5,000	5,025	702	7,425	7,450	799			
225	250	33	1,825	1,850	257	3,425	3,450	481	5,025	5,050	705	7,450	7,475	797			
250	275	37	1,850	1,875	261	3,450	3,475	485	5,050	5,075	709	7,475	7,500	794			
275	300	40	1,875	1,900	264	3,475	3,500	488	5,075	5,100	712	7,500	7,525	792			
300	325	44	1,900	1,925	268	3,500	3,525	492	5,100	5,125	716	7,525	7,550	789			
325	350	47	1,925	1,950	271	3,525	3,550	495	5,125	5,150	719	7,550	7,575	787			
350	375	51	1,950	1,975	275	3,550	3,575	499	5,150	5,175	723	7,575	7,600	784			
375	400	54	1,975	2,000	278	3,575	3,600	502	5,175	5,200	726	7,600	7,625	782			
400	425	58	2,000	2,025	282	3,600	3,625	506	5,200	5,225	730	7,625	7,650	779			
425	450	61	2,025	2,050	285	3,625	3,650	509	5,225	5,250	733	7,650	7,675	777			
450	475	65	2,050	2,075	289	3,650	3,675	513	5,250	5,275	737	7,675	7,700	774			
475	500	68	2,075	2,100	292	3,675	3,700	516	5,275	5,300	740	7,700	7,725	772			
500	525	72	2,100	2,125	296	3,700	3,725	520	5,300	5,325	744	7,725	7,750	769			
525	550	75	2,125	2,150	299	3,725	3,750	523	5,325	5,350	747	7,750	7,775	767			
550	575	79	2,150	2,175	303	3,750	3,775	527	5,350	5,375	751	7,775	7,800	764			
575	600	82	2,175	2,200	306	3,775	3,800	530	5,375	5,400	754	7,800	7,825	762			
600	625	86	2,200	2,225	310	3,800	3,825	534	5,400	5,425	758	7,825	7,850	759			
625	650	89	2,225	2,250	313	3,825	3,850	537	5,425	5,450	761	7,850	7,875	757			
650	675	93	2,250	2,275	317	3,850	3,875	541	5,450	5,475	765	7,875	7,900	754			
675	700	96	2,275	2,300	320	3,875	3,900	544	5,475	5,500	768	7,900	7,925	752			
700	725	100	2,300	2,325	324	3,900	3,925	548	5,500	5,525	772	7,925	7,950	749			
725	750	103	2,325	2,350	327	3,925	3,950	551	5,525	5,550	775	7,950	7,975	747			
750	775	107	2,350	2,375	331	3,950	3,975	555	5,550	5,575	779	7,975	8,000	744			
775	800	110	2,375	2,400	334	3,975	4,000	558	5,575	5,600	782	8,000	8,025	742			
800	825	114	2,400	2,425	338	4,000	4,025	562	5,600	5,625	786	8,025	8,050	739			
825	850	117	2,425	2,450	341	4,025	4,050	565	5,625	5,650	789	8,050	8,075	737			
850	875	121	2,450	2,475	345	4,050	4,075	569	5,650	5,675	793	8,075	8,100	734			
875	900	124	2,475	2,500	348	4,075	4,100	572	5,675	5,700	796	8,100	8,125	732			
900	925	128	2,500	2,525	352	4,100	4,125	576	5,700	5,725	800	8,125	8,150	729			
925	950	131	2,525	2,550	355	4,125	4,150	579	5,725	5,750	803	8,150	8,175	727			
950	975	135	2,550	2,575	359	4,150	4,175	583	5,750	5,775	807	8,175	8,200	724			
975	1,000	138	2,575	2,600	362	4,175	4,200	586	5,775	5,800	810	8,200	8,225	722			
1,000	1,025	142	2,600	2,625	366	4,200	4,225	590	5,800	5,825	814	8,225	8,250	719			
1,025	1,050	145	2,625	2,650	369	4,225	4,250	593	5,825	5,850	817	8,250	8,275	717			
1,050	1,075	149	2,650	2,675	373	4,250	4,275	597	5,850	5,875	821	8,275	8,300	714			
1,075	1,100	152	2,675	2,700	376	4,275	4,300	600	5,875	5,900	824	8,300	8,325	712			
1,100	1,125	156	2,700	2,725	380	4,300	4,325	604	5,900	5,925	828	8,325	8,350	709			
1,125	1,150	159	2,725	2,750	383	4,325	4,350	607	5,925	5,950	831	8,350	8,375	707			
1,150	1,175	163	2,750	2,775	387	4,350	4,375	611	5,950	5,975	835	8,375	8,400	704			
1,175	1,200	166	2,775	2,800	390	4,375	4,400	614	5,975	6,000	838	8,400	8,425	702			
1,200	1,225	170	2,800	2,825	394	4,400	4,425	618	6,000	6,025	842	8,425	8,450	699			
1,225	1,250	173	2,825	2,850	397	4,425	4,450	621	6,025	6,050	845	8,450	8,475	697			
1,250	1,275	177	2,850	2,875	401	4,450	4,475	625	6,050	6,075	849	8,475	8,500	694			
1,275	1,300	180	2,875	2,900	404	4,475	4,500	628	6,075	6,925	851	8,500	8,525	692			
1,300	1,325	184	2,900	2,925	408	4,500	4,525	632	6,925	6,950	849	8,525	8,550	689			
1,325	1,350	187	2,925	2,950	411	4,525	4,550	635	6,950	6,975	847	8,550	8,575	687			
1,350	1,375	191	2,950	2,975	415	4,550	4,575	639	6,975	7,000	844	8,575	8,600	684			
1,375	1,400	194	2,975	3,000	418	4,575	4,600	642	7,000	7,025	842	8,600	8,625	682			
1,400	1,425	198	3,000	3,025	422	4,600	4,625	646	7,025	7,050	839	8,625	8,650	679			
1,425	1,450	201	3,025	3,050	425	4,625	4,650	649	7,050	7,075	837	8,650	8,675	677			
1,450	1,475	205	3,050	3,075	429	4,650	4,675	653	7,075	7,100	834	8,675	8,700	674			
1,475	1,500	208	3,075	3,100	432	4,675	4,700	656	7,100	7,125	832	8,700	8,725	672			
1,500	1,525	212	3,100	3,125	436	4,700	4,725	660	7,125	7,150	829	8,725	8,750	669			
1,525	1,550	215	3,125	3,150	439	4,725	4,750	663	7,150	7,175	827	8,750	8,775	667			
1,550	1,575	219	3,150	3,175	443	4,750	4,775	667	7,175	7,200	824	8,775	8,800	664			
1,575	1,600	222	3,175	3,200	446	4,775	4,800	670	7,200	7,225	822	8,800	8,825	662			

1987 Earned Income Credit Table—Continued

If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—			If line 3 or 4 of the worksheet is—			Your earned income credit is—		
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
\$8,825	\$8,850	\$659	\$10,225	\$10,250	\$519	\$11,625	\$11,650	\$379	\$13,025	\$13,050	\$239	\$14,425	\$14,450	\$99			
8,850	8,875	657	10,250	10,275	517	11,650	11,675	377	13,050	13,075	237	14,450	14,475	97			
8,875	8,900	654	10,275	10,300	514	11,675	11,700	374	13,075	13,100	234	14,475	14,500	94			
8,900	8,925	652	10,300	10,325	512	11,700	11,725	372	13,100	13,125	232	14,500	14,525	92			
8,925	8,950	649	10,325	10,350	509	11,725	11,750	369	13,125	13,150	229	14,525	14,550	89			
8,950	8,975	647	10,350	10,375	507	11,750	11,775	367	13,150	13,175	227	14,550	14,575	87			
8,975	9,000	644	10,375	10,400	504	11,775	11,800	364	13,175	13,200	224	14,575	14,600	84			
9,000	9,025	642	10,400	10,425	502	11,800	11,825	362	13,200	13,225	222	14,600	14,625	82			
9,025	9,050	639	10,425	10,450	499	11,825	11,850	359	13,225	13,250	219	14,625	14,650	79			
9,050	9,075	637	10,450	10,475	497	11,850	11,875	357	13,250	13,275	217	14,650	14,675	77			
9,075	9,100	634	10,475	10,500	494	11,875	11,900	354	13,275	13,300	214	14,675	14,700	74			
9,100	9,125	632	10,500	10,525	492	11,900	11,925	352	13,300	13,325	212	14,700	14,725	72			
9,125	9,150	629	10,525	10,550	489	11,925	11,950	349	13,325	13,350	209	14,725	14,750	69			
9,150	9,175	627	10,550	10,575	487	11,950	11,975	347	13,350	13,375	207	14,750	14,775	67			
9,175	9,200	624	10,575	10,600	484	11,975	12,000	344	13,375	13,400	204	14,775	14,800	64			
9,200	9,225	622	10,600	10,625	482	12,000	12,025	342	13,400	13,425	202	14,800	14,825	62			
9,225	9,250	619	10,625	10,650	479	12,025	12,050	339	13,425	13,450	199	14,825	14,850	59			
9,250	9,275	617	10,650	10,675	477	12,050	12,075	337	13,450	13,475	197	14,850	14,875	57			
9,275	9,300	614	10,675	10,700	474	12,075	12,100	334	13,475	13,500	194	14,875	14,900	54			
9,300	9,325	612	10,700	10,725	472	12,100	12,125	332	13,500	13,525	192	14,900	14,925	52			
9,325	9,350	609	10,725	10,750	469	12,125	12,150	329	13,525	13,550	189	14,925	14,950	49			
9,350	9,375	607	10,750	10,775	467	12,150	12,175	327	13,550	13,575	187	14,950	14,975	47			
9,375	9,400	604	10,775	10,800	464	12,175	12,200	324	13,575	13,600	184	14,975	15,000	44			
9,400	9,425	602	10,800	10,825	462	12,200	12,225	322	13,600	13,625	182	15,000	15,025	42			
9,425	9,450	599	10,825	10,850	459	12,225	12,250	319	13,625	13,650	179	15,025	15,050	39			
9,450	9,475	597	10,850	10,875	457	12,250	12,275	317	13,650	13,675	177	15,050	15,075	37			
9,475	9,500	594	10,875	10,900	454	12,275	12,300	314	13,675	13,700	174	15,075	15,100	34			
9,500	9,525	592	10,900	10,925	452	12,300	12,325	312	13,700	13,725	172	15,100	15,125	32			
9,525	9,550	589	10,925	10,950	449	12,325	12,350	309	13,725	13,750	169	15,125	15,150	29			
9,550	9,575	587	10,950	10,975	447	12,350	12,375	307	13,750	13,775	167	15,150	15,175	27			
9,575	9,600	584	10,975	11,000	444	12,375	12,400	304	13,775	13,800	164	15,175	15,200	24			
9,600	9,625	582	11,000	11,025	442	12,400	12,425	302	13,800	13,825	162	15,200	15,225	22			
9,625	9,650	579	11,025	11,050	439	12,425	12,450	299	13,825	13,850	159	15,225	15,250	19			
9,650	9,675	577	11,050	11,075	437	12,450	12,475	297	13,850	13,875	157	15,250	15,275	17			
9,675	9,700	574	11,075	11,100	434	12,475	12,500	294	13,875	13,900	154	15,275	15,300	14			
9,700	9,725	572	11,100	11,125	432	12,500	12,525	292	13,900	13,925	152	15,300	15,325	12			
9,725	9,750	569	11,125	11,150	429	12,525	12,550	289	13,925	13,950	149	15,325	15,350	9			
9,750	9,775	567	11,150	11,175	427	12,550	12,575	287	13,950	13,975	147	15,350	15,375	7			
9,775	9,800	564	11,175	11,200	424	12,575	12,600	284	13,975	14,000	144	15,375	15,400	4			
9,800	9,825	562	11,200	11,225	422	12,600	12,625	282	14,000	14,025	142	15,400	15,425	2			
9,825	9,850	559	11,225	11,250	419	12,625	12,650	279	14,025	14,050	139	15,425	15,432	1			
9,850	9,875	557	11,250	11,275	417	12,650	12,675	277	14,050	14,075	137	\$15,432 or more—you cannot take the credit					
9,875	9,900	554	11,275	11,300	414	12,675	12,700	274	14,075	14,100	134						
9,900	9,925	552	11,300	11,325	412	12,700	12,725	272	14,100	14,125	132						
9,925	9,950	549	11,325	11,350	409	12,725	12,750	269	14,125	14,150	129						
9,950	9,975	547	11,350	11,375	407	12,750	12,775	267	14,150	14,175	127						
9,975	10,000	544	11,375	11,400	404	12,775	12,800	264	14,175	14,200	124						
10,000	10,025	542	11,400	11,425	402	12,800	12,825	262	14,200	14,225	122						
10,025	10,050	539	11,425	11,450	399	12,825	12,850	259	14,225	14,250	119						
10,050	10,075	537	11,450	11,475	397	12,850	12,875	257	14,250	14,275	117						
10,075	10,100	534	11,475	11,500	394	12,875	12,900	254	14,275	14,300	114						
10,100	10,125	532	11,500	11,525	392	12,900	12,925	252	14,300	14,325	112						
10,125	10,150	529	11,525	11,550	389	12,925	12,950	249	14,325	14,350	109						
10,150	10,175	527	11,550	11,575	387	12,950	12,975	247	14,350	14,375	107						
10,175	10,200	524	11,575	11,600	384	12,975	13,000	244	14,375	14,400	104						
10,200	10,225	522	11,600	11,625	382	13,000	13,025	242	14,400	14,425	102						



Chapter 7

Activities for Filling Out Forms

1040EZ

Choose the correct letter

1. when should a taxpayer use form 1040EZ?
  - a. his/her filing status is single
  - b. he/she claims no exemptions or dependents
  - c. his/her interest income is \$400 or less
  - d. his/her taxable income is less than \$50,000
  - e. all of the above
  
2. John & Sue Smith's gross wages for the year 1987 total \$25,000.00. They also have \$550 in interest income. Can they use the 1040EZ to file their taxes? Why?
  - a. yes
  - b. no
  
3. Mary A. Brown is single. Mary's gross income for 1987 is \$11,500.00 and she has \$225.00 interest from a money market. Can Mary use the 1040EZ to prepare her taxes? Why?
  - a. yes
  - b. no
  
4. Which of the following types of income listed below can be included on a 1040EZ?
  - a. wages, salaries, tips and interest
  - b. \$700 in interest income
  - c. \$25,000.00 -in wages
  - d. \$165.00 -in tips
  - e. a,c,d
  - f. all of the above
  
5. Since Harry is single, lives alone, and is 67, can he use the 1040EZ for filing his taxes. Why?
  - a. yes
  - b. no

1040A

(choose the correct letter

1. Which status does NOT allow a taxpayer to use form 1040A?
  - a. married filing jointly
  - b. single
  - c. qualifying widow/widower
  - d. married filing separately
  - e. Head of Household
  
2. If Jan earns \$13,000.00 as a receptionist and also has \$350 in interest income. will Jan be eligible for earned income credit? Jan's daughter is 4 years old and lives with her.
  - a. yes
  - b. no
  
3. You are a tax preparer. Elsie comes into your office and brings her w-2 showing \$40,000 in salary, \$875 in interest. \$2080 in babysitting fees. Can Elsie use the 1040A?

FOR QUESTIONS 4 & 5. FILL ANSWER IN ON BLANK 1040A (next page)

4. Sue Tate reports. unearned income of \$650 in interest, \$12,500 in wages. Sue is divorced with two children. what is her taxable income?
  - a. \$13,150
  - b. \$ 7,450
  - c. \$ 7,540
  
5. Now that you know Sue's taxable income. what is the amount of her tax? (use the tax table on pg. 42)
  - a. \$1014
  - b. \$1049
  - c. \$1021
  
6. Ellen's adjusted gross income is \$8,520. What is her earned income credit? (Use Earned Income Credit Table on pg. 45)
  - a. 692
  - b. 926
  - c. 296

**U.S. Individual  
Income Tax Return** 1987

OMB No. 1545-0047

**Step 1  
Label**

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial)	Last name
Present home address (number and street). (If you have a P.O. Box, see page 9 of the instructions.)	
City, town or post office, state, and ZIP code	

Your social security no. \_\_\_\_\_

Spouse's social security \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see page 31

**Presidential Election Campaign Fund**

Do you want \$1 to go to this fund?  Yes  No  
 If joint return, does your spouse want \$1 to go to this fund?  Yes  No

*Note: Checking "Yes" not change your tax or reduce your refund.*

**Step 2  
Check your filing status**  
(Check only one)

- 1  Single (See if you can use Form 1040EZ.)
- 2  Married filing joint return (even if only one had income)
- 3  Married filing separate return. Enter spouse's social security number above and spouse's full name here. \_\_\_\_\_
- 4  Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. \_\_\_\_\_

**Step 3  
Figure your exemptions**  
(See page 12 of instructions.)

**Caution:** If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 5a. But be sure to check the box on line 14b on page 2.

5a  Yourself

5b  Spouse

C Dependents: 1. Name (first, initial, and last name)	2. Check if under age 5	3. If age 5 or over, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1987

No. of boxes checked on 5a and 5b \_\_\_\_\_

No. of children on 5c who lived with you \_\_\_\_\_

No. of children on 5c who didn't live with you due to divorce or separation \_\_\_\_\_

No. of parents listed on 5c \_\_\_\_\_

No. of other dependents listed on 5c \_\_\_\_\_

If more than 7 dependents, attach statement.

