

Note: This booklet does not contain any tax forms.

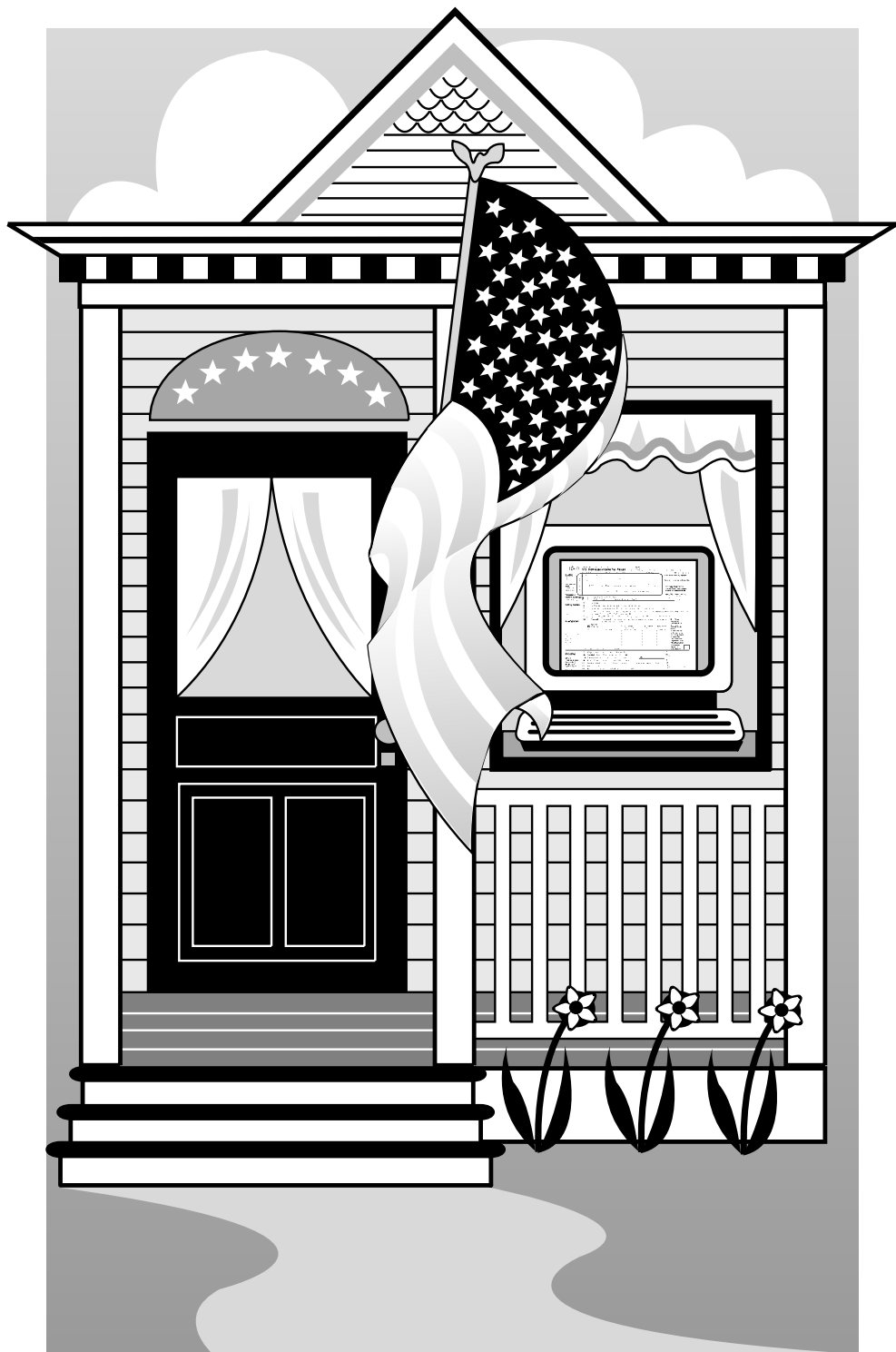
DEPARTMENT OF THE TREASURY—INTERNAL REVENUE SERVICE



www.irs.ustreas.gov

1997 1040

Instructions



Explore IRS e-file!

