# 2005 Instructions for Schedules A & B (Form 1040)

# Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) to figure your itemized deductions. In most cases, your federal income tax will be less if you take the larger of your itemized deductions or your standard deduction.

If you itemize, you can deduct a part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You can also deduct certain casualty and theft losses

If you and your spouse paid expenses jointly and are filing separate returns for 2005, see Pub. 504 to figure the portion of joint expenses that you can claim as itemized deductions.



Do not include on Schedule A items deducted elsewhere, such as on Form 1040 or Schedule C, C-EZ, E, or F.

Section references are to the Internal Revenue Code unless otherwise noted.

### What's New

- Certain cash contributions paid after August 27, 2005, are not subject to the overall limitation on itemized deductions or the 50% adjusted gross income limitation. See the instructions for line 15b on page A-7.
- Casualty and theft losses that occurred in the Hurricane Katrina disaster area after August 24, 2005, are not subject to the \$100 and the 10% adjusted gross income limitations if the loss was caused by Hurricane Katrina. See the instructions for line 19 on page A-8.
- The 2005 rate for use of your vehicle to get medical care is 15 cents a mile (22 cents a mile after August 31, 2005).
- The 2005 rate for charitable use of your vehicle to provide relief related to Hurricane Katrina is 29 cents a mile after August 24, 2005 (34 cents a mile after August 31, 2005).
- If you deduct more than \$500 for a contribution of a motor vehicle, boat, or airplane, you must attach a statement from the charitable organization to your return. See the instructions for line 16 that begin on page A-7.
- If you elected to deduct contributions made in January 2005 for the relief of victims of the Indian Ocean tsunami on your 2004 return, you cannot deduct the contributions for 2005. See *Contributions You Cannot Deduct* on page A-7.
- Special rules apply to certain contributions of food inventory and book inven-

tory made after August 27, 2005. For details, see Pub. 526.

- Certain whaling captains may be able to claim a charitable deduction for whale hunting expenses. See *Gifts to Charity* on page A-6 for more details.
- The tables and worksheet needed to figure your state and local sales tax deduction using the optional method have been added to the instructions for line 5 that begin on page A-3. Pub. 600 and Pub. 600-A do not apply for 2005.
- Line 29 has been added to elect to itemize even though your itemized deductions are less than your standard deduction. This election was previously made on Form 1040.

# Medical and Dental Expenses

You can deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 38.

Pub. 502 discusses the types of expenses that you can and cannot deduct. It also explains when you can deduct capital expenses and special care expenses for disabled persons.



If you received a distribution from a health savings account or a medical savings account in 2005, see Pub. 969 to figure

vour deduction.

# Examples of Medical and Dental Payments You Can Deduct

To the extent you were not reimbursed, you can deduct what you paid for:

• Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see *Limit on long-term care premiums you can deduct* on page A-2. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29.

**Note.** If, during 2005, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2.



You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your

Form(s) W-2.

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and house-

work, you can deduct only the cost of the nursing help.

- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Do not deduct more than \$50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 15 cents a mile (22 cents a mile for travel after August 31, 2005). Add parking and tolls to the amount you claim under either method.

**Note.** Certain medical expenses paid out of a deceased taxpayer's estate can be claimed on the deceased taxpayer's final return. See Pub. 502 for details.

Limit on long-term care premiums you can deduct. The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2005, of the person for whom the premiums were paid. See the chart below for details.

IF the person was, at the end of 2005, age	THEN the most you can deduct is
40 or under	\$ 270
41-50	\$ 510
51-60	\$ 1,020
61-70	\$ 2,720
71 or older	\$ 3,400

# Examples of Medical and Dental Payments You Cannot Deduct

• The basic cost of Medicare insurance (Medicare A).



If you were age 65 or older but not entitled to social security benefits, you can deduct premiums you voluntarily paid for

Medicare A coverage.

- The cost of diet food.
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.
- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 48.
  - Illegal operations or drugs.
- Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.
- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
  - Funeral, burial, or cremation costs.