Attach Copy B of Form(e) W-2 here.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here

e Total number of exemptions claimed. (Also complete line 16.)

Add numbers entered on lines above

**Step 4  
Figure your total income**

6 Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.)	6	
7a Taxable interest income (see page 17). (If over \$400, also complete and attach Schedule 1, Part II.)	7a	
b Tax-exempt interest income (see page 17). (DO NOT include on line 7a.)	7b	
8 Dividends. (If over \$400, also complete and attach Schedule 1, Part III.)	8	
9 Unemployment compensation (insurance) from Form(s) 1099-G.	9	
10 Add lines 6, 7a, 8, and 9. Enter the total. This is your total income.	10	

Attach check or money order here.

**Step 5  
Figure your adjusted gross income**

11a Your IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18.	11a	
b Spouse's IRA deduction from applicable Worksheet. New rules for IRAs begin on page 18.	11b	
c Add lines 11a and 11b. Enter the total. These are your total adjustments.	11c	
12 Subtract line 11c from line 10. Enter the result. This is your adjusted gross income. (If this line is less than \$15,432 and a child lived with you, see "Earned Income Credit" (line 21b) on page 27 of instructions.)	12	

Step 6

Figure your standard deduction.

13 Enter the amount from line 12. 13

14a Check if: [ ] You were 65 or over [ ] Blind [ ] Spouse was 65 or over [ ] Blind Enter number of boxes checked ▶ 14a [ ]

b If you can be claimed as a dependent on another person's return (such as your parents' return), check here. ▶ 14b [ ]

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, check here. ▶ 14c [ ]

d Standard deduction. If you checked a box on line 14a, b, or c, see page 22 for amount to enter on line 14d. If no box is checked, enter amount shown below for your filing status.

Filing status from page 1 { Single or Head of household, enter \$2,540 Married filing joint return, enter \$3,760 Married filing separate return, enter \$1,880 } 14d

Exemption amount, and

15 Subtract line 14d from line 13. Enter the result. 15

16 Multiply \$1,900 by the total number of exemptions claimed on line 5e. Or, figure your exemption amount from the chart on page 24 of the instructions. 16

Taxable income

17 Subtract line 16 from line 15. Enter the result. This is your taxable income. ▶ 17

If You Want IRS To Figure Your Tax, See Page 24 of the instructions.

Step 7

Figure your tax, credits, and payments (including advance EIC payments)

Caution: If you are under age 14 and have more than \$1,000 of investment income, see page 24 of the instructions and check here. ▶ [ ]

18 Find the tax on the amount on line 17. Check if from: [ ] Tax Table (pages 32-37); or [ ] Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000. 18

19 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 19

20 Subtract line 19 from line 18. Enter the result. (If line 19 is more than line 18, enter -0- on line 20.) This is your total tax. ▶ 20

21a Total Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). (If line 6 is more than \$43,800, see page 26.) 21a

b Earned income credit, from the worksheet on page 28 of the instructions. Also see page 27. 21b

22 Add lines 21a and 21b. Enter the total. These are your total payments. ▶ 22

Step 8

Figure your refund or amount you owe

23 If line 22 is larger than line 20, subtract line 20 from line 22. Enter the result. This is the amount of your refund. 23

24 If line 20 is larger than line 22, subtract line 22 from line 20. Enter the result. This is the amount you owe. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040A" on it. 24

Step 9

Sign your return

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 the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature Date Your occupation

Spouse's signature (if joint return, both must sign) Date Spouse's occupation

Paid preparer's use only

Preparer's signature Date Preparer's social security no.

Firm's name (or yours if self-employed) Employer identification no.

Check if self-employed [ ]

Address and ZIP code



1040

Choose the correct letter

1. Bill and Joan Brown come to you for help with preparing their taxes. Listed below is their tax information

Salary-Bill	\$22,500
Salary-Joan	\$25,250
Dividends	\$423
Interest	\$155
Pension	\$4,025

Which form will you use to prepare their taxes.

- a. 1040EZ  
 b. 1040  
 c. 1040A
2. Which status is on 1040 and not on 1040EZ or 1040A?
- a. head of household  
 b. single  
 c. qualifying widow/widower with dependent child
3. Betty and Ron are both over 65. Should they use form 1040 to prepare their taxes? Why?
- a. yes  
 b. no

4. Carol and Ted have 3 children and an income of \$35,000 and \$27,552. Their charitable contributions totaled \$612. Their babysitting fees were \$45 per week. Their lottery winning were \$1500. Their mortgage interest totaled \$5,251, and their real estate taxes came \$912. They also paid \$1,225 in child support for a child from Ted's previous marriage who is not living with them.

Which item is NOT included on their 1040?

- a. lottery winnings  
 b. child support  
 c. wages
5. Please check the correct yes or no column  
 Which types of income are reported on the 1040?
- |                              | yes   | no    |
|------------------------------|-------|-------|
| a. wages                     | _____ | _____ |
| b. alimony                   | _____ | _____ |
| c. welfare payments          | _____ | _____ |
| d. unemployment compensation | _____ | _____ |
| e. child support             | _____ | _____ |
| f. lottery winnings          | _____ | _____ |

Chapter 7  
Activities For Reading Forms

i. Root words

Write the root word.

1. mailing \_\_\_\_\_
2. filers \_\_\_\_\_
3. instruction \_\_\_\_\_
4. salaries \_\_\_\_\_
5. taxable \_\_\_\_\_
6. checked \_\_\_\_\_
7. adjusted \_\_\_\_\_
8. dependent \_\_\_\_\_
9. larger \_\_\_\_\_
10. payment \_\_\_\_\_
11. return \_\_\_\_\_
12. refund \_\_\_\_\_
13. election \_\_\_\_\_
14. payable \_\_\_\_\_

ii. Syllables

Divide the words into syllables.

1. address \_\_\_\_\_
2. dollars \_\_\_\_\_
3. income \_\_\_\_\_
4. office \_\_\_\_\_
5. attach \_\_\_\_\_
7. adjust \_\_\_\_\_
8. enter \_\_\_\_\_
9. correct \_\_\_\_\_
10. single \_\_\_\_\_



III. Write the plural.

1. wage \_\_\_\_\_

2. salary \_\_\_\_\_

3. name \_\_\_\_\_

4. tip \_\_\_\_\_

5. filer \_\_\_\_\_

6. number \_\_\_\_\_

7. form \_\_\_\_\_

8. tax \_\_\_\_\_

9. box \_\_\_\_\_

10. city \_\_\_\_\_

11. address \_\_\_\_\_

12. copy \_\_\_\_\_

13. date \_\_\_\_\_

14. penalty \_\_\_\_\_

15. page \_\_\_\_\_

IV. Write the homonym.

1. one \_\_\_\_\_

2. two \_\_\_\_\_

3. here \_\_\_\_\_

4. four \_\_\_\_\_

5. no \_\_\_\_\_

6. write \_\_\_\_\_

7. see \_\_\_\_\_

8. your \_\_\_\_\_

9. be \_\_\_\_\_

10. do \_\_\_\_\_

11. I \_\_\_\_\_

12. or \_\_\_\_\_

13. cent \_\_\_\_\_

14. in \_\_\_\_\_

Chapter 7  
More Activities for Reading Forms

Vocabulary

1. Root words

Write the root word.

1. incorrect \_\_\_\_\_
2. mainly \_\_\_\_\_
3. completely \_\_\_\_\_
4. dependents \_\_\_\_\_
5. unemployment \_\_\_\_\_
6. information \_\_\_\_\_
7. failure \_\_\_\_\_
8. necessarily \_\_\_\_\_
9. married \_\_\_\_\_
10. liability \_\_\_\_\_
11. qualifying \_\_\_\_\_
12. relationship \_\_\_\_\_
13. unrelated \_\_\_\_\_
14. adjusted \_\_\_\_\_

11. Contractions

write the two words for each contraction.

- |                     |                    |
|---------------------|--------------------|
| 1. you've _____     | 11. doesn't _____  |
| 2. I've _____       | 12. hasn't _____   |
| 3. you've _____     | 13. isn't _____    |
| 4. we've _____      | 14. aren't _____   |
| 5. they've _____    | 15. don't _____    |
| 6. I'm _____        | 16. won't _____    |
| 7. he's _____       | 17. can't _____    |
| 8. you're _____     | 18. haven't _____  |
| 9. they're _____    | 19. couldn't _____ |
| 10. shouldn't _____ | 20. wasn't _____   |

write the contraction for each of the following two words

- |                     |                    |
|---------------------|--------------------|
| 1. do not _____     | 11. he is _____    |
| 2. has not _____    | 12. I have _____   |
| 3. does not _____   | 13. you have _____ |
| 4. is not _____     | 14. we have _____  |
| 5. will not _____   | 15. who is _____   |
| 6. was not _____    | 16. let us _____   |
| 7. should not _____ | 17. I am _____     |
| 8. they are _____   | 18. were not _____ |
| 9. we are _____     | 19. did not _____  |
| 10. you are _____   | 20. can not _____  |

### III. Comprehension

Please answer in complete sentences.

1. Who may use the 1040EZ form?
2. What must your salary amount be under in order for you to use a 1040A form?
3. Why types of deductions are allowed on a 1040A?
4. What are the types of filing status allowable on a 1040A?
5. What is the filing status allowable only on a 1040?
6. What can an exemption lower?
7. What are the two types of exemptions and what do they allow you to claim?
8. How does the I.R.S. say an individual qualifies as a dependent?
9. What do itemized deductions or standard deductions help to do?
10. Which credit was left after the 1986 Tax Reform Act?
11. What qualifies an individual for Earned Income Credit and what must the filing status be?

### IV. Discussion

Is it best to choose a particular tax form because it's easy to use?

Chapter 8

Oops!

I made a mistake.

Oops! I made a mistake!

What do I do now? I've already prepared and mailed my return. I forgot to deduct the day care fees for my daughter. The bank just sent me a statement (1099-INT.) showing how much interest my checking and saving accounts earned. That part-time job just sent me a w-2. Now it looks like I'm not telling the I.R.S. how much money I made last year. Am I in big trouble, or should I just forget about the new information?

If any of the above situations ever occur after you have prepared your taxes, there is a solution.

You may file what is called an **amended tax return** on **Form 1040X**. Amended simply means to do over again.

If you do not have a 1040X form you may simply write 1040X or Amended across the top of the form you are changing.

The I.R.S. allows you to correct your 1040EZ, 1040A or 1040, but you must file your 1040X within 3 years after the April 15th due date, or within two years of the actual filing of the return.

An amended return also allows you to change or add these other items:

1. Filing Status
2. Itemized Deductions
3. Exemptions
4. Additional Income

(see Appendix B, for a sample copy of the 1040X)

Chapter 8

I. Root Word

write the root word.

1. mailed \_\_\_\_\_
2. checking \_\_\_\_\_
3. difference \_\_\_\_\_
4. exemptions \_\_\_\_\_
5. basically \_\_\_\_\_
6. original \_\_\_\_\_
7. itemized \_\_\_\_\_
8. information \_\_\_\_\_
9. actually \_\_\_\_\_
10. amended \_\_\_\_\_
11. correction \_\_\_\_\_
12. saving \_\_\_\_\_
13. statement \_\_\_\_\_
14. earned \_\_\_\_\_

II. Verbs

write the missing verb form:

<u>Present</u>	<u>Past</u>	<u>Past Participle</u>
1. do	_____	_____
2. _____	forgot	_____
3. send	_____	_____
4. have	_____	_____
5. _____	made	_____
6. _____	_____	taken
7. call	_____	_____
8. _____	went	_____
9. come	_____	_____
10. pay	_____	_____

III. Comprehension

Please answer in complete sentences.

1. What can you do if you make a mistake on your tax return after you have already mailed it?
2. How long do you have to file a Form 1040X?
3. What other items can be changed or added on to an amended return?

IV. Discussion

Do you think that there are real advantages or disadvantages to doing an amended return?



Chapter 9  
State Taxes

## State Taxes

In Pennsylvania, we have a Personal Income Tax (P.I.T.) which is filed and due on April 15th along with our federal taxes.

The rate of our P.I.T. tax is 2.1% (.021). This rate is calculated against our total taxable income. This is a flat **rate tax**.

Information for filing of our state return is reported on PA 40A (short) or a PA 40 (long) form.

Pennsylvania does not allow for personal exemptions in the filing of P.I.T. But the state does have what is called **Special Provisions for tax forgiveness**.

Only certain taxpayers qualify for Special Provisions. If you provided at least one half of your own support and your eligibility income for special provisions is \$5,400 or less, you may qualify for a percentage of tax forgiveness. You will need to file schedule S.P.

If you think that you qualify, a S.P. worksheet will need to be filed to determine your taxable income, eligibility income and your support. All of these back up schedules are contained in the PA 40 (long) booklet only.

Filing status for your P.I.T. are single, married filing jointly, married filing separately and deceased filing final return. Take note that for the state tax return there is no Head of Household nor Qualifying Widow/Widower status.

Although personal exemptions are not allowed, the PA 40 does allow some of the same employee business related expenses from your federal 2106 form and your Schedule A (itemized deductions) to be deducted on your PA 40. Business related items include union dues, work clothes and uniforms, small tools along with a few other allowable expenses.

Your state tax is withheld by your employer and reported to the state on a PA501 form, Employer Deposit Statement of Income Tax withheld.

Pennsylvania also has what is known as a Property Tax or Rent **Rebate Program**. These rebates are based on the amount of property taxes or rent you paid during the year.

This program is aimed at senior citizens, permanently disabled individuals between the ages of 18 and 64, or a widow or widower age 50 to 64. You will have had to reach these ages by the 31st day of December prior to filing for the rebate.

For the Rent Rebate Program your income level from all sources (wages, public assistance, unemployment compensation, etc.) may not exceed \$15,000.

Your property tax or Rent Rebate refund will not exceed \$500.00. When your form has been filed and approved you automatically qualify for an **inflation dividend** check.

On the page that follows is the PA40 that John and Mary filled out after completing their 1040 A.

PA-40 (8-87)



# COMMONWEALTH OF PENNSYLVANIA

## Individual Income Tax Return

For the taxable year January 1 — December 31, 1987



# 1987

OFFICIAL USE ONLY

Fiscal Year Filer For Taxable Year Beginning \_\_\_\_\_ 1987, Ending \_\_\_\_\_, 198\_\_ Attached

Request for Extension

**PLEASE PRINT OR TYPE**

YOUR SOCIAL SECURITY NUMBER: 000 02 0000 SPOUSE'S SOCIAL SECURITY NUMBER: 000 01 0000  
(Even if filing separate return)

Last Name: Doe First name and initial (if joint return, enter both names): John H. & Mary L.