- The quickest way to file—by computer or phone
- The fastest way to get refunds
- The surest way to avoid filing errors and error notices

More details on page 5.

Check Your Social Security Numbers (SSNs)!

Incorrect or missing SSNs may increase your tax or reduce your refund. See page 6.

Receiving a Refund?

- Have it directly deposited! See the instructions for lines 62b–62d on page 27.
- Check its status with TeleTax! See page 34.

Quick and Easy Access to Tax Help and Forms

COMPUTER

World Wide Web
www.irs.ustreas.gov

IRIS at FedWorld
703-321-8020

FAX

From your fax machine's telephone, dial—
703-368-9694

See Page 4!

Filing Requirements

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

Do You Have To File?

Use **Chart A**, **B**, or **C** to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see **Pub. 570**. Residents of Puerto Rico can use TeleTax topic 901 (see page 34) to see if they must file.



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

Exception for Children Under Age 14

If you are planning to file a return for your child who was under age 14 on January 1, 1998, and certain other conditions apply, you may elect to report your child's income on your return. But you must use **Form 8814** to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 34) or see Form 8814.

Nonresident Aliens and Dual-Status Aliens

These rules also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 1997 and who have elected to be taxed as resident aliens. Other nonresident aliens and dual-status aliens have different filing requirements. They may have to file **Form 1040NR** or **Form 1040NR-EZ**. Specific rules apply to determine if you are a resident or nonresident alien. See **Pub. 519** for details, including the rules for students and scholars who are aliens.

When Should You File?

Not later than **April 15, 1998**. If you file after this date, you may have to pay penalties and interest. See page 30.

What if You Cannot File on Time?

If you know that you cannot file your return by the due date, you should file **Form 4868** by April 15, 1998.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 1997 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65 65 or older	\$6,800 7,800
Married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$12,200 13,000 13,800
Married filing separately	any age	\$2,650
Head of household (see page 10)	under 65 65 or older	\$8,700 9,700
Qualifying widow(er) with dependent child (see page 10)	under 65 65 or older	\$9,550 10,350

* If you turned age 65 on January 1, 1998, you are considered to be age 65 at the end of 1997.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any gain on the sale of your home (even if you may exclude or postpone part or all of the gain). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 1997.

*** If you did not live with your spouse at the end of 1997 (or on the date your spouse died) and your gross income was at least \$2,650, you must file a return regardless of your age.

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

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

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

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

Where Do You File?

See the back cover of this booklet for filing instructions and addresses.

Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The IRS publishes a list of the designated private delivery services in September of each year. The list published in September 1997 includes only the following:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, Second Day Service.
- DHL Worldwide Express (DHL): DHL "Same Day" Service, DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M.

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

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



Need More Information or Forms? You can use a personal computer, fax, or phone to get what you need. See page 4.

of 1997 or **under age 24** at the end of 1997 and was a **student**.

Support Test. You must have provided over half of the person's total support in 1997. But there are two exceptions to this test: one for children of divorced or separated parents and one for persons supported by two or more taxpayers.



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

Line 6c, Column (2)

You must enter each dependent's social security number (SSN). If you do not enter the correct SSN, at the time we process your return, we may disallow the exemption claimed for the dependent.



*For details on how your dependent can get an SSN, see page 10. If your dependent will not have an SSN by April 15, 1998, see **What if You Cannot File on Time?** on page 7.*

If your dependent child was born and died in 1997 and you do not have an SSN for the child, you may attach a copy of the child's birth certificate instead and enter "DIED" in column (2).

Line 6c, Column (4)

Enter the number of months your dependent lived with you in 1997. Count temporary absences, such as for school, vacation, or medical care, as time lived in your home. If your dependent was born or died in 1997, enter "12" in this column. If your dependent lived in Canada or Mexico during 1997, do not enter a number. Instead, enter "CN" or "MX," whichever applies.

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

If you are claiming a child who did not live with you under the rules in Pub. 501 for children of divorced or separated parents, attach **Form 8332** or similar statement to your return. But see **Exception** on this page. If your divorce decree or separation agreement went into effect after 1984 and it states you can claim the child as your dependent without regard to any condition, such as payment of support, you may attach a copy of the following pages from the decree or agreement instead.