### Line 1

## Medical and Dental Expenses

Enter the total of your medical and dental expenses (see page A-1), after you reduce these expenses by any payments received from insurance or other sources. See *Reimbursements* on this page.



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed

health insurance deduction on Form 1040, line 29, reduce the premiums by the amount on line 29.

Note. If, during 2005, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include any health coverage tax credit advance payments shown in box 1 of Form 1099-H. Also, subtract the amount

shown on Form 8885, line 4 (reduced by any advance payments shown on line 6 of that form), from the total insurance premiums you paid.

Whose medical and dental expenses can you include? You can include medical and dental bills you paid for:

- Yourself and your spouse.
- All dependents you claim on your reurn.
- Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return except that person received \$3,200 or more of gross income or filed a joint return.
- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2005 return.

**Example.** You provided over half of your mother's support but cannot claim her as a dependent because she received wages of \$3,200 in 2005. You can include on line 1 any medical and dental expenses you paid in 2005 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 only the amount you paid. If you received a reimbursement in 2005 for medical or dental expenses you paid in 2005, reduce your 2005 expenses by this amount. If you received a reimbursement in 2005 for prior year medical or dental expenses, do not reduce your 2005 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See Pub. 502 for details on how to figure the amount to include.

Cafeteria plans. Do not include on line 1 insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 1 of your Form(s) W-2. Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your Form(s) W-2.

### **Taxes You Paid**

### **Taxes You Cannot Deduct**

- Federal income and excise taxes.
- Social security, Medicare, federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
  - Customs duties.
- Federal estate and gift taxes. But see the instructions for line 27 on page A-9.

• Certain state and local taxes, including: tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

### Line 5



You can elect to deduct state and local general sales taxes instead of state and local income taxes. You cannot deduct

both.

### State and Local Income Taxes

If you deduct state and local income taxes, check **box a** on line 5. Include on this line the state and local income taxes listed below

- State and local income taxes withheld from your salary during 2005. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.
- State and local income taxes paid in 2005 for a prior year, such as taxes paid with your 2004 state or local income tax return. Do not include penalties or interest.
- State and local estimated tax payments made during 2005, including any part of a prior year refund that you chose to have credited to your 2005 state or local income taxes.
- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2005, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2005. Instead, see the instructions for Form 1040, line 10.

# State and Local General Sales Taxes

If you elect to deduct state and local general sales taxes, you **must** check **box b** on line 5. To figure your deduction, you can use either your actual expenses or the optional sales tax tables.

### **Actual Expenses**

Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2005 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. Sales taxes on motor vehicles are also deductible as a general sales tax if the tax rate was more than the

general sales tax rate, but the tax is deductible only up to the amount of tax that would have been imposed at the general sales tax rate. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle.

Do not include sales taxes paid on items used in your trade or business.



You must keep your actual receipts showing general sales taxes paid to use this method.

Refund of general sales taxes. If you received a refund of state or local general sales taxes in 2005 for amounts paid in 2005, reduce your 2005 state and local general sales taxes by this amount. If you received a refund of state or local general sales taxes in 2005 for prior year purchases, do not reduce your 2005 state and local general sales taxes by this amount. But if you deducted your state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form 1040, line 21. See *Recoveries* in Pub. 525 for details.

### **Optional Sales Tax Tables**

Instead of using your actual expenses, you can use the tables on pages A-10 through A-12 to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, complete the worksheet on page A-4.

**Note.** Instead of completing the worksheet, you can use the 2005 Sales Tax Calculator on the IRS website at www.irs.gov/pub/irs-soi/SalesTaxCalc05.xls.



If your filing status is married filing separately, both you and your spouse elect to deduct sales taxes, and your spouse

elects to use the optional sales tax tables, you also must use the tables to figure your state and local general sales tax deduction.

### Instructions for Line 5b Worksheet

Line 1. If you lived in the same state for all of 2005, enter the applicable amount, based on your 2005 income and exemptions, from the optional state sales tax table for your state on page A-10 or A-11. Read down the "At least—But less than" columns for your state and find the line that includes your 2005 income. If married filling separately, do not include your spouse's income. Your 2005 income is the amount shown on your Form 1040, line 38, plus any nontaxable items, such as the following.