Home Address: 1223 N. ANY STREET

City or Post Office: ANYTOWN PA State: PA Zip Code: 19000

Check here if this is a change of address from last year's return

TELEPHONE NUMBER: ( ) \_\_\_\_\_

School District Name (as of December 31, 1987): PHILA CITY CODE (see pages 7 and 8): 51500

FILING STATUS: (Check One)

Single  
 Married, Filing Joint Return  
 Married, Filing Separate Return  
 Deceased, Filing Final Return

Name of Spouse: \_\_\_\_\_  
 Date of Death: \_\_\_\_\_

Occupation: Your MAINT.  
 Spouse's Housewife

RESIDENCY STATUS: (Check One)

Resident  
 Part-Year Resident — From \_\_\_\_\_ To \_\_\_\_\_  
 Nonresident \_\_\_\_\_ Name of State \_\_\_\_\_

OFFICIAL USE ONLY

ATTACH CHECK OR MONEY ORDER HERE

1a. GROSS COMPENSATION (Wages, salaries, tips, etc.)	1a	<u>13000</u>	-	THIS RETURN MUST BE FILED ON OR BEFORE APRIL 15, 1988
1b. LESS EXPENSES FROM SCHEDULE UE	1b	<u>- 0 -</u>		
1c. TAXABLE COMPENSATION (line 1a less line 1b) ATTACH COPY OF W-2'S TO BACK OF THIS FORM	1c	<u>13000</u>	-	BE SURE TO COMPLETE SCHOOL DISTRICT DATA
2. NET PROFITS FROM BUSINESS, PROFESSION OR FARM (Complete Schedule C or F)	2	<u>- 0 -</u>		
3. INTEREST (Complete Schedule A if over \$400)	3	<u>150</u>	-	ATTACH COPIES OF ALL W-2'S TO BACK OF RETURN
4. DIVIDENDS (Complete Schedule B if over \$400)	4	<u>0</u>		
5. Add lines 3 and 4 ONLY	5	<u>150</u>	-	
6a. SALE OR EXCHANGE OF PROPERTY (Complete Schedule D)	6a.	<u>- 0 -</u>		
6b. AMOUNT OF EXCLUSION CLAIMED FROM GAIN ON A PRINCIPAL RESIDENCE FROM PA-19 (Enter amount only. Do not add or subtract line 6b.)	6b.	<u>- 0 -</u>		
7. RENTS, ROYALTIES, PATENTS AND COPYRIGHTS (Complete Schedule E)	7	<u>-</u>		
8. ESTATES OR TRUSTS (Complete Schedule J)	8	<u>-</u>		
9. GAMBLING AND LOTTERY WINNINGS	9	<u>-</u>		
10. Add lines 6a, 7, 8 and 9 ONLY	10	<u>- 0 -</u>		
11. PENNSYLVANIA TAXABLE INCOME (Add lines 1c, 2, 5 and 10)	11	<u>13150</u>	-	
12. TAX LIABILITY — 2.1% OF LINE 11 (Multiply line 11 by .021)	12	<u>276</u>	-	
13. TOTAL PA. INCOME TAXES WITHHELD (From Attached W-2's)	13	<u>273</u>	-	OFFICIAL USE ONLY
14. PA. ESTIMATED TAX PAYMENTS (Include extension payments and allowed credit from 1986 return)	14	<u>-</u>		
15a. TAXES PAID BY PA. RESIDENTS TO OTHER STATES (Complete Schedule G)	15a	<u>-</u>		
15b. TAX FORGIVENESS CLAIMED ON SCHEDULE SP (Complete Schedule SP and lines 20a and 20b below)	15b	<u>-</u>		
15c. EMPLOYMENT INCENTIVE PAYMENT CREDIT (Complete PA Schedule W)	15c	<u>-</u>		
16. TOTAL CREDITS (Add lines 13, 14, 15a, 15b and 15c)	16	<u>273</u>	-	
17. If line 12 is greater than line 16 enter the difference. This is the TAX DUE. Make checks payable to PA Department of Revenue	17	<u>- 0 -</u>		
18. If line 16 is greater than line 12 enter the difference. This is the OVERPAYMENT	18	<u>3</u>		
19. Amount of Line 18 to be:				Write Social Security Number on check or money order. The total of lines 19a, 19b, 19c and 19d cannot exceed line 18
(a) REFUNDED (Allow at Least Six Weeks for Refund Checks)	19a	<u>3</u>	-	
(b) CREDITED ON 1988 ESTIMATED TAX	19b			
(c) DONATED TO WILD RESOURCE CONSERVATION FUND	19c			
(d) DONATED TO UNITED STATES OLYMPICS COMMITTEE, PENNSYLVANIA DIVISION	19d			
Sch. SP YOU MUST COMPLETE 20a AND 20b IF SCHEDULE SP IS USED				
20a. NUMBER OF DEPENDENTS CLAIMED ON SCHEDULE SP	20a			
20b. TOTAL INCOME AS REPORTED ON SCHEDULE SP line 8	20b			

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.

Signature: John H. Doe Date: 3-12-88

Spouse's signature (if filing jointly, BOTH must sign even if only one had income): Mary L. Doe Date: 3-12-88

( ) (Telephone No.)

68  
 Signature of preparer, other than taxpayer, based on all information on which he has any knowledge Date





# ALLOWABLE BUSINESS EXPENSES

Expenses for which you are not reimbursed by your employer.

Attach a separate UE-2 to form PA-40 for each employer.  
Print or type all information.

## SCHEDULE UE-2 (9-87)

DEPARTMENT OF REVENUE

Name as shown on form PA-40

Social Security Number

Employer's Name

Employer's Address

Job Description In Which Expenses Were Incurred

Employer's Telephone No.

( )

**PART A: UNION DUES** (Name and amount)

A

**PART B: WORK CLOTHES AND UNIFORMS** (If required as a condition of employment and not suitable for every day use)

B

**PART C: SMALL TOOLS AND SUPPLIES** (Required by your employment and not supplied by your employer)

C

**PART D: PROFESSIONAL LICENSE FEES AND INSURANCE** (Required as a condition of your employment)

D

**TOTAL EXPENSES OF PARTS A THROUGH H.** (REPORT ON LINE 1b of PA-40)

1

## Special Tax Provisions Schedule

(DO NOT FILE IF A DEPENDENT)

Print or type all information.

SCHEDULE SP

DEPARTMENT OF REVENUE

- A**
- |   |  |  |  |
|---|--|--|--|
| 1. Are you a dependent spouse or child? .....                                 | <input type="checkbox"/> Yes <input type="checkbox"/> No | 4. Are you a student? .....                            | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 2. Are you claimed as a dependent on your spouse's Schedule SP? .....         | <input type="checkbox"/> Yes <input type="checkbox"/> No | 5. If married, is your spouse filing a Schedule SP? .. | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 3. Are you being claimed as a dependent child for Federal tax purposes? ..... | <input type="checkbox"/> Yes <input type="checkbox"/> No | 6. Are you a widow/widower? .....                      | <input type="checkbox"/> Yes <input type="checkbox"/> No |
- If you answered "Yes" to questions 1, 2 or 3, DO NOT FILE A SCHEDULE SP

- B**
1. Total number of dependent children in family \_\_\_\_\_  
List below all dependents you are entitled to claim. DO NOT INCLUDE YOURSELF. (Additional information may be attached on a separate sheet)

DEPENDENTS

DEPENDENT'S NAME	AGE	RELATIONSHIP (Spouse or Child)	SOCIAL SECURITY NUMBER

Enter here and on line 20a of PA-40 total number of dependents you are entitled to claim .....

2. Total Other Income from line C 7 of SP Worksheet:

Claimant \$ \_\_\_\_\_

Spouse \$ \_\_\_\_\_

- C**
- If married, complete Columns A & B. When claiming tax forgiveness, both spouses must file separate PA-40's if each has taxable income.

ELIGIBILITY INCOME DETERMINATION

	COLUMN A CLAIMANT'S INCOME	COLUMN B SPOUSE'S INCOME
1. TOTAL TAXABLE INCOME FROM LINE 11 OF FORM PA-40 .....	1	
2. NONTAXABLE INTEREST, DIVIDENDS AND GAINS (Worksheet line B2) .....	2	
3. ALIMONY/CHILD SUPPORT (Worksheet line B3) .....	3	
4. LIFE INSURANCE AND INHERITANCE PROCEEDS (Worksheet line B4) .....	4	
5. GIFTS, AWARDS AND PRIZES (Worksheet line B5) .....	5	
6. NONRESIDENT INCOME (Worksheet line B6) .....	6	
7. ALL OTHER INCLUDABLE INCOME (Worksheet lines B1 and B7 through B10) ..	7	

FORGIVENESS COMPUTATION

8. TOTAL INCOME — LINES 1 THROUGH 7 ABOVE (Enter Claimant's Total Income in Column A and on line 20b of PA-40)	8		ATTACH ALL COPIES OF W-2's HERE
9. PENNSYLVANIA PERSONAL INCOME TAX (From line 12 of form PA-40) .....	9		
10. LESS TAXES PAID TO OTHER STATES (Line 15a, form PA-40) .....	10		
11. SUBTRACT LINE 10 FROM LINE 9 AND ENTER DIFFERENCE .....	11		
12. PERCENTAGE OF FORGIVENESS (See Income Table for decimal equivalent) ..	12		
13. AMOUNT OF SPECIAL TAX FORGIVENESS (Multiply line 11 by line 12) Enter here and on line 15b of PA-40 .....	13	6.9	

Chapter 9

Vocabulary

I. Root Words

Write the root word.

1. forgiveness \_\_\_\_\_
2. provision \_\_\_\_\_
3. qualifications \_\_\_\_\_
4. inflation \_\_\_\_\_
5. information \_\_\_\_\_
6. percentage \_\_\_\_\_
7. automatically \_\_\_\_\_
8. assistance \_\_\_\_\_
9. employers \_\_\_\_\_
10. exemptions \_\_\_\_\_
11. calculated \_\_\_\_\_
12. taxable \_\_\_\_\_
13. provided \_\_\_\_\_
14. deductions \_\_\_\_\_

II. Verbs

Add ed and ing to these words

ed

ing

- |              |       |       |
|--------------|-------|-------|
| 1. calculate | _____ | _____ |
| 2. file      | _____ | _____ |
| 3. change    | _____ | _____ |
| 4. raise     | _____ | _____ |
| 5. share     | _____ | _____ |

- 6. decide \_\_\_\_\_
- 7. separate \_\_\_\_\_
- 8. believe \_\_\_\_\_
- 9. require \_\_\_\_\_

III. Comprehension

Please answer in complete sentences.

- 1. What is our Pennsylvania tax called?
- 2. What is the tax rate in Pennsylvania and how is it calculated?
- 3. How might you qualify for special provisions or tax forgiveness on a PA tax form?
- 4. Which PA tax form do you need for special provisions?
- 5. What kind of items can be deducted from a PA 40?
- 6. What are rent rebates based on?
- 7. When might you apply for an Inflated Dividend Check?

IV. Discussion

Do you think state tax is necessary?

Chapter 10

Choosing a  
Tax Preparer



## Choosing a Tax Preparer

In the preparation of your tax return you may want to file it yourself or choose a preparer.

If you pay someone to prepare your taxes, you and that person must sign your return. Individuals who prepare taxes include lawyers, accountants, certified public accountants (C.P.As), tax practitioners and I.R.S. employees. You also have certain other rights to consider when choosing a preparer:

1. Courtesy
2. Full Disclosure  
Never sign the tax return until all or any questions that you may have are answered.
3. The preparer be knowledgeable concerning the new tax laws.

Be careful. Because individuals say that they can prepare a tax return does not mean that they are aware of all the tax laws. Anyone can put numbers on forms.

Remember the responsibility of the tax return is yours. Once you have signed the tax return, you're saying that all information reported is true and correct.

The tax preparer has a duty to advise the taxpayer of the most efficient way to prepare his/her tax return.

For every deduction, or form that is utilized in the preparation, the return should be reviewed by the tax preparer and the taxpayer prior to filing of the return.

The preparer is required to give you a copy of your tax return.

Chapter 10

Vocabulary

I. Root Words

Write the root word.

1. choosing \_\_\_\_\_
2. preparer \_\_\_\_\_
3. knowledgable \_\_\_\_\_
4. answered \_\_\_\_\_
5. accountant \_\_\_\_\_
6. careful \_\_\_\_\_
7. responsibilities \_\_\_\_\_
8. information \_\_\_\_\_
9. signed \_\_\_\_\_
10. filing \_\_\_\_\_
11. practioner \_\_\_\_\_
12. disclosure \_\_\_\_\_
13. reviewed \_\_\_\_\_
14. remarried \_\_\_\_\_

II. Verbs

Add ed and ing to these words

- |         | <u>ed</u> | <u>ing</u> |
|---------|-----------|------------|
| 1. stop | _____     | _____      |
| 2. plan | _____     | _____      |
| 3. sign | _____     | _____      |
| 4. beg  | _____     | _____      |
| 5. ship | _____     | _____      |

- 6. dot \_\_\_\_\_
- 7. tip \_\_\_\_\_
- 8. form \_\_\_\_\_
- 9. shop \_\_\_\_\_
- 10. rob \_\_\_\_\_

III. Comprehension

Please answer in complete sentences.

- 1. What kind of professional person may prepare your taxes?
- 2. Whose responsibility is your tax return?
- 3. What is the duty of the tax preparer?

IV. Discussion

Why do some people do their own taxes and others choose to have a tax preparer complete their returns?

GLOSSARY

GLOSSARY  
PLAIN TALK ON TAXES

- A.G.I. - Adjusted Gross Income. This is your total income reduced by certain adjustments. Those adjustments may be I.R.A. contributions, alimony payments, or employee related business expenses.
- C.W.T. - City Withholding Tax. If you live in the City of Philadelphia, you are paying at the rate of 4.96% (or for calculation purposes .0496). If you live outside the city but work in Philadelphia this tax is being withheld from your gross pay at the rate of 4.3125% (or for calculation purposes .043125). This tax is based on gross wages and is a flat tax. By flat we mean that no matter what amount of money you make based on where you live, the rate will either be 4.96% or 4.3125%. These rates will remain in effect until city council changes them.
- earned income - Compensation for work or personal services. Wages, salaries, fees or bonuses are all earned income.
- exemption - An amount allowed by the tax law which a taxpayer uses to help him/her determine taxable income. The amount for exemptions in 1987 was \$1900 per individual. The amount for exemptions in 1988 will be \$1950 per individual.
- F.I.C.A. - Federal Insurance Contribution Act. It is more commonly known to taxpayers as Social Security. In 1987, it was deducted from wages at the rate of 7.15%. In 1988, it is deducted at the rate of 7.51%.
- F.W.T. - Federal Withholding Tax. Federal Taxes are deducted from gross earnings. The amount of tax deducted varies according to the taxpayer's marital status, number of exemptions or allowances claimed on a w-4 Form.
- gross income - Actual amount of taxable income you receive from all sources before withholding for taxes, and before other adjustments.
- interest - An amount paid for the privilege of using someone else's money. You pay interest on a loan and earn interest on your savings.

- Pennsylvania Unemployment Compensation (PAUC) - This is additional payments collected from the employee to pay for unemployment compensation benefits. Both employer and employee pay into this fund. In 1987, it was less than 1% (.0001 for calculation purposes.)
- Personal Income Tax (P.I.T.) - This is a Pennsylvania tax. As of September 1987, the rate was lowered to 2.10% (.0210 for calculation purposes). The P.I.T. tax is also a flat rate tax based on gross earnings and profits.
- revenue - state tax money received by the I.R.S., state and city
- standard deduction - the amount deducted from your A.G.I. if you are not itemizing deductions. (This used to be called the zero bracket amount.)
- tax credit - a subtraction from the amount of tax that is due helps to reduce your tax liability.
- itemized deduction - a subtraction from your adjusted gross income.
- tax-exempt income - income that by law is not taxed
- taxable income - the amount of income remaining after itemized deductions or the standard deduction has been taken. The amount of tax paid is based on this income.
- tax home - your principal place of residence
- tax liability - the amount of tax owed to the I.R.S., state or city.
- unearned income - money earned from investments, savings, checking accounts, interest and dividends.
- W-4 - Allows the employer to withhold the proper amount of taxes from the employees gross earnings. This form is filled out at the beginning of your employment.
- Year to Date - This is a total of all income earned within the year to date from your job, and a total of all taxes paid to date. This information is usually printed on your pay stub.

## Glossary

### Vocabulary

I. Root Word  
Write the root word.

1. contribution \_\_\_\_\_
2. earnings \_\_\_\_\_
3. varies \_\_\_\_\_
4. employment \_\_\_\_\_
5. calculations \_\_\_\_\_
6. unearned \_\_\_\_\_
7. multiplied \_\_\_\_\_
8. investments \_\_\_\_\_
9. adjustments \_\_\_\_\_
10. liability \_\_\_\_\_
11. subtractions \_\_\_\_\_
12. salaries \_\_\_\_\_
13. maintenance \_\_\_\_\_
14. payments \_\_\_\_\_

### II. Matching

I

1. Personal Income Tax \_\_\_\_\_
2. Federal Withholding Tax \_\_\_\_\_
3. City Withholding Tax \_\_\_\_\_
4. Year to Date \_\_\_\_\_
5. Earned Income \_\_\_\_\_
6. Tax Exempt Income \_\_\_\_\_
7. Exemption \_\_\_\_\_
8. Unearned Income \_\_\_\_\_
9. F.I.C.A \_\_\_\_\_
10. Revenue \_\_\_\_\_

II

- A. YTD
- B. C.T.W.
- C. Welfare payments
- D. F.W.T.
- E. Savings
- F. \$1900
- G. Social Security payment
- H. Wages
- I. P.I.T.
- J. money

ANSWER  
KEY



## Chapter 1 - Answer Key

### I. Root Words

- |           |               |
|-----------|---------------|
| 1. govern | 6. person     |
| 2. tax    | 7. agency     |
| 3. supply | 8. decide     |
| 4. file   | 9. liable     |
| 5. comply | 10. according |

### II. Alphabetical Order

fair  
federal  
fight  
file  
filing

### III. Comprehension

1. The primary objective of the tax system is to raise revenue.
2. Voluntary compliance means that the responsibility of filing a tax return is on the taxpayer.
3. Our duties and responsibilities as taxpayers are:
  - a) to file taxes on a timely basis (by April 15th),
  - b) pay our fair share of taxes,
  - c) determine the amount, if any, of our tax liability.

Chapter 2 Answer Key

I. Root Words.

- |               |            |
|---------------|------------|
| 1. distribute | 7. rich    |
| 2. provide    | 8. exist   |
| 3. depend     | 9. secure  |
| 4. pay        | 10. wealth |
| 5. receive    | 11. high   |
| 6. require    | 12. family |

II. Add er and est

- |              |            |           |         |
|--------------|------------|-----------|---------|
| 1. richer    | richest    | 5. fewer  | fewest  |
| 2. poorer    | poorest    | 6. lower  | lowest  |
| 3. wealthier | wealthiest | 7. taller | tallest |
| 4. higher    | highest    |           |         |

III. Write the singular

- |            |            |
|------------|------------|
| 1. fund    | 6. purpose |
| 2. dollar  | 7. state   |
| 3. family  | 8. tax     |
| 4. child   | 9. sale    |
| 5. company | 10. plan   |

IV. Comprehension

1. The income tax laws of the United States are based on people's ability to pay.
2. The ability to pay taxes is determined by level of income and wealth.
3. Tax loopholes are provisions of the law which permit taxes to be lowered.
4. A transfer payment is a payment for which the recipient does not provide goods or services in order to obtain funds. An individual who receives payments for welfare, AFDC or social security is receiving transfer payments.

