

Note. This booklet does not contain any tax forms.



Department of the Treasury
Internal Revenue Service

www.irs.gov

20001040

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

Taxpayer News

Fast Refunds!

For details,
see page 3 or go
to www.irs.gov.



CLICK.ZIP.FAST ROUND TRIP

Paperless Filing!

Electronic Payments!

Need Help?

- Tax return page references. See pages 4 and 5.
- Quick and easy access to tax help and forms. See page 7.

More Student Loan Interest Deductible!

You may be able to deduct up to \$2,000. See page 14.

Let Your Paid Preparer Deal Directly With the IRS!

You can now check a box on your return if you want to allow your paid preparer to resolve certain issues with the IRS. See page 14.

Filing Requirements

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 11) to see if they must file.



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

You should also file if you are eligible for the earned income credit or the additional child tax credit.

Exception for Children Under Age 14. If you are planning to file a return for your child who was under age 14 on January 1, 2001, 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 11) 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 2000 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 16, 2001**. If you file after this date, you may have to pay interest and penalties. See page 55.

What if You Cannot File on Time?

You can get an automatic 4-month extension if, by April 16, 2001, you **either**:

- File **Form 4868** or
- File for an extension by phone, using tax software, or through a tax professional. If you expect to owe tax with your return, you can even pay part or all of it by direct debit or credit card (American Express® Card, Discover® Card, or MasterCard® card). See Form 4868 for details.



An automatic 4-month extension to file does not extend the time to pay your tax. See Form 4868.

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

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

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

Where Do You File?

See the back cover of this booklet for filing instructions and addresses. For details on using a private delivery service to mail your return or payment, see page 18.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 2000 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65	\$7,200
	65 or older	8,300
Married filing jointly***	under 65 (both spouses)	\$12,950
	65 or older (one spouse)	13,800
	65 or older (both spouses)	14,650
Married filing separately	any age	\$2,800
Head of household (see page 19)	under 65	\$9,250
	65 or older	10,350
Qualifying widow(er) with dependent child (see page 19)	under 65	\$10,150
	65 or older	11,000

* If you turned 65 on January 1, 2001, you are considered to be age 65 at the end of 2000.

** **Gross income** means all income you received in the form of money, goods, property, and services that is not exempt from tax including any income from sources outside the United States (even if you may exclude part or all of it). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 2000.

*** If you did not live with your spouse at the end of 2000 (or on the date your spouse died) and your gross income was at least \$2,800, you must file a return regardless of your age.

your spouse can be claimed as a dependent on another person's return.

Line 6c

Dependents

You can take an exemption for each of your dependents. The following is a brief description of the five tests that must be met for a person to qualify as your dependent. If you have **more than six** dependents, attach a statement to your return with the required information.

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

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

Citizen or Resident Test. The person must be a U.S. citizen or resident alien, or a resident of Canada or Mexico. There is an exception for certain adopted children. To find out who is a **resident alien**, use TeleTax topic 851 (see page 11) or see **Pub. 519**.

Income Test. The person's gross income must be less than \$2,800. But your child's gross income can be \$2,800 or more if he or she was either **under age 19** at the end of 2000 or **under age 24** at the end of 2000 **and** was a **student**.

Support Test. You must have provided over half of the person's total support in 2000. 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). Be sure the name and SSN entered agree with the dependent's social security card. Otherwise, at the time we process your return, we may disallow the exemption claimed for the dependent and reduce or disallow any other tax benefits (such as the child tax credit and the earned income credit) based on that dependent. If

the name or SSN on the dependent's social security card is not correct, call the Social Security Administration at 1-800-772-1213.



For details on how your dependent can get an SSN, see page 19. If your dependent will not have a number by April 16, 2001, see **What if You Cannot File on Time?** on page 15.

If your dependent child was born and died in 2000 and you do not have an SSN for the child, you may attach a copy of the child's birth certificate instead and enter "Died" in column (2).