- Tax-exempt interest.
- · Veterans' benefits.

- Nontaxable combat pay.
- Workers' compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions. Do not include rollovers.
  - Public assistance payments.

The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d. Do not include any additional exemptions you listed on Form 8914 for individuals displaced by Hurricane Katrina.

What if you lived in more than one state? If you lived in more than one state during 2005, look up the table amount for each state using the above rules. If there is no table for your state, the table amount is considered to be zero. Multiply the table amount for each state you lived in by a fraction. The numerator of the fraction is the number of days you lived in the state during 2005 and the denominator is the total number of days in the year (365). Enter the total of the prorated table amounts for each state on line 1. However, if you also lived in a locality during 2005 that imposed a local general sales tax, do not enter the total on line 1. Instead, complete a separate worksheet for each state you lived in and enter the prorated amount for that state on line 1.

Example. You lived in State A from January 1 through August 31, 2005 (243 days), and in State B from September 1 through December 31, 2005 (122 days). The table amount for State A is \$500. The table amount for State B is \$400. You would figure your state general sales tax as follows.

State A: \$500 x 243/365 = \$333 State B: \$400 x 122/365 = 134 Total = \$467

If none of the localities in which you lived during 2005 imposed a local general sales tax, enter \$467 on line 1 of your worksheet. Otherwise, complete a separate worksheet for State A and State B. Enter \$333 on line 1 of the State A worksheet and \$134 on line 1 of the State B worksheet.

Line 2. If you checked the "No" box, enter -0- on line 2, and go to line 3. If you checked the "Yes" box and lived in the same locality for all of 2005, enter the applicable amount, based on your 2005 income and exemptions, from the optional local sales tax table for your locality on page A-12. Read down the "At least-But less than" columns for your locality and find the line that includes your 2005 income. See the line 1 instructions on this page to figure your 2005 income. The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d. Do not include any additional exemptions you listed on Form 8914 for individuals displaced by Hurricane Katrina.

What if you lived in more than one locality? If you lived in more than one locality during 2005, look up the table amount

for each locality using the above rules. If there is no table for your locality, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2005 and the denominator is the total number of days in the year (365). If you lived in more than one locality in the same state and the local general sales tax rate was the same for each locality, enter the total of the prorated table amounts for each locality in that state on line 2. Otherwise, complete a separate worksheet for lines 2 through 6 for each locality and enter each prorated table amount on line 2 of the applicable worksheet.

Example. You lived in Locality 1 from January 1 through August 31, 2005 (243 days), and in Locality 2 from September 1 through December 31, 2005 (122 days). The table amount for Locality 1 is \$100. The table amount for Locality 2 is \$150.

You would figure the amount to enter on line 2 as follows. Note that this amount may not equal your local sales tax deduction, which is figured on line 6 of the worksheet.

Locality 1:  $$100 \times 243/365 = $67$ Locality 2:  $$150 \times 122/365 = 50$ Total = \$117

**Line 3.** If you lived in Virginia, check the "No" box. Your state and local general sales taxes are combined in the table on page A-11.

If you lived in California, check the "No" box if your combined state and local general sales tax rate is 7.25%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 7.25%.

If you lived in Nevada, check the "No" box if your combined state and local gen-

eral sales tax rate is 6.5%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 6.5%

If you lived in Texarkana, Arkansas, check the "Yes" box and enter "4.0" on line 3. Your local general sales tax rate of 4.0% includes the additional 1.0% Arkansas state sales tax rate for Texarkana and the 1.5% sales tax rate for Miller County.

What if your local general sales tax rate changed during 2005? If you checked the "Yes" box and your local general sales tax rate changed during 2005, figure the rate to enter on line 3 as follows. Multiply each tax rate for the period it was in effect by a fraction. The numerator of the fraction is the number of days the rate was in effect during 2005 and the denominator is the total number of days in the year (365). Enter the total of the prorated tax rates on line 3.