## Chapter 3 Answer key

### I. Root words

- |           |              |
|-----------|--------------|
| 1. employ | 8. eliminate |
| 2. form   | 9. certain   |
| 3. abide  | 10. deduct   |
| 4. apply  | 11. cover    |
| 5. basic  | 12. work     |
| 6. talk   | 13. response |
| 7. quart  | 14. comply   |

### II. Homonyms

- |                   |                 |
|-------------------|-----------------|
| 1. their, they're | 8. hymn         |
| 2. too, two       | 9. by           |
| 3. knot           | 10. four        |
| 4. buy            | 11. cent, scent |
| 5. won            | 12. weigh       |
| 6. know           | 13. hear        |
| 7. you're         | 14. see         |

### III. Comprehension

1. The one reason why some people want to work "under the table" is to take their pay home without any taxes being deducted.
2. Five benefits that may be lost if an individual works under the table are:
  - a) pension plans
  - b) health benefits
  - c) paid sick time
  - d) paid vacation time
  - e) social security
3. Workmen's compensation can not be received by individuals who work under the table because the employer has not been filing a Quarterly Payroll Tax report to the I.R.S. This report indicates that an individual has been employed, so without proof of employment, no compensation can be collected.
4. It is better to be formally employed because opening a charge account requires proof of employment such as pay stubs and tax returns which are only acquired by individuals who are formally employed.

## Chapter 4 Answer Key

### I. Root Words

- |              |                |
|--------------|----------------|
| 1. consider  | 8. clean       |
| 2. supply    | 9. equip       |
| 3. character | 10. relate     |
| 4. differ    | 11. drive      |
| 5. insure    | 12. depend     |
| 6. category  | 13. contract   |
| 7. classify  | 14. accomplish |

### II. Vowel Sounds

- |      |       |
|------|-------|
| 1. i | 6. a  |
| 2. i | 7. a  |
| 3. a | 8. i  |
| 4. o | 9. i  |
| 5. a | 10. a |

### III. Oral skills practice

#### IV. Comprehension

1. An employee is a person hired by another individual to perform services and receive payment in return.
2. The two usual characteristics of an employer-employee relationship are that the employer:
  - a) provides a place to work and supplies equipment,
  - b) has the right to fire the employee.
3. An independent contractor is self-employed. He or she does work for a business, but is not under the complete control of an employer. The employer controls or directs only the result of the work, but not how the work is accomplished.
4. When an individual starts a new job, he or she is required to fill out a W-4 form.
5. An employee receives a W-2 by January 31 of every year. A W-2 states the total amount earned for a particular job for the calendar year. It also states the total amounts of federal withholding tax, social security, state tax and city wage tax that were withheld for that year.

## Chapter 5 Answer Key

### I. Root Words

- |           |                |
|-----------|----------------|
| 1. earn   | 8. assist      |
| 2. tax    | 9. add         |
| 3. retire | 10. able       |
| 4. annual | 11. prepare    |
| 5. item   | 12. assess     |
| 6. gamble | 13. compensate |
| 7. win    | 14. retire     |

### II. Spelling

- |                |               |
|----------------|---------------|
| 1. waitresses  | 5. assistance |
| 2. maintenance | 6. received   |
| 3. retirement  | 7. government |
| 4. annuities   | 8. incentive  |

### III. Comprehension: True or False

- |                   |                         |
|-------------------|-------------------------|
| 1. True           | 9. True                 |
| 2. True           | 10. True (certain ones) |
| 3. False          | 11. True                |
| 4. False          | 12. True                |
| 5. True           | 13. True                |
| 6. False          | 14. False               |
| 7. True           | 15. True                |
| 8. True (in part) |                         |

## Chapter 6 Answer Key

### I. Root Words

- |            |             |
|------------|-------------|
| 1. report  | 8. identify |
| 2. earn    | 9. refer    |
| 3. require | 10. apply   |
| 4. state   | 11. decide  |
| 5. inform  | 12. employ  |
| 6. forward | 13. inform  |
| 7. prepare | 14. secure  |

### II. Alphabetical Order

I	II	III
business	March	defend
computer	media	defense
employer	micro	demand
four	money	simply
number	must	since
office		
taxpayer		

### III. Comprehension

1. Employers are required to send a W-3: Transmittal of Income Tax Statement to the federal government.
2. A W-3 shows the amount of federal income tax withheld, the number of employees employed, total wages paid, social security tax withheld and other employer related information. This form helps the I.R.S. keep a check on businesses.
3. A 941 form is an Employer's Quarterly Federal Tax Return. It is filed by employers who withhold income or Social Security tax.
4. The I.R.S. can tell one employer from another by the E.I.N. or employer identification number.

Chaper 7 Activities for Filling Out Forms  
Answer Key  
1040EZ

1. e.
2. b. no - The 1040EZ may only be used by single people when income is \$400 or less.
3. a. yes - She meets all the requirements
4. e.
5. b. no - If he uses 1040EZ he will not be able to take exemption for being over 65.

1040A

1. c.
2. a. yes - Because her income is under \$15,432.
3. a.
4. b. \$7450  
line 6 - \$12,500  
7a.- \$650  
10 - \$13,150  
13 - \$13,150  
16 - \$5700
5. c.

1040

1. b.
2. c.
3. a. They need the Form 1040 in order to claim exemptions for age 65 and over.
4. b.
5. a. yes  
b. yes  
c. no  
d. yes  
e. no  
f. yes

## Chapter 7 Forms Answer Key

### I. Root Words

1. mail
2. file
3. instruct
4. salary
5. tax
6. check
7. adjust
8. depend
9. large
10. pay
11. turn
12. fund
13. elect
14. pay

### II. Syllables

- |             |             |
|-------------|-------------|
| 1. ad dress | 6. num bers |
| 2. dol lars | 7. ad j st  |
| 3. in come  | 8. en ter   |
| 4. of fice  | 9. cor rect |
| 5. at tach  | 10. sin gle |

### III. Plurals

- |             |            |               |
|-------------|------------|---------------|
| 1. wages    | 6. numbers | 11. addresses |
| 2. salaries | 7. forms   | 12. copies    |
| 3. names    | 8. taxes   | 13. dates     |
| 4. tips     | 9. boxes   | 14. penalties |
| 5. filers   | 10. cities | 15. pages     |

### IV. Homonyms

- |            |                 |
|------------|-----------------|
| 1. won     | 8. you're       |
| 2. to, too | 9. bee          |
| 3. hear    | 10. due         |
| 4. for     | 11. eye         |
| 5. know    | 12. oar         |
| 6. right   | 13. scent, sent |
| 7. sea     | 14. inn         |



Chapter 7 Answer Key More Activities

I. Root Words

- |             |              |
|-------------|--------------|
| 1. correct  | 8. necessary |
| 2. main     | 9. marry     |
| 3. complete | 10. liable   |
| 4. depend   | 11. qualify  |
| 5. employ   | 12. relate   |
| 6. inform   | 13. relate   |
| 7. fail     | 14. adjust   |

II. Contractions

- |                |               |
|----------------|---------------|
| 1. you have    | 11. does not  |
| 2. I have      | 12. has not   |
| 3. you have    | 13. is not    |
| 4. we have     | 14. are not   |
| 5. they have   | 15. do not    |
| 6. I am        | 16. will not  |
| 7. he is       | 17. can not   |
| 8. you are     | 18. have not  |
| 9. they are    | 19. could not |
| 10. should not | 20. was not   |
- 
- |              |             |
|--------------|-------------|
| 1. don't     | 11. he's    |
| 2. hasn't    | 12. I've    |
| 3. doesn't   | 13. you've  |
| 4. isn't     | 14. we've   |
| 5. won't     | 15. who's   |
| 6. wasn't    | 16. let's   |
| 7. shouldn't | 17. I'm     |
| 8. they're   | 18. weren't |
| 9. we're     | 19. didn't  |
| 10. you're   | 20. can't   |

## Comprehension

1. Individuals who are single, have no dependents, who have interest income of \$400 or less and taxable income less than \$50,000 may use the 1040EZ
2. In order to use the 1040A your taxable income should be under \$50,000.
3. Allowable deductions on a 1040A are:
  - a) IRA payments
  - b) child and dependent care expenses
4. Allowable types of filing status on a 1040A are:
  - a) single
  - b) married
  - c) married filing separately
  - d) head of household
5. Qualifying widow/widower with a dependent child is the filing status allowable only on the 1040 form.
6. Exemptions help to reduce your taxable income.
7. The two types of exemptions are personal and dependency. Personal exemptions may be claimed for an individual and his or her spouse. Dependency exemptions are allowed for persons who qualify as the taxpayer's dependents.
8. There are five tests to determine if a taxpayer may claim an individual as a dependent:
  - a) support test
  - b) gross income test
  - c) member of household or relationship test
  - d) citizenship test
  - e) joint return test
9. Itemized deductions or standard deductions help to lower your adjusted gross income or taxable income.
10. Credit for child or dependent care is one credit left after the 1986 Tax Reform Act.
11. In order to qualify for Earned Income Credit an individual must have both an earned income and an adjusted gross income of less than \$15,542. The individual must also have a child who lived with him or her for six months or more and their filing status must be either married filing a joint return, qualifying widow or widower with a dependent child or head of household.

## Chapter 8 Answer Key

### I. Root Words

- |              |             |
|--------------|-------------|
| 1. mail      | 8. inform   |
| 2. check     | 9. actual   |
| 3. different | 10. amend   |
| 4. exempt    | 11. correct |
| 5. basic     | 12. save    |
| 6. origin    | 13. state   |
| 7. item      | 14. earn    |

### II. Verbs

- |           |           |           |        |
|-----------|-----------|-----------|--------|
| 1. did    | done      | 6. take   | took   |
| 2. forget | forgotten | 7. called | called |
| 3. sent   | sent      | 8. go     | gone   |
| 4. had    | had       | 9. came   | come   |
| 5. made   | made      | 10. paid  | paid   |

### III. Comprehension

1. You may file an amended tax return on a Form 1040X.
2. The Form 1040X may be filed within 3 years after the April 15th due date, or within two years of the actual filing of the return.
3. An amended return also allows you to change or add these other items:
  - a) filing status
  - b) itemized deductions
  - c) exemptions

## Chapter 9 Answer key

### I. Root Words

- |              |               |
|--------------|---------------|
| 1. forgive   | 8. assist     |
| 2. provide   | 9. employ     |
| 3. qualify   | 10. exempt    |
| 4. inflate   | 11. calculate |
| 5. inform    | 12. tax       |
| 6. percent   | 13. provide   |
| 7. automatic | 14. deduct    |

### II. Verbs

- |               |             |
|---------------|-------------|
| 1. calculated | calculating |
| 2. filed      | filing      |
| 3. changed    | changing    |
| 4. raised     | raising     |
| 5. shared     | sharing     |
| 6. decided    | deciding    |
| 7. separated  | separating  |
| 8. believed   | believing   |
| 9. required   | requiring   |

### III. Comprehension

1. In Pennsylvania, we have a Personal Income Tax (P.I.T.).
2. The tax rate in Pennsylvania is 2.1% or .021. It is calculated against our total taxable income.
3. If an individual provided at least one half of his or her own support and has an eligibility income for special provisions of \$5,400 or less, he or she may qualify for a percentage of tax forgiveness.
4. A schedule S.P. is needed when filing for special provisions.
5. Some of the same employee business related expenses from a federal 2106 form and a Schedule A can be deducted on a PA40.
6. Rent Rebates are based on the amount of property taxes or rent paid during the year.
7. An individual may apply for an inflated dividend check after their form has been filed and approved.

## Chapter 10 Answer Key

### I. Root Words

- |              |              |
|--------------|--------------|
| 1. choose    | 8. inform    |
| 2. prepare   | 9. sign      |
| 3. knowledge | 10. file     |
| 4. answer    | 11. practice |
| 5. account   | 12. disclose |
| 6. care      | 13. view     |
| 7. response  | 14. married  |

### II. Verbs

- |            |          |
|------------|----------|
| 1. stopped | stopping |
| 2. planned | planning |
| 3. signed  | signing  |
| 4. begged  | begging  |
| 5. shipped | shipping |
| 6. dotted  | dotting  |
| 7. tipped  | tipping  |
| 8. formed  | forming  |
| 9. shopped | shopping |
| 10. robbed | robbing  |

### III. Comprehension

1. Professional persons who may prepare taxes include lawyers, accountants, certified public accountants (C.P.A.s), tax practitioners and I.R.S. employees.
2. The responsibility for a tax return is the individual whose form it is (not the tax preparers).
3. The duty of the tax preparer is to advise the taxpayer of the most efficient way to prepare his/her tax return.

## Glossary Answer Key

### I. Root Words

- |               |              |
|---------------|--------------|
| 1. contribute | 8. invest    |
| 2. earn       | 9. adjust    |
| 3. vary       | 10. liable   |
| 4. employ     | 11. subtract |
| 5. calculate  | 12. salary   |
| 6. earn       | 13. maintain |
| 7. multiply   | 14. pay      |

### II. Matching

1. I
2. D
3. B
4. A
5. H
6. C
7. F
8. E
9. G
10. J

APPENDIX  
A

## APPENDIX A

This section contains more information for tutors and teachers about the various lessons in this book.

### ROOT WORDS

A root word is the main word part to which prefixes and suffixes can be added.

ex. employ - root word  
    employment  
    unemployment

### PLURALS OF NOUNS

1. Add s to most nouns payment - payments
2. Add es to words ending in s, ch, sh, x and z.

ex. tax - taxes  
    address - addresses  
    attach - attaches  
    dish - dishes  
    buzz - buzzes

3. Words that end in "a" and with a consonant before it, change the "y" to "i" and add "es".

ex. salary - salaries

4. Words that end in "y" with a vowel before it, add "s".

ex. toy - toys

5. Words ending in "f" or "fe," change the "f" or "fe" to "v" and add "es".

ex. wife - wives  
    (There are exceptions. When in doubt, use the dictionary.)

6. Some words change their basic spelling.

ex. child - children

### HOMONYMS

Homonyms are words that sound alike, but have different meanings and spellings.



ex. there, their, they're

### LONG VOWEL SOUNDS

If a vowel in a word says its name (a, e, i, o, u), it has a long vowel sound.

- ex. 1. same - a  
2. Pete - e  
3. hire - i  
4. home - o  
5. use - u

### DROP THE E RULE

If a word ends in silent "E" drop the "e" before adding an ending that starts with a vowel.

ex. file - filed, filing

### DOUBLE THE FINAL CONSONANT

If a word has one syllable, ends in one consonant and has one vowel, double the final consonant before adding a vowel suffix.

ex. stop - stopped, stopping

### CONTRACTIONS

A contraction is a short way of saying two words. In a contraction one or more letters are dropped and an apostrophe takes the place of those letters dropped.

ex. is not - isn't

### VERB TENSES

Regular verbs add "d" or "ed" to form the past tense and the **past** participle. Irregular verbs do not fit this **pattern** for the past tense and the post participle.

	Present	Past	Past Participle
ex.	do	did	done

Appendix B

Sample Tax Forms

W-4 full instructions

1040EZ

1040A

Schedule 1

1040

Schedule A

Schedule B

Form 2441 Credit for Child and Dependent  
Care Expenses

1040X

State TAXES: PA40

Schedule UE-2

Property Tax Rent Rebate Form

# 1987



Department of the Treasury  
Internal Revenue Service

## Instructions for Form W-4 Employee's Withholding Allowance Certificate

### Step-by-Step Instructions

**Step 1—How To Complete Form W-4.**—First, fill in the information asked for on lines 1 through 3 of the form. The "you think you might be exempt from withholding, read the instructions for Step 2 below. Otherwise, skip to Step 3 on page 2. If you want to have more money withheld from your pay, see Step 4 on page 2.

After your new Form W-4 takes effect, you should check to see if you are having the proper amount withheld. To do this, you may want to get Publication 919, Is My Withholding Correct? For more details on withholding, get Publication 505, Tax Withholding and Estimated Tax, and Publication 553, Highlights of 1986 Tax Law Changes. You can get these publications by calling 1 800-424-FORM (3676).

**Note: If Your Allowances Change.**—If the number of withholding allowances you are entitled to claim decreases to fewer than the number you claim on this Form W-4, you must file a new W-4 within 10 days.

**Step 2—Are You Exempt From Withholding?**—You are exempt from withholding ONLY if:

1. Last year you did not have any Federal income tax liability; AND
2. This year you expect to have no Federal income tax liability

**Important Change in the Law.**—If you can be claimed as a dependent on another person's tax return (for example, on your parent's return), you may not be exempt. You cannot claim exempt status if you have any nonwage income, such as interest on savings, and expect your wages plus this nonwage income to add up to more than \$500.

If you are exempt, go to line 6 of Form W-4 and complete the appropriate boxes. Your exempt status will remain in effect until February 15 of the next year. If you still qualify for exempt status next year, complete and file a new form by that date.

### Why Must I Complete a New Form W-4?

The Tax Reform Act of 1986 made many changes to the tax law that could affect your taxes for 1987. Therefore, the amount of tax that is now withheld from your pay may no longer be correct. So that your employer will not withhold too much or too little tax from your pay, give your employer a new Form W-4.