Adoption Taxpayer Identification Numbers (ATINs). If you have a dependent who was placed with you by an authorized placement agency and you do not know his or her SSN, you must get an ATIN for the dependent from the IRS. An authorized placement agency includes any person authorized by state law to place children for legal adoption. See **Form W-7A** for details.

Line 6c, Column (4)

Check the box in this column if your dependent is a qualifying child for the child tax credit (defined below). If you have at least one qualifying child, you may be able to take the child tax credit on line 47.

Qualifying Child for Child Tax Credit. A qualifying child for purposes of the child tax credit is a child who:

- Is claimed as your dependent on line 6c, **and**
- Was **under age 17** at the end of 2000, **and**
- Is your son, daughter, adopted child, grandchild, stepchild, or foster child, **and**
- Is a U.S. citizen or resident alien.

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

A child placed with you by an authorized placement agency for legal adoption is an **adopted child** even if the adoption is not final. An authorized placement agency includes any person authorized by state law to place children for legal adoption.

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

Beginning in 2000, a **foster child** is any child you cared for as your own child and who:

- Is **(1)** your brother, sister, stepbrother, or stepsister; **(2)** a descendant (such as a child, including an adopted child) of your brother, sister, stepbrother, or stepsister; **or** **(3)** a child placed with you by an authorized placement agency, **and**
- Lived with you for all of 2000. A child who was born or died in 2000 is considered to have lived with you for all of 2000 if your home was the child's home for the entire time he or she was alive during 2000.

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

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

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

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

Exception. You do not have to attach Form 8332 or similar statement if your divorce decree or written separation agreement went into effect before 1985 and it states that you can claim the child as your dependent.

Other Dependent Children

Include the total number of children who did not live with you for reasons other than divorce or separation on the line labeled "Dependents on 6c not entered above." Include dependent children who lived in Canada or Mexico during 2000.

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 **Form(s) W-2**. But the following types of income must also be included in the total on line 7.

- Wages received as a **household employee** for which you did not receive a W-2 form because your employer paid you less than \$1,200 in 2000. Also, enter "HSH" and the amount not reported on a W-2 form on the dotted line next to line 7.

- **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.



You may owe social security and Medicare tax on unreported or allocated tips. See the instructions for line 53 on page 38.

- **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 2000 under **all** plans was more than \$10,500, 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. 525** for details.



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. Payments from an IRA are reported on lines 15a and 15b.

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

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

Were You a Statutory Employee?

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

Missing or Incorrect Form W-2?

If you do not get a W-2 form from your employer by January 31, 2001, use TeleTax topic 154 (see page 11) to find out what to do. Even if you do not get a Form W-2, you must still report your earnings on line 7. If you lose your Form W-2 or it is incorrect, ask your employer for a new one.

Line 8a

Taxable Interest

Each payer should send you a **Form 1099-INT** or **Form 1099-OID**. Enter your total taxable interest income on line 8a. But you must fill in and attach **Schedule B** if the total is over \$400 or any of the other conditions listed at the beginning of the Schedule B instructions (see page B-1) apply to you.

Interest credited in 2000 on deposits that you could not withdraw because of the bankruptcy or insolvency of the financial institution may not have to be included in your 2000 income. For details, see **Pub. 550**.



If you get a 2000 Form 1099-INT for U.S. savings bond interest that includes amounts you reported before 2000, see **Pub. 550**.

Line 8b

Tax-Exempt Interest

If you received any tax-exempt interest, such as from municipal bonds, report it on line 8b. Include any exempt-interest dividends from a mutual fund or other regulated investment company. **Do not** include interest earned on your IRA.

Line 9

Ordinary Dividends

Each payer should send you a **Form 1099-DIV**. Enter your total ordinary dividends on line 9. But you must fill in and attach **Schedule B** if the total is over \$400 or you received, as a nominee, ordinary dividends that actually belong to someone else.

Capital Gain Distributions

If you received any capital gain distributions, see the instructions for line 13 on page 23.

(Continued on page 22)

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