# State and Local General Sales Tax Deduction Worksheet—Line 5b (See the *Instructions for Line 5b Worksheet* that begin on page A-3.)

Keep for Your Records



1.	Enter your state general sales taxes from the applicable table on page A-10 or A-11 (	see in	structions)	1.	
2.	Did you live in Alaska, Arizona, Arkansas (Texarkana only), California (Los Angeles Colorado, Georgia, Illinois, Louisiana, New York (New York City only), or North Ca				
	No. Enter -0-				
	Yes. Enter your local general sales taxes from the applicable table on page A-12 (see instructions)	2.			
3.	Did your locality impose a local general sales tax in 2005? Virginia residents, check the "No" box. Residents of California, Nevada, and Texarkana, Arkansas, see instructions.				
	No. Skip lines 3 through 5, enter -0- on line 6, and go to line 7.				
	Yes. Enter your local general sales tax rate, but omit percentages (for example, if your local general sales tax rate was 2.5%, enter 2.5). If your local general sales tax rate changed or you lived in more than one locality in the same state during 2005, see instructions	3.			
4.	Did you enter -0- on line 2 above?				
	No. Skip lines 4 and 5 and go to line 6.				
	Yes. Enter your state general sales tax rate (from the table heading for your state) but omit percentages. For example, if your state general sales tax rate is 6%, enter 6.0.	4.			
5.	Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places	5.			
6.	Did you enter -0- on line 2 above?				
	No. Multiply line 2 by line 3			6.	
	Yes. Multiply line 1 by line 5. If you lived in more than one locality in the same state during 2005, see instructions.				
7.	Enter your general sales taxes paid on specified items, if any (see instructions)			7.	
8.	<b>Deduction for general sales taxes.</b> Add lines 1, 6, and 7. Enter the result here and the your worksheets, if applicable, on Schedule A, line 5. Be sure to check <b>box b</b> on that			8	
No	ote. If you elect to deduct general sales taxes, you cannot deduct your state and local income tax	es.			

Example. Locality 1 imposed a 1% local general sales tax from January 1 through September 30, 2005 (273 days). The rate increased to 1.75% for the period from October 1 through December 31, 2005 (92 days). You would enter "1.189" on line 3, figured as follows.

January 1 – September 30:  $1.00 \times 273/365 = 0.748$ October 1 – December 31:  $1.75 \times 92/365 = 0.441$ Total = 0.441

What if you lived in more than one locality in the same state during 2005? Complete a separate worksheet for lines 2 through 6 for each locality in your state if you lived in more than one locality in the same state during 2005 and either of the following applies.

- Each locality did not have the same local general sales tax rate.
- You lived in Texarkana, AR; Los Angeles County, CA; or New York, NY.

To figure the amount to enter on line 3 of the worksheet for each locality in which you lived (except a locality for which you used the table on page A-12 to figure your local general sales tax deduction), multiply the local general sales tax rate by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2005 and the denominator is the total number of days in the year (365).

Example. You lived in Locality 1 from January 1 through August 31, 2005 (243 days), and in Locality 2 from September 1 through December 31, 2005 (122 days). The local general sales tax rate for Locality 1 is 1%. The rate for Locality 2 is 1.75%. You would enter "0.666" on line 3 for the Locality 1 worksheet and "0.585" for the Locality 2 worksheet, figured as follows.

Locality 1:  $1.00 \times 243/365 = 0.666$ Locality 2:  $1.75 \times 122/365 = 0.585$ 

Line 6. If you lived in more than one locality in the same state during 2005, you should have completed line 1 only on the first worksheet for that state and separate worksheets for lines 2 through 6 for any other locality within that state in which you lived during 2005. If you checked the "Yes" box on line 6 of any of those worksheets, multiply line 5 of that worksheet by the amount that you entered on line 1 for that state on the first worksheet.