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

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

Exception. You do not have to attach Form 8332 or similar statement if your di-

vorce decree or written separation agreement went into effect before 1985 and it states that you can claim the child as your dependent.

Other Dependent Children

Include the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "Dependents on 6c not entered above." Include dependent children who lived in Canada or Mexico during 1997.

Income

Foreign-Source Income

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

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

Community Property States

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

Rounding Off to Whole Dollars

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

Line 7

Wages, Salaries, Tips, etc.

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

- Wages received as a **household employee** for which you did not receive a W-2 form because your employer paid you less than \$1,000 in 1997.
- **Tip income** you did not report to your employer. Also include **allocated tips** shown on your W-2 form(s) unless you can prove that you received less. Allocated

tips should be shown in box 8 of your W-2 form(s). They are not included as income in box 1. See **Pub. 531** for more details.

Caution: You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 49 on page 20.

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

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

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

- **Excess salary deferrals.** The amount deferred should be shown in box 13 of your W-2 form and the "Deferred compensation" box in box 15 should be checked. If the total amount you (or your spouse if filing jointly) deferred for 1997 under **all** plans was more than \$9,500, include the excess on line 7. But a different limit may apply if amounts were deferred under a tax-sheltered annuity plan or an eligible plan of a state or local government or tax-exempt organization. See **Pub. 575** for details.

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

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

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

*This includes a SEP or SIMPLE IRA.

Were You a Statutory Employee?

If you were, the "statutory employee" box in box 15 of your W-2 form should be checked. Statutory employees include full-time life insurance salespeople, certain agent or commission drivers and traveling salespeople, and certain home-workers. If you have related business

Index to Instructions

A

Accelerated Death Benefits	6
Address Change	10 and 29
Addresses of Internal Revenue Service Centers	Back Cover
Adjusted Gross Income	16
Adoption Expenses—	
Credit for	6 and 19
Employer-Provided Benefits for	6 and 11
Advance Earned Income Credit Payments	20
After School Child Care Expenses	19
Alimony Paid	17
Alimony Received	13
Alternative Minimum Tax	20
Amended Return	29
Amount You Owe	27
Annuities	13
At-Risk Rules	C-5*, E-3*, and F-5*
Attachments to the Return	28

B

Blindness—Proof of	18
Business Income and Expenses (Schedule C)	C-1*
Business Use of Home	A-4* and C-5*

C

Capital Gains and Losses (Schedule D)	D-1*
Capital Gain Distributions	6, 12, D-1*, and D-3*
Casualty and Theft Losses	A-4*
Charity—Gifts to	A-3*
Child and Dependent Care Expenses—	
Credit for	19
Children of Divorced or Separated Parents—	
Exemption for	11
Community Property States	11
Contributions To Reduce the Public Debt	29
Credits Against Tax	19
Customer Service Standards	5

D

Day-Care Center Expenses	19
Death of a Taxpayer	29
Debt, Gift To Reduce the Public	29
Dependent Care Benefits	11
Dependents—	
Exemptions for	10
Standard Deduction	18
Who Can Be Claimed as	10
Direct Deposit of Refund	27
Dividends—	
Nominee	B-1*
Other Distributions	12 and B-1*
Divorced or Separated Parents—Children of	11
Dual-Status Aliens	7

E

Earned Income Credit	6 and 21
Educational Expenses	6 and A-5*
Elderly Persons—	
Expenses for Care of	19
Standard Deduction	18
Electronic Filing	5 and 30
Employee Business Expenses	A-4*
Estates and Trusts	E-5*
Estimated Tax	6, 21, and 29
Excess Social Security and RRTA Tax	
Withheld	27
Exemptions	10
Extension of Time To File	7 and 27

F

Farm Income and Expenses (Schedule F)	F-1*
Filing Requirements	7–9
Filing Status	10
Foreign Accounts and Trusts	B-2*
Foreign-Source Income	11
Form W-2	11 and 12
Forms W-2, 1098, and 1099, Where To Report	
Certain Items From	9
Forms, How To Get	4

G

Gambling	15 and A-5*
Gifts to Charity	A-3*
Golden Parachute Payments	21
Group-Term Life Insurance, Uncollected	
Tax on	21

H

Head of Household	10
Health Insurance Deduction—	
Self-Employed	6 and 17
Help With Unresolved Tax Issues	30
Home, Sale of	D-1*
Household Employment Taxes	20