### When Must I File the Form?

Give your employer a new Form W-4 as soon as possible. While the law requires you to file a new form before October 1, 1987, you are urged to file early to avoid incorrect withholding.

### What Happens If I Do Not Complete the Form?

The amount of tax withheld from your pay may not be close to the amount of tax you will owe when you file your tax return. If you do not give your employer a new Form W-4, your employer will have to ignore any previous form you have filed, and the amount withheld will probably not be correct for your tax situation.

### How Do I Complete the Form?

The following instructions tell you how to complete the Form W-4 on this page. Use the worksheet on page 3 to figure the number of withholding allowances you can claim on Form W-4.

**Please Note:** Most employees will have to complete ONLY lines A through E of the worksheet. But if you have a spouse who is also employed, or you have more than one job at the same time, or you have nonwage income, complete the rest of the worksheet. You should also complete the worksheet if you have itemized deductions, tax credits, adjustments to income, or the age or blindness deduction.

### Should I Claim the Special Withholding Allowance?

Claim this allowance if you have only one job at a time and you don't have a working spouse. Take this allowance so that you won't have too much tax withheld from your pay. See line B of the worksheet on page 3.

(Continued on page 2)

..... Cut along this line and give this form to your employer. Keep the rest for your records. ....

<b>Form W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b> ▶ For Privacy Act and Paperwork Reduction Act Notice, see instructions.		OMB No 1545 0010 <b>1987</b>
1 Type or print your full name		2 Your social security number		
Home address (number and street or rural route)		3 Marital Status { <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate <i>Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.</i>		
City or town, state, and ZIP code				
4 Total number of allowances you are claiming (from the Worksheet on page 3)		\$ 		
5 Additional amount, if any, you want deducted from each pay (see Step 4 on page 2)				
6 I claim exemption from withholding because (see Step 2 above and check boxes below that apply)		<input type="checkbox"/> a Last year I did not owe any Federal income tax and had a right to a full refund of ALL income tax withheld. AND		
<input type="checkbox"/> b This year I do not expect to owe any Federal income tax and expect to have a right to a full refund of ALL income tax withheld. If both a and b apply, enter the year effective and "EXEMPT" here		Year <input type="text" value="19"/>		
<input type="checkbox"/> c If you entered "EXEMPT" on line 6b, are you a full-time student?		<input type="checkbox"/> Yes <input type="checkbox"/> No		
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or, if claiming exemption from withholding, that I am entitled to claim the exempt status.				
Employee's signature ▶		Date ▶ 19		
7 Employer's name and address (Employer: Complete 7, 8, and 9 only if sending to IRS)		8 Office code	9 Employer identification number	

**Step 3—Complete the Worksheet on Page 3.**—By using this worksheet, the amount of tax withheld from your pay should closely match your tax liability for the year.

Please claim all the withholding allowances to which you are entitled. In certain cases, your employer must send copies of the Form W-4 to IRS. You may then be asked to verify your allowances. This applies if you claim more than 10 withholding allowances, or you claim exemption from withholding under Step 2 and your wages are expected to usually exceed \$200 a week.

**Penalty.**—You may be fined \$500 if, with no reasonable basis, you file a Form W-4 that results in less tax being withheld than is properly allowable. In addition, criminal penalties apply for willfully supplying false or fraudulent information or failing to supply information requiring an increase in withholding.

**Line B—Special Withholding Allowance.**—The Special Withholding Allowance is very important. Claim it if you qualify for it, because if you do not, too much tax may be withheld from your pay.

Claim this allowance if:

- You are single and have only one job at a time; OR
- You are married, have only one job at a time, and your spouse does not work, OR
- You have two jobs at a time and only one job paid more than \$2,500; OR
- You are married, both you and your spouse work, and only one job paid more than \$2,500.

**Line E—Should I Stop Here?**—You may stop here and enter the total from line E on Form W-4, line 4, only if you do not need to increase or decrease your allowances as explained between lines E and F of the worksheet.

**Line F—Adjustments to Income.**—Enter the total of the following:

- Qualified reimbursed employee business expenses (unreimbursed expenses are allowed only as an itemized deduction)
- Qualified alimony payments made
- Deductible business and investment losses
- Penalty on early withdrawal of savings
- Qualified contributions to an IRA account or Keogh plan. If either you or your spouse, if applicable, have an IRA and are covered by an employer's pension plan, your 1987 IRA deduction may be reduced or eliminated if your adjusted gross income is at least \$40,000 (\$25,000 if single, or \$0 if married filing separately). Get Publication 590, Individual Retirement Arrangements (IRAs), for detail.

**Line G—Itemized Deductions.**—Enter the total of the following.

- Medical expenses in excess of 7 1/2% of your AGI\*
- State and local taxes (exclude sales taxes)
- Home mortgage interest and 65% of personal interest
- Qualified investment interest
- Charitable contributions
- Certain casualty and theft losses in excess of 10% of AGI\*
- Moving expenses (if reimbursed, include only if your employer withheld tax on them)
- Miscellaneous deductions (most of these are now deductible only in excess of 2% of AGI\*; see Publication 553)

\* In general, your AGI (adjusted gross income) is your income less any adjustments to income included on line F of the worksheet

**Line J—Additional Standard Deduction for Age or Blindness.**—If you do not expect to itemize deductions on your 1987 tax return and either you or your spouse is age 65 or over or blind, use the following table

	If 65 or over or blind, enter on line J	If 65 or over and blind, enter on line J
Single	\$1,210	\$1,960
Head of Household	\$2,610	\$3,360
Married-Joint	\$1,840 **	\$2,440 **
Married-Separate	\$1,220	\$1,820
Qualifying Widow(er)	\$1,840	\$2,440

\*\*If your spouse is 65 or over or blind, add \$600 to this amount. Add \$1,200 if spouse is both 65 or over and blind.

**Line K—Tax Credits.**—Enter the amount of any tax credits you expect to claim, such as the credit for child and dependent care expenses, the earned income credit (EIC), and other credits shown on the 1986 Form 1040. The amount of the EIC has increased for 1987. Get Publication 553 for details. Do not include the EIC if you are receiving advance payment of it.

**Line O.**—Round the result to the nearest whole number. Drop amounts under .50. Increase amounts from .50 to .99 to the next whole number. For example, 3.25 becomes 3, and 4.61 becomes 5.

**Lines Q through T—Working Spouse? More Than One Job? Nonwage Income?**—So that you will have enough tax withheld, you MUST complete any lines that apply to you.

**Line U—Total Withholding Allowances.**—If the number on line T is larger than the number on line P, you will probably owe more tax when you file your return and may have to pay a penalty unless you take further

steps to have more tax withheld from your pay. You may use the instructions for Step 4 to estimate how much additional tax you should request your employer to withhold each pay period. As an alternative, you may use the 1987 Form 1040-ES, Estimated Tax for Individuals, to make this computation.

**Step 4—Additional Amount You Want Deducted From Each Pay.**—In some instances, you will be underwithheld, even if you do not claim any withholding allowances on Form W-4. This could occur if you have a working spouse, more than one job at a time, or nonwage income, AND the number on line T of the worksheet is larger than the number on line P.

To correct this problem, you may have more tax withheld by filling in a dollar amount on line 5 of Form W-4. A method of figuring this amount follows.

1. Enter the number from line T of the worksheet \_\_\_\_\_
2. Enter the number from line P of the worksheet \_\_\_\_\_
3. Subtract line 2 from line 1 \_\_\_\_\_
4. Enter the amount from the table below that applies to you \$ \_\_\_\_\_
5. Multiply line 3 by line 4 \$ \_\_\_\_\_
6. Divide line 5 by the number of pay periods each year. Enter the result here and on Form W-4, line 5. \$ \_\_\_\_\_

Married Workers' Combined Annual Income	Line 4 Amount
Under \$4,860	\$209
\$4,860 - \$29,860	\$285
\$29,861 - \$46,860	\$532
\$46,861 - \$91,860	\$665
\$91,861 and over	\$732

Unmarried Worker's Annual Income	Line 4 Amount
Under \$2,440	\$209
\$2,440 - \$17,440	\$285
\$17,441 - \$27,640	\$532
\$27,641 - \$54,640	\$665
\$54,641 and over	\$732

**Privacy Act and Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We may give the information to the Department of Justice for civil or criminal litigation and to cities, states, and the District of Columbia for use in administering their tax laws. You are required to give this information to your employer.

Form 1040EZ

Income Tax Return for Single filers with no dependents 1987

OMB No 1545 0675

Name & address

Use the IRS mailing label. If you don't have one, please print.

Please print your numbers like this:

0 1 2 3 4 5 6 7 8 9

Print your name above this (initials only)

Print your home address (number and street). If you have a P.O. box, see instructions.

Print your city, state, and ZIP code.

Your social security number

Please read the instructions for this form on the reverse side.

Presidential Election Campaign Fund Do you want \$1 to go to this fund?

Note: This is a voluntary contribution.

Report your income

1 Total wages, salaries, and tips. This should be shown in Box 10 of your W-2 form(s). (Attach your W-2 form(s).) 1

2 Taxable interest income of \$400 or less. If the total is more than \$400, you cannot use Form 1040EZ. 2

Attach Copy B of Form(s) W-2 here

3 Add line 1 and line 2. This is your adjusted gross income. 3

4 Can you be claimed as a dependent on another person's return? Yes/No. Enter 2,540 as your standard deduction. 4

5 Subtract line 4 from line 3. 5

6 If you checked the "Yes" box on line 4, enter 0. If you checked the "No" box on line 4, enter 1,900. This is your personal exemption. 6

7 Subtract line 6 from line 5. If line 6 is larger than line 5, enter 0 on line 7. This is your taxable income. 7

Figure your tax

8 Enter your Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). 8

9 Use the single column in the tax table on pages 32-37 of the Form 1040A instruction booklet to find the tax on the amount shown on line 7 above. Enter the amount of tax. 9

Refund or amount you owe

10 If line 8 is larger than line 9, subtract line 9 from line 8. Enter the amount of your refund. 10

11 If line 9 is larger than line 8, subtract line 8 from line 9. Enter the amount you owe. Attach check or money order for the full amount payable to "Internal Revenue Service." 11

Attach tax payment here

Sign your return

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and complete.

Your signature

Date



**Use this form if:**

- Your filing status is single.
- You do not claim any dependents.
- You had only wages, salaries, and tips, and your taxable interest income was \$400 or less. **Caution:** If you received tips (including allocated tips) that are not included in Box 14 of your W-2 form, you may not be able to use Form 1040EZ. See page 17 in the Instructions for preparing 1040EZ and 1040A. If you can't use this form, you must use Form 1040A or Form 1040. See pages 6 through 8 in the instruction booklet. If you are uncertain about your filing status, see page 9 of the booklet.
- You are not 65 or over, OR blind.
- Your taxable income is less than \$50,000.

**Completing your return**

It will make it easier for us to process your return if you print your numbers (do not type) and keep them inside the boxes. Do not use dollar signs. You may find calculations easier if you round off cents to whole dollars. See page 15 of the instruction booklet for detail.

**Name & address**

Use the mailing label we sent you. After you complete your return, carefully place the label in the name and address area. Mark through any errors on the label and print the correct information on the label. Use of the label saves processing time. If you don't have a label, print the information on the name and address lines. If your post office does not deliver mail to your street address and you have a P.O. box, enter your P.O. box number on the line for your present home address instead of your street address.

**Presidential campaign fund**

Congress set up this fund to help pay for Presidential election campaigns. You may have one of your tax dollars go to this fund by checking the "Yes" box. Checking the "Yes" box does not change the tax or refund shown on your return.

**Report your income**

**Line 1.** Enter on line 1 the total amount you received in wages, salaries, and tips. This should be shown in Box 10 of your 1987 wage statement(s), Form W-2. If you don't receive your W-2 form by February 15, contact your local IRS office. You must still report your earnings even if you don't get a Form W-2 from your employer. Attach the first copy or Copy B of your W-2 form(s) to your return.

**Line 2.** Enter on line 2 the total taxable interest income you received from all sources, such as banks, savings and loans, and credit unions. You should receive a Form 1099-INT from each institution that paid you interest. You cannot use Form 1040EZ if your total taxable interest income is over \$400. If you received tax-exempt interest, such as interest on municipal bonds, in the space to the left of line 2, write "TEI" and show the amount of your tax-exempt interest. **DO NOT** include tax-exempt interest in the total entered in the boxes on line 2.

**Line 4.** If you checked the "Yes" box because you can be claimed as a dependent on another person's return (such as your parents'), complete the following worksheet to figure the amount to enter on line 4. For information on dependents, see page 12 of the instruction booklet.

	A. Enter the amount from line 1 on front.	A. _____
	B. Minimum amount.	B. <u>500 00</u>
Standard deduction worksheet for dependents	C. Compare the amounts on lines A and B above. Enter the LARGER of the two amounts here.	C. _____
	D. Maximum amount.	D. <u>2,540 00</u>
	E. Compare the amounts on lines C and D above. Enter the SMALLER of the two amounts here and on line 4 on front.	E. _____

**Line 6.** Generally, you should enter 1,900 on line 6 as your personal exemption. However, if you can be claimed as a dependent on another person's return (such as your parents'), you cannot claim a personal exemption for yourself; enter 0 on line 6. If you are entitled to additional exemptions for your spouse, for your dependent children, or for other dependents, you cannot use Form 1040EZ.

**Figure your tax**

**Line 8.** Enter the amount of Federal income tax withheld. This should be shown in Box 9 of your 1987 W-2 form(s). If you had two or more employers and had total wages of over \$3,800, see page 26 of the instruction booklet. If you cannot be claimed as a dependent and you want IRS to figure your tax for you, complete lines 1 through 8, sign and date your return. If you want to figure your own tax, continue with these instructions.

**Line 9.** Use the amount on line 7 to find your tax in the tax table on pages 32-37 of the instruction booklet. Be sure to use the column in the tax table for single taxpayers. Enter the amount of tax on line 9. If your tax from the tax table is zero, enter 0.

**Refund or amount you owe**

**Line 10.** If line 8 is larger than line 9, you are entitled to a refund. Subtract line 9 from line 8, and enter the result on line 10.

**Line 11.** If line 9 is larger than line 8, you owe more tax. Subtract line 8 from line 9, and enter the result on line 11. Attach your check or money order for the full amount. Write your social security number, daytime phone number, and "1987 Form 1040EZ" on your payment.

**Sign your return**

You must sign and date your return. If you pay someone to prepare your return, that person must also sign it below the space for your signature and supply the other information required by IRS. See page 29

**Mailing your return**

File your return by April 15, 1988. Mail it to us in the addressed envelope that came with the instruction booklet. If you don't have an addressed envelope, see page 3 for the address.



**U.S. Individual  
Income Tax Return**

**1987**

OMB No. 1545-0045

**Step 1  
Label**

Use IRS label  
Otherwise, please print or type

Your first name and initial (if joint return, also give spouse's name and initial)	Last name
Present home address (number and street) (If you have a P.O. Box, see page 9 of the instructions.)	
City, town or post office, state, and ZIP code	

Your social security no. \_\_\_\_\_

Spouse's social security no. \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see page 31.

**Presidential Election Campaign Fund**

Do you want \$1 to go to this fund?  Yes  No  
 If joint return, does your spouse want \$1 to go to this fund?  Yes  No

Note: Checking "Yes" will not change your tax or reduce your refund.

**Step 2  
Check your filing status**  
(Check only one)

- 1  Single (See if you can use Form 1040EZ.)
- 2  Married filing joint return (even if only one had income)
- 3  Married filing separate return. Enter spouse's social security number above and spouse's full name here. \_\_\_\_\_
- 4  Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. \_\_\_\_\_

**Step 3  
Figure your exemptions**  
(See page 12 of instructions.)

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 5a. But be sure to check the box on line 14b on page 2.

5a <input type="checkbox"/> Yourself		5b <input type="checkbox"/> Spouse		
c Dependents:	2. Check if under age 5	3. If age 5 or over, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1987
1 Name (first, initial, and last name)				

No. of boxes checked on 5a and 5b \_\_\_\_\_

No. of children on 5c who lived with you \_\_\_\_\_

No. of children on 5c who didn't live with you due to divorce or separation \_\_\_\_\_

No. of parents listed on 5c \_\_\_\_\_

No. of other dependents listed on 5c \_\_\_\_\_

Add numbers entered on lines above

If more than 7 dependents, attach statement.

Attach Copy B of Form(s) W-2 here.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here

e Total number of exemptions claimed. (Also complete line 16.)

**Step 4  
Figure your total income**

Attach check or money order here.