- **Line 7.** Enter on line 7 any state and local general sales taxes paid on the following specified items. If you are completing more than one worksheet, include the total for line 7 on only one of the worksheets.
- 1. A motor vehicle (including a car, motorcycle, motor home, recreational vehicle, sport utility vehicle, truck, van, and off-road vehicle). Also include any state and local general sales taxes paid for a leased motor vehicle. If the state sales tax rate on these items is higher than the general sales tax rate, only include the amount

of tax you would have paid at the general sales tax rate.

- 2. An aircraft or boat, if the tax rate was the same as the general sales tax rate.
- 3. A home (including a mobile home or prefabricated home) or substantial addition to or major renovation of a home, but only if the tax rate was the same as the general sales tax rate and any of the following applies.
- a. Your state or locality imposes a general sales tax directly on the sale of a home or on the cost of a substantial addition or major renovation.
- b. You purchased the materials to build a home or substantial addition or to perform a major renovation and paid the sales tax directly.
- c. Under your state law, your contractor is considered your agent in the construction of the home or substantial addition or the performance of a major renovation. The contract must state that the contractor is authorized to act in your name and must follow your directions on construction decisions. In this case, you will be considered to have purchased any items subject to a sales tax and to have paid the sales tax directly.

Do not include sales taxes paid on items used in your trade or business. If you received a refund of state or local general sales taxes in 2005, see *Refund of general sales taxes* on page A-3.

### Line 6

### **Real Estate Taxes**

Include taxes (state, local, or foreign) you paid on real estate you own that was not used for business, but only if the taxes are based on the assessed value of the property. Also, the assessment must be made uniformly on property throughout the community, and the proceeds must be used for general community or governmental purposes. Pub. 530 explains the deductions homeowners can take.

Do not include the following amounts on line 6.

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).
- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you can deduct only the amount the mortgage company actually paid to the taxing authority in 2005.

If you sold your home in 2005, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any Form 1099-S you received. This amount is considered a refund of real estate taxes. See *Refunds and rebates* below. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and rebates. If you received a refund or rebate in 2005 of real estate taxes you paid in 2005, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2005 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. See *Recoveries* in Pub. 525 for details on how to figure the amount to include in income.

### Line 7

### **Personal Property Taxes**

Enter personal property tax you paid, but only if it is based on value alone and it is charged on a yearly basis.

**Example.** You paid a yearly fee for the registration of your car. Part of the fee was based on the car's value and part was based on its weight. You can deduct only the part of the fee that was based on the car's value.

### Line 8

### Other Taxes

If you had any deductible tax not listed on line 5, 6, or 7, list the type and amount of tax. Enter only one total on line 8. Include on this line income tax you paid to a foreign country or U.S. possession.



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 47, for

details.

### **Interest You Paid**

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. See Pub. 535 for details.

In general, if you paid interest in 2005 that applies to any period after 2005, you can deduct only amounts that apply for 2005.

### **Lines 10 and 11**

### **Home Mortgage Interest**

A home mortgage is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

A home can be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

Limit on home mortgage interest. If you took out any mortgages after October 13, 1987, your deduction may be limited. Any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date are treated as a mortgage taken out after October 13, 1987. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See Pub. 936 to figure your deduction if either (1) or (2) below applies. If you had more than one home at the same time, the dollar amounts in (1) and (2) apply to the total mortgages on both homes.

- 1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 2005. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.
- 2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 2005. The limit is \$500,000 if married filing separately.



If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See

Pub. 936.

### Line 10

Enter on line 10 mortgage interest and points reported to you on Form 1098 under your social security number (SSN). If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the interest was reported on Form 1098 under the other person's SSN, report your share of the interest on line 11 (as explained in the line 11 instructions below).

If you paid more interest to the recipient than is shown on Form 1098, see Pub. 936 to find out if you can deduct the additional interest. If you can, attach a statement explaining the difference and enter "See attached" to the right of line 10.



If you are claiming the mortgage interest credit (for holders of qualified mortgage credit certificates issued by state or lo-

cal governmental units or agencies), subtract the amount shown on Form 8396, line 3, from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

### Line 11

If you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 11.

If you bought your home from the recipient, be sure to show that recipient's name, identifying no., and address on the dotted lines next to line 11. If the recipient is an individual, the identifying no. is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a \$50 penalty.