I

Income Tax Withholding (Federal)	21 and 29
Individual Retirement Arrangements (IRAs)—	
Contributions to (line 23)	16
Distributions from (lines 15a and 15b)	13
Nondeductible Contributions to	13 and 16
Injured Spouse Claim	27
Installment Payments	28
Interest—	
Late Payment of Tax	30
Penalty on Early Withdrawal of Savings	17
Interest Income—	
Exclusion of Savings Bond Interest	B-1*
Nominee	B-1*
Taxable	12 and B-1*
Tax-Exempt	12 and B-1*
Interest You Paid	A-2*
Itemized Deductions or Standard Deduction	18

K

Keogh Retirement Plan—Deduction for	17
---	----

L

Line Instructions for Form 1040	10
Long-Term Care Insurance	6
Lump-Sum Distributions	14

M

Medical and Dental Expenses	A-1*
Medical Savings Accounts (MSAs)	6 and 17
Mileage Rates, Standard	6, A-1*, A-3*, and C-3*
Miscellaneous Itemized Deductions	A-4* and A-5*
Mortgage Interest Credit	19 and A-3*
Moving Expenses	17

N

Name Change	10 and 29
National Debt, Gift To Reduce the	29
Nonresident Alien	7 and 10

O

Order Blank for Forms and Publications	31
Original Issue Discount (OID)	B-1*
Other Income	15
Other Taxes	20

P

Partnerships	E-4*
Partnership Expenses, Unreimbursed	E-4*
Passive Activity—	
Losses	C-2*, E-3*, and F-2*
Material Participation	C-2* and F-1*
Payments—Amount You Owe	27
Penalty—	
Early Withdrawal of Savings	17
Estimated Tax	28
Frivolous Return	30
Late Filing	30
Late Payment	30
Other	30
Pensions and Annuities	13

Preparer—Tax Return	28
Presidential Election \$3 Check-Off	10
Privacy and Paperwork Reduction Act Notice	38
Private Delivery Services	7
Problem Resolution Program	30
Public Debt, Gift To Reduce the	29
Publications, How To Get	4

R

Railroad Retirement Benefits—	
Treated as a Pension	13
Treated as Social Security	14
Records—How Long To Keep	29
Refund	27
Refund Information	34
Refunds, Credits, or Offsets of State and	
Local Income Taxes	12
Rental Income and Expenses (Schedule E)	E-1*
Retirement Plan Deduction, Keogh	17
Rights of Taxpayers	29
Rollovers	13 and 14
Rounding Off to Whole Dollars	11
Royalties	E-1*

S

Sale of Home	6 and D-1*
Schedules, Instructions for	A-1*
Scholarship and Fellowship Grants	11
S Corporations	E-4* and E-5*
Self-Employment Tax—	
Income Subject to	SE-2*
Deduction for One-Half of	17
Signing Your Return	28
Social Security and Equivalent Railroad	
Retirement Benefits	14
Social Security Number	6, 10, and 29
Standard Deduction or Itemized Deductions	18
State and Local Income Taxes—	
Taxable Refunds, Credits, or Offsets of	12
Statutory Employees	11, C-2*, and C-5*

T

Tax—	
Computation	17
Figured by the IRS	18
Other—	
Alternative Minimum Tax	20
Lump-Sum Distributions	14
Qualified Retirement Plans	
(Including IRAs) and MSAs	20
Recapture	21
Section 72(m)(5)	21
Self-Employment Tax	SE-1*
Tax Rate Schedules	51
Tax Table	39–50
Taxes You Paid	A-2*
Telephone Assistance—	
Federal Tax Information	33–35
TeleTax Information	34–35
Tip Income	11 and 20
Tips Reported to Employer, Uncollected	
Tax on	21
Trusts—Foreign	B-2*

U

Unemployment Compensation	14
U.S. Citizens and Resident Aliens	
Living Abroad	7 and 11

W

When Should You File?	7
Where Do You File?	7 and Back Cover
Who Must File	7–8
Who Should File	7
Widows and Widowers, Qualifying	10
Winnings—Prizes, Gambling, and Lotteries	
(Other Income)	15
Withholding—Federal Income Tax	21 and 29