6 <b>Wages, salaries, tips, etc.</b> This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.)	6	
7a <b>Taxable interest income</b> (see page 17). (If over \$400, also complete and attach Schedule 1, Part II.)	7a	
b <b>Tax-exempt interest income</b> (see page 17). (DO NOT include on line 7a.)	b	
8 <b>Dividends.</b> (If over \$400, also complete and attach Schedule 1, Part III.)	8	
9 <b>Unemployment compensation</b> (insurance) from Form(s) 1099-G.	9	
10 <b>Add lines 6, 7a, 3, and 9.</b> Enter the total. This is your total income.	10	

**Step 5  
Figure your adjusted gross income**

11a <b>Your IRA deduction</b> from applicable Worksheet. New rules for IRAs begin on page 18.	11a	
b <b>Spouse's IRA deduction</b> from applicable Worksheet. New rules for IRAs begin on page 18.	11b	
c <b>Add lines 11a and 11b.</b> Enter the total. These are your total adjustments.	11c	
12 <b>Subtract line 11c</b> from line 10. Enter the result. This is your adjusted gross income. (If this line is less than \$15,432 and a child lived with you, see "Earned Income Credit" (line 21b) on page 27 of instructions.)	12	

Step 6

Figure your standard deduction,

13 Enter the amount from line 12 13

14a Check if:  You were 65 or over  Blind  Spouse was 65 or over  Blind } Enter number of boxes checked ▶ 14a

b If you can be claimed as a dependent on another person's return (such as your parents' return), check here. ▶ 14b

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, check here ▶ 14c

d **Standard deduction.** If you checked a box on line 14a, b, or c, see page 22 for amount to enter on line 14d. If no box is checked, enter amount shown below for your filing status.

Filing status from page 1	{	Single or Head of household, enter \$2,540	}	14d
		Married filing joint return, enter \$3,760		
		Married filing separate return, enter \$1,880		

Exemption amount, and

15 Subtract line 14d from line 13. Enter the result. 15

16 Multiply \$1,900 by the total number of exemptions claimed on line 5e. Or, figure your exemption amount from the chart on page 24 of the instructions. 16

Taxable income

17 Subtract line 16 from line 15. Enter the result. This is your taxable income. ▶ 17

Step 7

Figure your tax, credits, and payments (including advance EIC payments)

**If You Want IRS To Figure Your Tax, See Page 24 of the Instructions.**

Caution: If you are under age 14 and have more than \$1,000 of investment income, see page 24 of the instructions and check here

18 Find the tax on the amount on line 17. Check if from:  Tax Table (pages 32-37); or  Form 8615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000. 18

19 Credit for child and dependent care expenses. Complete and attach Schedule 1, Part I. 19

20 Subtract line 19 from line 18. Enter the result. (If line 19 is more than line 18, enter -0- on line 20.) This is your total tax. ▶ 20

21a Total Federal income tax withheld. This should be shown in Box 9 of your W-2 form(s). (If line 6 is more than \$43,800, see page 26.) 21a

b Earned income credit, from the worksheet on page 28 of the instructions. Also see page 27. 21b

22 Add lines 21a and 21b. Enter the total. These are your total payments. ▶ 22

Step 8

Figure your refund or amount you owe

23 If line 22 is larger than line 20, subtract line 20 from line 22. Enter the result. This is the amount of your refund. 23

24 If line 20 is larger than line 22, subtract line 22 from line 20. Enter the result. This is the amount you owe. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040A" on it. 24

Step 9

Sign your return

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 the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature	Date	Your occupation
X		
Spouse's signature (if joint return, both must sign)	Date	Spouse's occupation
X		

Paid preparer's use only

Preparer's signature	Date	Preparer's social security no.
X		
Firm's name (or yours if self-employed)	Employer identification no.	
	Check if self-employed <input type="checkbox"/>	
Address and ZIP code		





Name(s) as shown on Form 1040A

Your social security number

You **MUST** complete and attach Schedule 1 to Form 1040A only if you:

- Claim the credit for child and dependent care expenses (complete Part I)
- Have over \$400 of taxable interest income (complete Part II)
- Have over \$400 of dividend income (complete Part III)

**Part I**

**Credit for child and dependent care expenses** (see page 24 of the instructions)

Complete this part to figure the amount of credit you can take on Form 1040A, line 19. Attach Schedule 1 to Form 1040A.

*Note: If you paid cash wages of \$50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get Form 942 for details.*

<b>1</b>	Enter the number of qualifying persons who were cared for in 1987. (See the instructions for the definition of a qualifying person.)	1																																	
<b>2</b>	Enter the amount of <b>qualified</b> expenses you incurred and actually paid in 1987 for the care of the qualifying person. (See the instructions for which expenses qualify for the credit.) <b>DO NOT</b> enter more than \$2,400 (\$4,800 if you paid for the care of two or more qualifying persons).	2																																	
<b>3 a</b>	You must enter your earned income on line 3a.	3a																																	
<b>b</b>	If you are married, filing a joint return for 1987, you must enter your spouse's earned income on line 3b. (If spouse is a full-time student or is disabled, see the instructions for amount to enter on this line.)	3b																																	
<b>c</b>	If you are married, compare the amounts on lines 3a and 3b, and enter the <b>smaller</b> of the two amounts on line 3c.	3c																																	
<b>4</b>	If you were unmarried at the end of 1987, compare the amounts on lines 2 and 3a, and enter the <b>smaller</b> of the two amounts on line 4. • If you are married, filing a joint return for 1987, compare the amounts on lines 2 and 3c, and enter the <b>smaller</b> of the two amounts on line 4.	4																																	
<b>5</b>	Enter the percentage from the table below that applies to the amount on Form 1040A, line 13.																																		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">If line 13 is:</th> <th style="text-align: center;">Percentage is:</th> <th style="text-align: left;">If line 13 is:</th> <th style="text-align: center;">Percentage is:</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Over— But not over—</td> <td></td> <td style="text-align: center;">Over— But not over—</td> <td></td> </tr> <tr> <td style="text-align: center;">\$0—10,000</td> <td style="text-align: center;">30% (.30)</td> <td style="text-align: center;">\$20,000—22,000</td> <td style="text-align: center;">24% (.24)</td> </tr> <tr> <td style="text-align: center;">10,000—12,000</td> <td style="text-align: center;">29% (.29)</td> <td style="text-align: center;">22,000—24,000</td> <td style="text-align: center;">23% (.23)</td> </tr> <tr> <td style="text-align: center;">12,000—14,000</td> <td style="text-align: center;">28% (.28)</td> <td style="text-align: center;">24,000—26,000</td> <td style="text-align: center;">22% (.22)</td> </tr> <tr> <td style="text-align: center;">14,000—16,000</td> <td style="text-align: center;">27% (.27)</td> <td style="text-align: center;">26,000—28,000</td> <td style="text-align: center;">21% (.21)</td> </tr> <tr> <td style="text-align: center;">16,000—18,000</td> <td style="text-align: center;">26% (.26)</td> <td style="text-align: center;">28,000</td> <td style="text-align: center;">20% (.20)</td> </tr> <tr> <td style="text-align: center;">18,000—20,000</td> <td style="text-align: center;">25% (.25)</td> <td></td> <td></td> </tr> </tbody> </table>	If line 13 is:	Percentage is:	If line 13 is:	Percentage is:	Over— But not over—		Over— But not over—		\$0—10,000	30% (.30)	\$20,000—22,000	24% (.24)	10,000—12,000	29% (.29)	22,000—24,000	23% (.23)	12,000—14,000	28% (.28)	24,000—26,000	22% (.22)	14,000—16,000	27% (.27)	26,000—28,000	21% (.21)	16,000—18,000	26% (.26)	28,000	20% (.20)	18,000—20,000	25% (.25)				
If line 13 is:	Percentage is:	If line 13 is:	Percentage is:																																
Over— But not over—		Over— But not over—																																	
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12,000—14,000	28% (.28)	24,000—26,000	22% (.22)																																
14,000—16,000	27% (.27)	26,000—28,000	21% (.21)																																
16,000—18,000	26% (.26)	28,000	20% (.20)																																
18,000—20,000	25% (.25)																																		
<b>6</b>	Multiply the amount on line 4 by the percentage on line 5. Enter the result here and on Form 1040A, line 19.	6 =	5 ×																																



Form **1040** Department of the Treasury—Internal Revenue Service **1987** (0)

For the year Jan—Dec. 31, 1987, or other tax year beginning 1987, ending 19 OMB No. 1545-0074

**Label**

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name  
 Present home address (number and street or rural route). (If you have a P.O. Box, see page 6 of Instructions.)  
 City, town or post office, state, and ZIP code

Your social security number  
 Spouse's social security number  
 For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

**Presidential Election Campaign**

Do you want \$1 to go to this fund? Yes  No   
 If joint return, does your spouse want \$1 to go to this fund? Yes  No   
 Note: Checking "Yes" will not change your tax or reduce your refund.

**Filing Status**

Check only one box.

1  Single  
 2  Married filing joint return (even if only one had income)  
 3  Married filing separate return. Enter spouse's social security no. above and full name here.  
 4  Head of household (with qualifying person). (See page 7 of Instructions.) If the qualifying person is your child but not your dependent, enter child's name here.  
 5  Qualifying widow(er) with dependent child (year spouse died ▶ 19 ). (See page 7 of Instructions.)

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents' return), do not check box 6a. But be sure to check the box on line 32b on page 2.

**Exemptions**

(See instructions on page 7.)

If more than 7 dependents, see instructions on page 7.

6a  Yourself 6b  Spouse

c Dependents	(2) Check if under age 5	(3) If age 5 or over, dependent's social security number	(4) Relationship	(5) No. of months lived in your home in 1987	No. of boxes checked on 6a and 6b	No. of children on 6c who lived with you	No. of children on 6c who didn't live with you due to divorce or separation	No. of parents listed on 6c	No. of other dependents listed on 6c
(1) Name (first, initial, and last name)	:	:	:	:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	:	:	:	:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	:	:	:	:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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	:	:	:	:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	:	:	:	:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here.   
 e Total number of exemptions claimed (also complete line 35)

**Income**

Please attach Copy B of your Forms W-2, W-2G, and W-2P here.

If you do not have a W-2, see page 6 of instructions.

Please attach check or money order here.

7 Wages, salaries, tips, etc. (attach Form(s) W-2)	7	
8 Taxable interest income (also attach Schedule B if over \$400)	8	
9 Tax-exempt interest income (see page 10). DON'T include on line 8	9	
10 Dividend income (also attach Schedule B if over \$400)	10	
11 Taxable refunds of state and local income taxes, if any, from worksheet on page 11 of Instructions.	11	
12 Alimony received	12	
13 Business income or (loss) (attach Schedule C)	13	
14 Capital gain or (loss) (attach Schedule D)	14	
15 Other gains or (losses) (attach Form 4797)	15	
16a Pensions, IRA distributions, annuities, and rollovers. Total received	16a	
b Taxable amount (see page 11)	16b	
17 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)	17	
18 Farm income or (loss) (attach Schedule F)	18	
19 Unemployment compensation (insurance) (see page 11)	19	
20a Social security benefits (see page 12)	20a	
b Taxable amount, if any, from the worksheet on page 12	20b	
21 Other income (list type and amount—see page 12)	21	
22 Add the amounts shown in the far right column for lines 7, 8, and 10–21. This is your total income	22	

**Adjustments to Income**

(See instructions on page 12.)

23 Reimbursed employee business expenses from Form 2106	23	
24a Your IRA deduction, from applicable worksheet on page 13 or 14	24a	
b Spouse's IRA deduction, from applicable worksheet on page 13 or 14	24b	
25 Self-employed health insurance deduction, from worksheet on page 14	25	
26 Keogh retirement plan and self-employed SEP deduction	26	
27 Penalty on early withdrawal of savings	27	
28 Alimony paid (recipient's last name and social security no.)	28	
29 Add lines 23 through 28. These are your total adjustments	29	

Adjusted Gross Income 30 Subtract line 29 from line 22. This is your adjusted gross income. If this line is less than \$15,432 and a child lived with you, see "Earned Income Credit" (line 56) on page 18 of the Instructions. If you want IRS to figure your tax, see page 15 of the Instructions



31		Amount from line 30 (adjusted gross income)	31
32a		Check if: <input type="checkbox"/> You were 65 or over <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or over <input type="checkbox"/> Blind. Add the number of boxes checked and enter the total here	32a
b		If you can be claimed as a dependent on another person's return, check here	32b
c		If you are married filing a separate return and your spouse itemizes deductions, or you are a dual-status alien, see page 15 and check here	32c
33a		Itemized deductions. See page 15 to see if you should itemize. If you don't itemize, enter zero. If you do itemize, attach Schedule A, enter the amount from Schedule A, line 26, AND skip line 33b	33a
Caution: If you checked any box on line 32a, b, or c and you don't itemize, see page 16 for the amount to enter on line 33b.	b Standard deduction. Read Caution to left. If it applies, see page 16 for the amount to enter. If Caution doesn't apply and your filing status from page 1 is: { Single or Head of household, enter \$2,540 Married filing jointly or Qualifying widow(er), enter \$3,760 Married filing separately, enter \$1,880 }		33b
	34 Subtract line 33a or 33b, whichever applies, from line 31. Enter the result here		34
35 Multiply \$1,900 by the total number of exemptions claimed on line 6e or see chart on page 16			35
36 Taxable income. Subtract line 35 from line 34. Enter the result (but not less than zero) Caution: If under age 14 and you have more than \$1,000 of investment income, check here and see page 16 to see if you have to use Form 8615 to figure your tax.			36
37 Enter tax. Check if from <input type="checkbox"/> Tax Table, <input type="checkbox"/> Tax Rate Schedules, <input type="checkbox"/> Schedule D, or <input type="checkbox"/> Form 8615			37
38 Additional taxes (see page 16) Check if from <input type="checkbox"/> Form 4970 or <input type="checkbox"/> Form 4972			38
39 Add lines 37 and 38. Enter the total			39
(See instructions on page 17)	40 Credit for child and dependent care expenses (attach Form 2441)		40
	41 Credit for the elderly or for the permanently and totally disabled (attach Schedule R)		41
42 Add lines 40 and 41. Enter the total			42
43 Subtract line 42 from line 39. Enter the result (but not less than zero)			43
44 Foreign tax credit (attach Form 1116)		44	
45 General business credit. Check if from <input type="checkbox"/> Form 3800, <input type="checkbox"/> Form 3468, <input type="checkbox"/> Form 5884, <input type="checkbox"/> Form 6478, <input type="checkbox"/> Form 6765, or <input type="checkbox"/> Form 8586		45	
46 Add lines 44 and 45. Enter the total			46
47 Subtract line 46 from line 43. Enter the result (but not less than zero)			47
Other Taxes (Including Advance EIC Payments)	48 Self-employment tax (attach Schedule SE)		48
	49 Alternative minimum tax (attach Form 6251)		49
	50 Tax from recapture of investment credit (attach Form 4255)		50
	51 Social security tax on tip income not reported to employer (attach Form 4137)		51
52 Tax on an IRA or a qualified retirement plan (attach Form 5329)			52
53 Add lines 47 through 52. This is your total tax			53
Attach Forms W-2, W-2G, and W-2P to front.	54 Federal income tax withheld (including tax shown on Form(s) 1099)		54
	55 1987 estimated tax payments and amount applied from 1986 return		55
	56 Earned income credit (see page 18)		56
	57 Amount paid with Form 4868 (extension request)		57
	58 Excess social security tax and RRTA tax withheld (see page 19)		58
	59 Credit for Federal tax on gasoline and special fuels (attach Form 4136)		59
	60 Regulated investment company credit (attach Form 2439)		60
61 Add lines 54 through 60. These are your total payments			61
62 If line 61 is larger than line 53, enter amount OVERPAID			62
63 Amount of line 62 to be REFUNDED TO YOU			63
64 Amount of line 62 to be applied to your 1988 estimated tax		64	
65 If line 53 is larger than line 61, enter AMOUNT YOU OWE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and "1987 Form 1040" on it Check <input type="checkbox"/> if Form 2210 (2210F) is attached. See page 20. Penalty: \$			65

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

Please Sign Here

Your signature Spouse's signature (if joint return, BOTH must sign)	Date Date	Your occupation Spouse's occupation
Preparer's signature	Date	Preparer's social security no. Check if self-employed <input type="checkbox"/>

Paid Preparer's Use Only

Firm's name (or yours if self-employed) and address 108	E.I. No. ZIP code
--	----------------------



**SCHEDULES A&B**  
**(Form 1040)**

Department of the Treasury  
Internal Revenue Service (B)

**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

**1987**

Attachment  
Sequence No. 07

Name(s) as shown on Form 1040

Your social security number

<b>Medical and Dental Expenses</b> (Do not include expenses reimbursed or paid by others.)  (See instructions on page 21.)	1a Prescription medicines and drugs, insulin, doctors, dentists, nurses, hospitals, insurance premiums you paid for medical and dental care, etc.	1a			
	b Transportation and lodging	1b			
	c Other (list—include hearing aids, dentures, eyeglasses, etc.) ▶	1c			
	2 Add lines 1a through 1c, and enter the total here	2			
	3 Multiply the amount on Form 1040, line 31, by 7.5% (.075)	3			
	4 Subtract line 3 from line 2. If zero or less, enter -0-. Total medical and dental	4			
<b>Taxes You Paid</b>  (See instructions on page 22.)	Note: Sales taxes are no longer deductible.				
	5 State and local income taxes	5			
	6 Real estate taxes	6			
	7 Other taxes (list—include personal property taxes) ▶	7			
	8 Add the amounts on lines 5 through 7. Enter the total here. Total taxes	8			
<b>Interest You Paid</b>  (See instructions on page 22.)	Note: If you borrowed any new amounts against your home after 8/16/86 and at any time in 1987 the total of all your mortgage debts was more than what you paid for your home plus improvements, attach Form 8598 and check here. <input type="checkbox"/>				
	9a Deductible home mortgage interest you paid to financial institutions (report deductible points on line 10)	9a			
	b Deductible home mortgage interest you paid to individuals (show that person's name and address) ▶	9b			
	10 Deductible points	10			
	11 Deductible investment interest	11			
	12a Personal interest you paid (see page 22)	12a			
	b Multiply the amount on line 12a by 65% (.65). Enter the result	12b			
13 Add the amounts on lines 9a through 11, and 12b. Enter the total here. Total interest	13				
<b>Contributions You Made</b>  (See instructions on page 23.)	14a Cash contributions. (If you gave \$3,000 or more to any one organization, report those contributions on line 14b.)	14a			
	b Cash contributions totaling \$3,000 or more to any one organization. (Show to whom you gave and how much you gave.) ▶	14b			
	15 Other than cash. (You must attach Form 8283 if over \$500.)	15			
	16 Carryover from prior year	16			
	17 Add the amounts on lines 14a through 16. Enter the total here. Total contributions	17			
<b>Casualty and Theft Losses</b>	18 Casualty or theft loss(es) (attach Form 4684). (See page 23 of the instructions.)	18			
<b>Moving Expenses</b>	19 Moving expenses (attach Form 3903 or 3903F). (See page 24 of the instructions.)	19			
<b>Miscellaneous Deductions Subject to 2% AGI Limit</b>  (See instructions on page 24.)	20 Unreimbursed employee business expenses (attach Form 2106)	20			
	21 Other expenses (list type and amount) ▶	21			
	22 Add the amounts on lines 20 and 21. Enter the total.	22			
	23 Multiply the amount on Form 1040, line 31, by 2% (.02). Enter the result here	23			
	24 Subtract line 23 from line 22. Enter the result (but not less than zero)	24			
<b>Other Miscellaneous Deductions</b>	25 Miscellaneous deductions not subject to 2% AGI limit (see page 24). (List type and amount.) ▶	25			
<b>Total Itemized Deductions</b>	26 Add the amounts on lines 4, 8, 13, 17, 18, 19, 24, and 25. Enter the total here and on Form 1040, line 33a.	26			

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule A (Form 1040) 1987





Name(s) as 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 Dividend Income

Attachment Sequence No 08

**Part I Interest Income** If you received more than \$400 in taxable interest income, you must complete Part I and list ALL interest received. If you received, as a nominee, interest that actually belongs to another person, or you received or paid accrued interest on securities transferred between interest payment dates, see page 24.