If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. To the right of line 11, enter "See attached."

### Line 12

# Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid only to borrow money are generally deductible over the life of the loan. See Pub. 936 to figure the amount you can deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

**Refinancing.** Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home.

If you used part of the proceeds to improve your main home, you may be able to deduct the part of the points related to the improvement in the year paid. See Pub. 936 for details.



If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.

### Line 13

### **Investment Interest**

Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to passive activities or to securities that generate tax-exempt income.

Complete and attach Form 4952 to figure your deduction.

**Exception.** You do not have to file Form 4952 if all three of the following apply.

- 1. Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.
- 2. You have no other deductible investment expenses.
- 3. You have no disallowed investment interest expense from 2004.



Alaska Permanent Fund dividends, including those reported on Form 8814, are not investment income.

For more details, see Pub. 550.

### **Gifts to Charity**

You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals. Certain whaling captains may be able to deduct expenses paid in 2005 for Native Alaskan subsistence bowhead whale hunting activities. See Pub. 526 for details.

To verify an organization's charitable status, you can:

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See Pub. 78 for a list of most qualified organizations. You can access Pub. 78 on the IRS website at www.irs.gov under Charities and Non-Profits.
- Call our Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500. Assistance is available Monday through Friday from 8:30 a.m. to 5:30 p.m. Eastern Time.

### Examples of Qualified Charitable Organizations

- Churches, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
  - Veterans' and certain cultural groups.

- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, state, and local governments if the gifts are solely for public purposes.

## Contributions You Can Deduct

Contributions can be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you can take the actual cost of gas and oil or 14 cents a mile. But, if the volunteer work was to provide relief related to Hurricane Katrina after August 24, 2005, this amount is increased to 29 cents a mile (34 cents a mile after August 31, 2005). Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts from which you benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you can generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see Pub. 526.

**Example.** You paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40. You can deduct only \$30.

Gifts of \$250 or more. You can deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in (1) and (2) below.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See Pub. 526 if you made a separate gift of \$250 or more through payroll deduction.

- 1. The amount of any money contributed and a description (but not value) of any property donated.
- 2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but

it does not have to describe or value the benefit.



You must get the statement by the date you file your return or the due date (including extensions) for filing your return,

whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.

**Limit on the amount you can deduct.** See Pub. 526 to figure the amount of your deduction if any of the following applies.

- 1. Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 38
- 2. Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 38.
- 3. You gave gifts of property that increased in value or gave gifts of the use of property.



The limit described in item (1) above does not apply to certain cash contributions paid after August 27, 2005, if you elect to

treat those contributions as qualified contributions. See the instructions for line 15b on this page for details.

# Contributions You Cannot Deduct

- Any contribution you made in January 2005 for the relief of victims in areas affected by the December 26, 2004, Indian Ocean tsunami that you elected to deduct on your 2004 return.
- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
  - Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 27. See page A-9 for details.
- Cost of tuition. But you may be able to deduct this expense on line 20 (see page A-8), or Form 1040, line 34, or take a credit for this expense (see Form 8863).
  - Value of your time or services.
  - Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).
- Gifts to individuals and groups that are run for personal profit.
- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Is-

raeli, and Mexican charities. See Pub. 526 for details.

- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See section 170(f)(9).
- Gifts to groups whose purpose is to lobby for changes in the laws.
- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.
- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

### Line 15a

### **Total Gifts by Cash or Check**

Enter on line 15a the total gifts you made in cash or by check (including out-of-pocket expenses).

### Line 15b

### **Qualified Contributions**

In general, you can elect to treat gifts by cash or check as qualified contributions if the gifts were paid after August 27, 2005, to a qualified charitable organization (other than certain private foundations described in section 509(a)(3)). Qualified contributions are not subject to the overall limitation on itemized deductions or the 50% adjusted gross income limitation.

Qualified contributions do not include contributions to organizations for which cash gifts are subject to a limit based on 30% of your adjusted gross income (such as contributions to veterans' organizations, fraternal societies, nonprofit cemeteries, and certain private nonoperating foundations). Also, qualified contributions do not include any contributions to a segregated fund or account for which you (or any person appointed or designated by you) have, or reasonably expect to have, advisory privileges with respect to distributions or investments based on your contribution.

Certain limits may apply if your qualified contributions are more than the amount on Form 1040, line 38, minus all other allowable contributions. For details, see Pub. 526

### Line 16

### Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale.

For more details on determining the value of donated property, see Pub. 561.

If the amount of your deduction is more than \$500, you must complete and attach Form 8283. For this purpose, the "amount of your deduction" means your deduction before applying any income limits that could result in a carryover of contributions. If you deduct more than \$500 for a contribution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See Form 8283 and its instructions for details.

**Recordkeeping.** If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.
- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
  - Any conditions attached to the gift.



If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made

a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.

### Line 17

### **Carryover From Prior Year**

Enter any carryover of contributions that you could not deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details.

# Casualty and Theft Losses

### Line 19

Complete and attach Form 4684 to figure the amount of your loss to enter on line 19.

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You can deduct nonbusiness casualty or theft losses only to the extent that:

- 1. The amount of each separate casualty or theft loss is more than \$100, and
- 2. The total amount of all losses during the year (reduced by the \$100 limit discussed in (1) above) is more than 10% of the amount on Form 1040, line 38.



The limits in items (1) and (2) above do not apply to casualty and theft losses that occurred in the Hurricane Katrina disaster

area after August 24, 2005, if the loss was caused by Hurricane Katrina. See Form 4684 and its instructions for details.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See Form 4684 and its instructions for details.

Use Schedule A, line 22, to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

For information on federal disaster area losses, see Pub. 547. For information on tax benefits related to Hurricane Katrina, see Pub. 4492.

# Job Expenses and Certain Miscellaneous Deductions

You can deduct only the part of these expenses that exceeds 2% of the amount on Form 1040, line 38.

Pub. 529 discusses the types of expenses that can and cannot be deducted.

# Examples of Expenses You Cannot Deduct

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
  - The cost of entertaining friends.
- Commuting expenses. See Pub. 529 for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain federal employees.
  - Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues. See Pub. 529 for exceptions.

- Expenses of adopting a child. But you may be able to take a credit for adoption expenses. See Form 8839 for details.
  - Fines and penalties.
- Expenses of producing tax-exempt income.

### Line 20

# Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your Form W-2 are not considered reimbursements.)

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

But you must fill in and attach Form 2106 if either (1) or (2) below applies.

- 1. You claim any travel, transportation, meal, or entertainment expenses for your job.
- 2. Your employer paid you for any of your job expenses reportable on line 20.



If you used your own vehicle and (2) above does not apply, you may be able to file Form 2106-EZ instead.

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted line next to line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20.



Do not include on line 20 any educator expenses you deducted on Form 1040, line 23.

Examples of other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
  - Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 8 of

the Form 1040 instructions) or see Pub. 587.

• Certain educational expenses. For details, use TeleTax topic 513 (see page 8 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 34.



You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863 for details.

### Line 21

### **Tax Preparation Fees**

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit card, do not include the convenience fee you were charged.

# Line 22 Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But do not include any personal expenses. List the type and amount of each expense on the dotted lines next to line 22. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 22.

Examples of expenses to include on line 22 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see Pub. 529.
- Casualty and theft losses of property used in performing services as an employee from Form 4684, lines 35 and 41b, or Form 4797, line 18a.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

# Other Miscellaneous Deductions

### Line 27

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 27. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 27.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses of income-producing property from Form

- 4684, lines 35 and 41b, or Form 4797, line 18a.
- Loss from other activities from Schedule K-1(Form 1065-B), box 2.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if over \$3,000. See Pub. 525 for details.
- Certain unrecovered investment in a pension.
- Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

# Total Itemized Deductions

### Line 28

Use the worksheet below to figure the amount to enter on line 28 if the amount on Form 1040, line 38, is over \$145,950 (\$72,975 if married filing separately).