Interest Income		Amount	
1	1 Interest income from seller-financed mortgages. (See Instructions and list name of payer.) ▶		
	2 Other interest income (list name of payer) ▶		
2	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
3	3 Add the amounts on lines 1 and 2. Enter the total here and on Form 1040, line 8. ▶		

**Part II Dividend Income** If you received more than \$400 in gross dividends and/or other distributions on stock, complete Part II. If you received, as a nominee, dividends that actually belong to another person, see page 25.

Dividend Income		Amount	
4	4 Dividend income (list name of payer—include on this line capital gain distributions, nontaxable distributions, etc.) ▶		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
	.....		
5	5 Add the amounts on line 4. Enter the total here		
6	6 Capital gain distributions. Enter here and on line 13, Schedule D. *		
7	7 Nontaxable distributions. (See Schedule D Instructions for adjustment to basis.)		
8	8 Add the amounts on lines 6 and 7. Enter the total here		
9	9 Subtract line 8 from line 5. Enter the result here and on Form 1040, line 10 ▶		

\*If you received capital gain distributions but do not need Schedule D to report any other gains or losses or to figure your tax (see the Tax Tip under Capital gain distributions on page 10), enter your capital gain distributions on Form 1040, line 14. Write "CGD" on the dotted line to the left of line 14

Part III Foreign Accounts and Foreign Trusts		Yes	No
If you received more than \$400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III.			
10	At any time during the tax year, 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 25 of the Instructions for exceptions and filing requirements for Form TD F 90-22.1.)		
	If "Yes," enter the name of the foreign country ▶		
11	Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		



Department of the Treasury  
Internal Revenue Service (O)

▶ Attach to Form 1040.  
▶ See instructions below.

Name(s) as shown on Form 1040

Your social security number

Note: If you paid cash wages of \$50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. Get Form 942 for details

1 Enter number of qualifying persons who were cared for in 1987 (See instructions for definition of qualifying persons) ▶

2 Enter the amount of qualified expenses you incurred and actually paid in 1987 for the care of the qualifying person. (See What Are Qualified Expenses in the instructions.) Do not enter more than \$2,400 (\$4,800 if you paid for the care of two or more qualifying persons)

3a You must enter your earned income on line 3a. See line 3 instructions for definition of earned income

b If you are married, filing a joint return for 1987, you must enter your spouse's earned income on line 3b. (If spouse is a full-time student or is disabled, see the line 3 instructions for amount to enter)

c If you are married filing a joint return, compare the amounts on lines 3a and 3b, and enter the smaller of the two amounts on line 3c

4 • If you were unmarried at the end of 1987, compare the amounts on lines 2 and 3a, and enter the smaller of the two amounts on line 4.

• If you are married filing a joint return, compare the amounts on lines 2 and 3c, and enter the smaller of the two amounts on line 4.

5 Enter percentage from table below that applies to the adjusted gross income on Form 1040, line 31.

If line 31 is:		Percentage is:	If line 31 is:		Percentage is:
Over—	But not over—		Over—	But not over—	
	\$0-10,000	30% (.30)	\$20,000-22,000		24% (.24)
	10,000-12,000	29% (.29)	22,000-24,000		23% (.23)
	12,000-14,000	28% (.28)	24,000-26,000		22% (.22)
	14,000-16,000	27% (.27)	26,000-28,000		21% (.21)
	16,000-18,000	26% (.26)	28,000		20% (.20)
	18,000-20,000	25% (.25)			

6 Multiply the amount on line 4 by the percentage shown on line 5, and enter the result

7 Multiply any child and dependent care expenses for 1986 that you paid in 1987 by the percentage that applies to the adjusted gross income on your 1986 Form 1040, line 33, or Form 1040A, line 15. Enter the result. (See line 7 instructions for the required statement.)

8 Add amounts on lines 6 and 7. See the worksheet in the instructions for line 8 for the amount of credit you can claim.

**General Instructions**

**Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

**What Is the Child and Dependent Care Expenses Credit?**

You may be able to take a tax credit for amounts you paid someone to care for your child or other qualifying person so you could work or look for work in 1987. The most the credit may be is \$720 for the care of one qualifying person, or \$1,440 for the care of two or more qualifying persons.

**Additional Information.**—For more details, please get Publication 503, Child and Dependent Care Credit, and Employment Taxes for Household Employers.

**Who Is a Qualifying Person?**

A qualifying person is:

- Any person under age 15 whom you claim as a dependent (but see the rule for Children of divorced or separated parents).

- Your disabled spouse who is mentally or physically unable to care for himself or herself.
- Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of \$1,900 or more.

Note: You must have shared the same home with any person you claim as a qualifying person.

- Children of divorced or separated parents.**—If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 1987, you may be able to claim the credit even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person if all five of the following apply:
1. You had custody of the child for the longer period during the year; and
  2. The child received over half of his or her support from one or both of the parents; and
  3. The child was in the custody of one or both of the parents over half of the year; and
  4. The child was under age 15, or was physically or mentally unable to care for himself or herself; and
  5. The child is not your dependent because—

- a. As the custodial parent, you have signed Form 8332, Release of Claim to Exemption

for Child of Divorced or Separated Parents, or a similar statement, agreeing not to claim the child's exemption for 1987; or

b. You were divorced or separated before 1985 and your divorce decree or written agreement states that the other parent can claim the child's exemption, and the other parent provides at least \$600 in child support during the year. Note: This rule does not apply if your decree or agreement was changed after 1984 to specify that the other parent cannot claim the child's exemption

**Who May Take the Credit?**

To claim the credit, all five of the following must apply:

1. You paid for the care so you (and your spouse if you were married) could work or look for work (but see the rules at the line 3 instructions for Spouse who is a full-time student or is disabled).
2. You and the qualifying person(s) lived in the same home.
3. You (and your spouse if you were married) paid over half the cost of keeping up your home. The cost includes: rent; mortgage interest; property taxes; utilities; home repairs; and food eaten at home.

(Continued on back)

4. The person you paid to provide the care was not your spouse or a person you could claim as a dependent.

Note: If the person you paid to provide the care was your child, he or she must have been 19 or over by the end of 1987.

5. If you were married at the end of 1987, generally, you must file a joint tax return. However, there are two exceptions to this rule. You will be treated as unmarried and still be eligible to take the credit if:

- a. You were legally separated; or
- b. You were living apart from your spouse during the last 6 months of the year, and the qualifying person lived with you in your home over 6 months, and you provided over half the cost of keeping up your home.

**What Are Qualified Expenses?**

Qualified expenses include amounts paid for household services and care of the qualifying person while you work or look for work.

**Household services.**—These services must be needed to care for the qualifying person as well as to run the home. They include, for example, the services of a cook, maid, babysitter, housekeeper, or cleaning person if the services were partly for the care of the qualifying person. Do not include services of a chauffeur or gardener.

Note: If you paid cash wages of \$1,000 or more for household services in any calendar quarter in 1986 or 1987, you should file a Form 940 for 1987 by February 1, 1988.

**Care of the qualifying person.**—Care includes the cost of services for the qualifying person's well-being and protection. It does not include the cost of clothing or entertainment.

Generally, care does not include food or schooling expenses. However, if these items are included as part of the total care, and they are incident to, and cannot be separated from, the total cost, you may count the total payment. However, you may not count the cost of schooling for a child in the first grade or above.

**Care outside the home.**—You may count care provided outside your home if the care was for your dependent under age 15, or any other qualifying person who regularly spends at least 8 hours a day in your home.

**Medical expenses.**—Some dependent care expenses may qualify as medical expenses. If you itemize deductions, you may want to take all or part of these medical expenses on Schedule A (Form 1040). If you cannot use all the medical expenses on Form 2441 because of the dollar limit or earned income limit (explained later), you may take the rest of these expenses on Schedule A. But if you deduct the medical expenses first on Schedule A, you may not use any part of these expenses on Form 2441.

**Specific Instructions**

**Line 2. Dollar limit.**—On line 2, enter the amount of qualified child and dependent care expenses you incurred and actually paid in 1987. However, the most you may figure the credit on is \$2,400 a year for one qualifying person, or \$4,800 a year for two or more qualifying persons. Do not include amounts paid or incurred by your employer, and to the extent, such amounts are excluded from your gross income.

Note: Do not include on line 2 qualified expenses that you incurred in 1987 but did not pay until 1988. Instead, you may be able to increase your 1988 credit when you pay the 1987 expenses in 1988.

**Line 3. Earned income limit.**—The amount of your qualified expenses may not be more than your earned income or, if married filing a joint return, the smaller of your earned income or your spouse's earned income.

In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment. This is usually the amount shown on Schedule SE (Form 1040), line 9.

**Unmarried taxpayers.**—If you were unmarried at the end of 1987 or are treated as being unmarried at the end of the year, enter your earned income on line 3a.

**Married taxpayers.**—If you are married, filing a joint return, figure each spouse's earned income separately and disregard community property laws. Enter your earned income on line 3a and your spouse's earned income on line 3b. Then, enter the smaller of the two incomes on line 3c. If your spouse died in 1987, had no earned income, and you file a joint return for 1987, see Publication 503.

**Spouse who is a full-time student or is disabled.**—If your spouse was a full-time student or was mentally or physically unable to care for himself or herself, figure your spouse's earned income on a monthly basis to determine your spouse's earned income for the year. For each month that your spouse was disabled or a full-time student, your spouse is considered to have earned income of not less than \$200 a month (\$400 a month if more than one qualifying person was cared for in 1987).

If, in the same month, both you and your spouse were full-time students and did not work, you may not use any amount paid that month to figure the credit. The same applies to a couple who did not work because neither was capable of self-care.

**A full-time student** is one who was enrolled in a school for the number of hours or classes that the school considers full time. The student must have been enrolled at least 5 months during 1987.

**Self-employment income.**—You must reduce your earned income by any loss from self-employment. If your net earnings from self-employment are less than \$1,600, and you use the optional method to figure your self-employment tax, you may be able to increase your net earnings to \$1,600 for this credit. Get Publication 533, Self-Employment Tax, for details. If you only have a loss from self-employment, or your loss is more than your other earned income and you do not use the optional method, you may not take the credit.

**Line 7.**—If you had qualified expenses for 1986 that you did not pay until 1987, you may be able to increase the amount of credit you may take in 1987. To do this, multiply the 1986 expenses you paid in 1987 by the percentage from the table on line 6 that applies to the adjusted gross income shown on your 1986 Form 1040, line 33, or Form 1040A, line 15. Your 1986 expenses must be within the 1986 limits. Attach a computation showing how you figured the increase.

**Line 8.**—In certain cases, the amount of credit you figured on line 8 may be limited. Some taxpayers will need to complete Form 6251, Alternative Minimum Tax—Individuals, because the computation of this limit uses an amount from line 15 of that form. Other taxpayers, however, will not be affected by the limit and will not need Form 6251. The following will help you determine if you need Form 6251.

First, complete line 1 of the worksheet below.

Get Form 6251 if:

- You filed Schedule C, D, E, or F (Form 1040); OR
- The amount you enter on line 1 of the worksheet below is more than: \$112,500 for single or head of household; \$150,000 for married filing jointly; or \$75,000 for married filing separately.

If either of the above applies to you, complete Form 6251 through line 15. Skip lines 2 through 6 of the worksheet and go directly to line A of the worksheet.

If neither of the above applies to you, continue with line 2 of the worksheet. You may still need to get Form 6251.

1. Enter the amount from Form 1040, line 22. \_\_\_\_\_  
(Add to line 1 any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction.)
2. Enter: \$30,000 if single or head of household; \$40,000 if married filing jointly; or \$20,000 if married filing separately. \_\_\_\_\_
3. Subtract line 2 from line 1. If the result is zero or less, STOP HERE. Enter on Form 1040, line 40, the amount of your credit shown on line 8 of Form 2441. Otherwise, go on to line 4. \_\_\_\_\_
4. Enter the amount from Form 1040, line 39. \_\_\_\_\_
5. Multiply line 3 by 21% ( 21 ) . . . . . \_\_\_\_\_
6. Subtract line 5 from line 4 (if zero or less, enter zero). \_\_\_\_\_

Compare line 6 of the worksheet with the amount of credit shown on Form 2441, line 8.

• If line 6 (above) is more than your credit, you do not have to complete Form 6251. Enter on Form 1040, line 40, the amount of your credit shown on Form 2441, line 8.

• If your credit is more than the amount on line 6 (above), get Form 6251 and complete it through line 15. Then figure the limit on your credit as follows:

- A. Enter amount from Form 1040, line 39. \_\_\_\_\_
- B. Enter the amount from Form 6251, line 15. \_\_\_\_\_
- C. Maximum credit. Subtract line B from line A (if zero or less, enter zero). \_\_\_\_\_

Compare the credit you first figured on line 8 of Form 2441 with line C above. Enter the smaller of the two amounts on line 8 of Form 2441, and on Form 1040, line 40. If line C above is the smaller amount, also write "AMT" in the left margin next to line 40.





This return is for calendar year **19** , OR fiscal year ended **19** .

*Please print or type*

Your first name and initial (If joint return, also give spouse's name and initial)	Last name	Your social security number
Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
City, town or post office, State, and ZIP code		

Enter below name and address as shown on original return (if same as above, write "Same"). If changing from separate to joint return, enter names and addresses used on original returns. (Note: You cannot change from joint to separate returns after the due date has passed.)

a. Service center where original return was filed . . . . .

b. Has original return for the year being changed been audited? . . . . .  Yes  No  
If "No," have you been advised that it will be? . . . . .  Yes  No  
If "Yes," identify IRS office ▶

c. Filing status claimed. (Note: You cannot change from joint to separate returns after the due date has passed.)

On original return . ▶  Single  Married filing joint return  Married filing separate return  Head of Household  Qualifying Widow(er)

On this return . ▶  Single  Married filing joint return  Married filing separate return  Head of Household  Qualifying Widow(er)

Income and Deductions	A. As originally reported or as adjusted (See instructions)	B. Net change—Increase or (Decrease)—explain on page 2	C. Correct amount
1 Total income (see instructions) . . . . .			
2 Adjustments to income (see instructions) . . . . .			
3 Adjusted gross income (subtract line 2 from line 1) . . . . .			
4 Deductions (see instructions) . . . . .			
5 Subtract line 4 from line 3 . . . . .			
<i>Note: If this return is for 1977, 1978, 1979, or 1980, and you use the tax tables, do not complete line 6 or take the general tax credit. Instead, skip line 7 and enter on line 8, the tax on the income you reported on line 5.</i>			
6 Exemptions from page 2, line 5 . . . . .			
7 Taxable income (subtract line 6 from line 5) . . . . .			
<b>Tax Liability</b>			
8 Tax (see instructions) (method used in column C . . . . .)			
9 Credits (such as residential energy credit, credit for the elderly—see instructions) . . . . .			
10 Subtract line 9 from line 8 . . . . .			
11 Other taxes (such as self-employment tax, minimum tax—see instructions) . . . . .			
12 Total tax liability (add line 10 and line 11) . . . . .			
<b>Payments</b>			
13 Federal income tax withheld and excess FICA and RRTA tax withheld . . . . .			
14 Estimated tax payments . . . . .			
15 Earned income credit . . . . .			
16 Credits for Federal tax on special fuels, regulated investment company, etc. . . . .			
17 Amount paid with Form 2688 or Form 4865 (application for extension of time to file) . . . . .			
18 Amount paid with original return, plus additional tax paid after it was filed . . . . .			
19 Total of lines 13 through 18, column C . . . . .			
<b>Refund or Balance Due</b>			
20 Overpayment, if any, as shown on original return (or as previously adjusted by IRS) . . . . .			
21 Subtract line 20 from line 19 (see instructions) . . . . .			
22 <b>BALANCE DUE.</b> If line 12, column C is more than line 21, enter difference. Please pay in full with this return . . . . .			
23 <b>REFUND</b> to be received, if line 12, column C is less than line 21, enter difference . . . . .			

**Please Sign Here** Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

<b>Please Sign Here</b>	▶ Your signature	Date	▶ Spouse's signature (if filing jointly BOTH must sign even if only one had income)	Preparer's social security no.
	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	
<b>Paid Preparer's Use Only</b>	Firm's name (or yours, if self-employed) and address ▶	E.I. No. ▶		
		ZIP code ▶		



**Part I Exemptions (See Form 1040 or Form 1040A Instructions)**

Complete lines 1 through 5 in all cases. Complete lines 6 and 7 only if you claim more exemptions.

	A. Number originally reported	B. Net change	C. Corrected number
1 Exemptions—yourself and spouse, 65 or over, blind . . . . .			
2 Your dependent children who lived with you . . . . .			
3 Other dependents . . . . .			
4 Total exemptions (add lines 1 through 3) . . . . .			
5 Multiply \$1,000 (\$750, if 1978 or prior) by the total number of exemptions claimed on line 4. Enter this amount here and, if applicable, on page 1, line 6			
6 Enter first names of your dependent children who lived with you, but were not claimed on original return:	Enter number ► <input type="checkbox"/>		

7 Other dependents not claimed on original return:

(a) Name	(b) Relationship	(c) Number of months lived in your home	(d) Did dependent have income of \$1,000 (\$750, if 1978 or prior) or more?	(e) Did you provide more than one half of dependent's support?	Enter number ► <input type="checkbox"/>

**Part II Explanation of Changes to Income, Deductions, and Credits**  
 Enter the line reference from page 1 for which you are reporting a change and give the reason for each change. Attach applicable schedules.

If the change pertains to a net operating loss carryback, an investment credit carryback, a WIN credit carryback, or a jobs credit carryback . . . . . Check here ►

**Part III Presidential Election Campaign Fund**

Checking below will not increase your tax or reduce your refund.

If you did not previously want to have \$1 go to the fund but now want to . . . . . Check here ►   
 If joint return and if spouse did not previously want to have \$1 go to the fund but now wants to . . . . . Check here ►



PA-40 (9-87)



# COMMONWEALTH OF PENNSYLVANIA Individual Income Tax Return

For the taxable year January 1 -- December 31, 1987



OFFICIAL USE ONLY

Fiscal Year Filer For Taxable Year Beginning \_\_\_\_\_ 1987, Ending \_\_\_\_\_, 198\_\_ Attached  Request for Extension

**PLEASE PRINT OR TYPE**

YOUR SOCIAL SECURITY NUMBER \_\_\_\_\_ SPOUSE'S SOCIAL SECURITY NUMBER \_\_\_\_\_  
(Even if filing separate return)

Last Name \_\_\_\_\_ First name and initial (if joint return, enter both names) \_\_\_\_\_

Home Address \_\_\_\_\_

City or Post Office \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Check here if this is a change of address from last year's return

TELEPHONE NUMBER ( ) \_\_\_\_\_

School District Name (as of December 31, 1987) \_\_\_\_\_ CODE (see pages 7 and 8) \_\_\_\_\_

FILING STATUS: (Check One)

S  Single  
J  Married, Filing Joint Return  
M  Married, Filing Separate Return  
Name of Spouse \_\_\_\_\_  
F  Deceased, Filing Final Return  
Date of Death \_\_\_\_\_

Occupation: Your \_\_\_\_\_  
Spouse's \_\_\_\_\_

RESIDENCY STATUS: (Check One)

R  Resident  
P  Part-Year Resident -- From \_\_\_\_\_ To \_\_\_\_\_  
N  Nonresident \_\_\_\_\_  
Name of State \_\_\_\_\_

OFFICIAL USE ONLY

ATTACH CHECK OR MONEY ORDER HERE

1a. GROSS COMPENSATION (Wages, salaries, tips, etc.)	1a		THIS RETURN MUST BE FILED ON OR BEFORE APRIL 15, 1988
1b. LESS EXPENSES FROM SCHEDULE UE	1b		
1c. TAXABLE COMPENSATION (line 1a less line 1b) ATTACH COPY OF W-2'S TO BACK OF THIS FORM	1c		
2. NET PROFITS FROM BUSINESS, PROFESSION OR FARM (Complete Schedule C or F)	2		BE SURE TO COMPLETE SCHOOL DISTRICT DATA
3. INTEREST (Complete Schedule A if over \$400)	3		
4. DIVIDENDS (Complete Schedule B if over \$400)	4		ATTACH COPIES OF ALL W-2's TO BACK OF RETURN
5. Add lines 3 and 4 ONLY	5		
6a. SALE OR EXCHANGE OF PROPERTY (Complete Schedule D)	6a		
6b. AMOUNT OF EXCLUSION CLAIMED FROM GAIN ON A PRINCIPAL RESIDENCE FROM PA-19 (Enter amount only. Do not add or subtract line 6b.)	6b		ATTACH COPIES OF ALL W-2's TO BACK OF RETURN
7. RENTS, ROYALTIES, PATENTS AND COPYRIGHTS (Complete Schedule E)	7		
8. ESTATES OR TRUSTS (Complete Schedule J)	8		
9. GAMBLING AND LOTTERY WINNINGS	9		ATTACH COPIES OF ALL W-2's TO BACK OF RETURN
10. Add lines 6a, 7, 8 and 9 ONLY	10		
11. PENNSYLVANIA TAXABLE INCOME (Add lines 1c, 2, 5 and 10)	11		
12. TAX LIABILITY -- 2.1% OF LINE 11 (Multiply line 11 by .021)	12		
13. TOTAL PA. INCOME TAXES WITHHELD (From Attached W-2's)	13		OFFICIAL USE ONLY
14. PA. ESTIMATED TAX PAYMENTS (Include extension payments and allowed credit from 1986 return)	14		
15a. TAXES PAID BY PA. RESIDENTS TO OTHER STATES (Complete Schedule G)	15a		
15b. TAX FORGIVENESS CLAIMED ON SCHEDULE SP (Complete Schedule SP and lines 20a and 20b below)	15b		
15c. EMPLOYMENT INCENTIVE PAYMENT CREDIT (Complete PA Schedule W)	15c		
16. TOTAL CREDITS (Add lines 13, 14, 15a, 15b and 15c)	16		
17. If line 12 is greater than line 16 enter the difference. This is the TAX DUE Make checks payable to PA Department of Revenue	17		
18. If line 16 is greater than line 12 enter the difference. This is the OVERPAYMENT	18		
19. Amount of (a) REFUNDED (Allow at Least Six Weeks for Refund Checks) Line 18 to be: (b) CREDITED ON 1986 ESTIMATED TAX (c) DONATED TO WILD RESOURCE CONSERVATION FUND (d) DONATED TO UNITED STATES OLYMPICS COMMITTEE, PENNSYLVANIA DIVISION	19a 19b 19c 19d		Write Social Security Number on check or money order. The total of lines 19a, 19b, 19c and 19d cannot exceed line 18
YOU MUST COMPLETE 20a AND 20b IF SCHEDULE SP IS USED			
20a. NUMBER OF DEPENDENTS CLAIMED ON SCHEDULE SP	20a		
20b. TOTAL INCOME AS REPORTED ON SCHEDULE SP line 8	20b		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete.

Your signature \_\_\_\_\_ Date \_\_\_\_\_

( ) \_\_\_\_\_  
(Telephone No.)



Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

115

Signature of preparer, other than taxpayer, based on all information on which he has any knowledge Date \_\_\_\_\_



# ALLOWABLE BUSINESS EXPENSES

Expenses for which you are not reimbursed by your employer.

Attach a separate UE-2 to form PA-40 for each employer.  
Print or type all information.

## SCHEDULE UE-2 (9-87)

DEPARTMENT OF REVENUE

Name as shown on form PA-40

Social Security Number

Employer's Name

Employer's Address

Job Description In Which Expenses Were Incurred

Employer's Telephone No.  
( )

PART A: UNION DUES (Name and amount)

A

PART B: WORK CLOTHES AND UNIFORMS (if required as a condition of employment and not suitable for every day use)

B

PART C: SMALL TOOLS AND SUPPLIES (Required by your employment and not supplied by your employer)

C

PART D: PROFESSIONAL LICENSE FEES AND INSURANCE (Required as a condition of your employment)

D

TOTAL EXPENSES OF PARTS A THROUGH H. (REPORT ON LINE 1b of PA-40)

1

## Special Tax Provisions Schedule

(DO NOT FILE IF A DEPENDENT)

Print or type all information.

SCHEDULE SP  
DEPARTMENT OF REVENUE

- A**
- Are you a dependent spouse or child?  Yes  No
  - Are you claimed as a dependent on your spouse's Schedule SP?  Yes  No
  - Are you being claimed as a dependent child for Federal tax purposes?  Yes  No  
If you answered "Yes" to questions 1, 2 or 3, DO NOT FILE A SCHEDULE SP
  - Are you a student?  Yes  No
  - If married, is your spouse filing a Schedule SP?  Yes  No
  - Are you a widow/widower?  Yes  No

- B**
- Total number of dependent children in family \_\_\_\_\_  
List below all dependents you are entitled to claim. DO NOT INCLUDE YOURSELF. (Additional information may be attached on a separate sheet)

DEPENDENTS

DEPENDENT'S NAME	AGE	RELATIONSHIP (Spouse or Child)	SOCIAL SECURITY NUMBER

Enter here and on line 20a of PA-40 total number of dependents you are entitled to claim \_\_\_\_\_

- Total Other Income from line C 7 of SP Worksheet:

Claimant \$ \_\_\_\_\_

Spouse \$ \_\_\_\_\_

- C**
- If married, complete Columns A & B. When claiming tax forgiveness, both spouses must file separate PA-40's if each has taxable income.

ELIGIBILITY INCOME DETERMINATION

	COLUMN A CLAIMANT'S INCOME	COLUMN B SPOUSE'S INCOME
1. TOTAL TAXABLE INCOME FROM LINES 11 OF FORM PA-40	1	
2. NONTAXABLE INTEREST, DIVIDENDS AND GAINS (Worksheet line B2)	2	
3. ALIMONY/CHILD SUPPORT (Worksheet line B3)	3	
4. LIFE INSURANCE AND INHERITANCE PROCEEDS (Worksheet line B4)	4	
5. GIFTS, AWARDS AND PRIZES (Worksheet line B5)	5	
6. NONRESIDENT INCOME (Worksheet line B6)	6	
7. ALL OTHER INCLUDABLE INCOME (Worksheet lines B1 and B7 through B10)	7	

- D**
- TOTAL INCOME — LINES 1 THROUGH 7 ABOVE  
(Enter Claimant's Total Income in Column A and on line 20b of PA-40)
  - PENNSYLVANIA PERSONAL INCOME TAX (From line 12 of form PA-40)
  - LESS TAXES PAID TO OTHER STATES (Line 15a, form PA-40)
  - SUBTRACT LINE 10 FROM LINE 9 AND ENTER DIFFERENCE
  - PERCENTAGE OF FORGIVENESS (See Income Table for decimal equivalent)
  - AMOUNT OF SPECIAL TAX FORGIVENESS (Multiply line 11 by line 12)  
Enter here and on line 15b of PA-40

8		
9		
10		
11		
12		
13		

ATTACH ALL COPIES OF W-2's HERE



1987

PA-1000 (9-87)

BULK RATE U.S. POSTAGE PAID COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF REVENUE

Benefits Senior Citizens

COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF REVENUE PROPERTY TAX OR RENT REBATE PROGRAM P.O. BOX 2780, HARRISBURG, PA 17105-2780

Form A: Please do not remove label. Make corrections on label if one is provided. Form B: This Claim Form Must be Filed by June 30, 1988. Includes fields for Social Security No., Name, Address, Birthdate, and checkboxes for filing status.

Table with 13 rows for listing income received by you and your spouse during the entire year. Columns include line number, description of income, and official use only.

Form D: Declaration section. Includes fields for Claimant's Signature, Preparer's Signature, Witnesses' Signatures, and contact information for the nearest relative.



Appendix C  
Department of Revenue  
District Offices

## DEPARTMENT OF REVENUE DISTRICT OFFICES

If you need help or more information, call or visit the nearest Department of Revenue District Office listed below. The District Office also may be able to refer you to a temporary office located nearer to your home. Please call the number listed to verify the location of an office.

**Altoona**  
Cricket Field Plaza  
615 Howard Avenue  
Altoona, PA 16601-4867  
(814) 946-7310

**Johnstown**  
Central Park Commons Bldg.  
2nd Floor  
430 Main Street  
Johnstown, PA 15901-1823  
(814) 533-2495

**Pottsville**  
110 East Laurel Blvd.  
Pottsville, PA 17901-2527  
(717) 621-3175

**Bethlehem**  
528 North New Street  
Bethlehem, PA 18018-5790  
(215) 861-2000

**Lancaster**  
228 East Orange Street  
Lancaster, PA 17602-2991  
(717) 299-7581

**Reading**  
625 Cherry Street  
Reading, PA 19602-1152  
(215) 378-4401

**Bradford**  
86 Boylston Street  
Second Floor  
Bradford, PA 16701-2011  
(814) 368-7113

**New Castle**  
101 S. Mercer Street  
Room 201  
New Castle, PA 16101-3837  
(412) 656-3203

**Scranton**  
100 Lackawanna Avenue  
Room 318  
Scranton, PA 18503-1970  
(717) 963-4585

**Doylestown**  
1661 Easton Road  
Warrington, PA 18976-1291  
(215) 443-2990

**Newtown Square**  
90 S. Newtown Street Road  
Suite 1  
(Route 252)  
Newtown Square, PA 19073-4092  
(215) 353-4051

**Sunbury**  
335 Market Street  
Sunbury, PA 17801-3466  
(717) 286-4528

**Erie**  
Sumner Nichols Building  
Room 216  
155 West Eighth Street  
Erie, PA 16501-1012  
(814) 871-4491

**Norristown**  
2450 A. (Rear) West Main Street  
Norristown, PA 19403-3066  
(215) 270-1780

**Washington**  
Ruetom Plaza  
First Floor  
Suite 100  
2800 North Main Street  
Washington, PA 15301-6175  
(412) 223-4550

**Greensburg**  
Midtown Plaza  
Second Floor  
450 S. Main Street  
Greensburg, PA 15601-3097  
(412) 832-5283

**Oil City**  
214 Center Street  
Oil City, PA 16301-1438  
(814) 676-5601

**Wilkes-Barre**  
290 S. Pennsylvania Blvd.  
Suite 261  
Wilkes-Barre, PA 18701-3398  
(717) 826-2466

**Harrisburg**  
Taxpayer Services  
Strawberry Square  
Harrisburg, PA 17127-0001  
(717) 787-8201  
Forms Only  
(717) 787-8094

**Philadelphia**  
State Office Building  
Room 201  
1400 W. Spring Garden Street  
Philadelphia, PA 19130-4088  
(215) 560-2056  
Forms Only (215) 560-2065

**Williamsport**  
322 Locust Street  
Williamsport, PA 17701-6085  
(717) 327-3475

**Indiana**  
827 Water Street (Rear)  
Indiana, PA 15701-1799  
(412) 357-7600

**Pittsburgh**  
State Office Building  
Room 104  
300 Liberty Avenue  
Pittsburgh, PA 15222-1210  
(412) 565-7540  
Forms Only (412) 565-3601

**York**  
130 North Duke Street  
Second Floor  
York, PA 17401-1113  
(717) 845-6661



## Research Sources

Commonwealth of PA., Department of Revenue - PA-40, 1987

Commonwealth of PA., Department of Revenue - PA-1000, 1987

Federal Tax Course, Commerce Clearing House, 1988

Price waterhouse Guide to the New Tax Law, 1986

Small Business Tax Workbook, Department of Treasury, I.R.S.  
Pub. 1066. (REVP 5-87)

Understanding Taxes, Department of Treasury, I.R.S., 1987

Volunteer Assistor's Guide, Department of Treasury, I.R.S..  
Pub. 678 (REVP 10-86)

Your Federal Income Tax Pub. 17 Department of Treasury,  
I.R.S., 1987