### Line 29

If you elect to itemize for state tax or other purposes even though your itemized deductions are less than your standard deduction, check the box on line 29.

### Itemized Deductions Worksheet—Line 28

Keep for Your Records



		1	
	Enter the total of the amounts from Schedule A, lines 4, 9, 14, 18, 19, 26, and 27 Enter the total of the amounts from Schedule A, lines 4, 13, 15b, and 19, plus and casualty or theft losses included on line 27	gambling and	
	Be sure your total gambling and casualty or theft losses are clearly idended dotted lines next to line 27.	tified on the	
3.	Is the amount on line 2 less than the amount on line 1?		
	No. Your deduction is not limited. Enter the amount from line 1 above line 28.	on Schedule A,	
	☐ Yes. Subtract line 2 from line 1		3.
4.	Multiply line 3 by 80% (.80)		
5.			
	Enter: \$145,950 (\$72,975 if married filing separately)	0	
/.	Is the amount on line 6 less than the amount on line 5?		
	No. Stop Your deduction is not limited. Enter the amount from line 1		
	above on Schedule A, line 28.	_	
	☐ <b>Yes.</b> Subtract line 6 from line 5		
	Multiply line 7 by 3% (.03)		
9.	Enter the <b>smaller</b> of line 4 or line 8		9
10.	<b>Total itemized deductions.</b> Subtract line 9 from line 1. Enter the result here and	on Schedule A,	
	line 28		10.

2005 Optional State and Certain Local Sales Tax Tables

200		Exemptions					Certain Local Sales Tax Tables									Exemptions Exemptions															
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20,000 30,000 40,000	30,000 40,000 50,000	335 405 465	387 466 536	421 507 582	447 539 618	469 564 647	499 600 688	245 302 351	281 345 401	304 373 434	322 395 459	336 413 480	356 437 508	228 282 329	266 328 383	291 359 419	311 383 447	327 403 470	350 431 503	275 338 394	319 392 456	349 428 498	372 456 530	391 479 557	418 512 594	250 307 357	284 348 404	306 375 435	323 395 459	337 412 478	356 436 505
50,000 60,000	60,000 70,000	520 571	599 656	650 713	690 756	723 792	768 841	396 438	452 500	490 541	518 572	541 598	573 633	373 413	433 480	474 525	506 560	532 589	568 629	445 492	514 568	561 620	597 660	627 693	670 739	402 444	456 503	490 541	517 571	539 595	569 628
70,000 80,000	80,000	619 664	711 762	772 827	819 877	857 918	910 975	478 515	545 588	590 636	624 673	652 703	691 744	452 489	525 567	574 620	612 661	643 695	687 742	537 580	620 669	676 729	719 775	755 814	806 868	485 522	548 591	590 636	622 670	648 698	684 737
90,000	100,000	707	811	880	933	976	1037	551	629	680	719	751	796	524	608	664	708	744	794	620	715	779	829	870	927	558	631	679	716	746	787
	120,000 140,000	763 842	876 965			1053 1159		598 664	683 758	739 820	781 867	816 905	864 959	570 635	662 737	723 805	770 857	809 901	864 961	674 749	777 863	846 939	900 999	944 1048	1006 1116	606 673	685 760	737 818	777 861	809 897	854 946
	160,000 180,000			1131 1216				723 782	825 892	892 964	943 1019		1042 1127	693 751	803 870	877 950	934 1012	981 1063	1048 1134	816 883			1086 1174			732 791	827 893	889 960	936 1011		1028 1110
180,000	200,000	1043	1193	1293	1369	1431	1518	835	953	1030	1088	1137	1203	805	932	1017	1083	1137	1214	945	1086	1181	1254	1315	1400	845	954	1025	1080	1124	1185
200,000		_		1682							1443			-		1359		1519 7.000					1664	1743 1. <b>22</b> 5			-	1357			
	\$20,000	196	higa 228	250	266	280	299	184	210	228	242	253	269	347	418	ippi <sup>2</sup> 466	505	536	581	153	<b>SOU</b> 179	196	209	220		194	223	242	256	268	285
20,000 30,000	30,000	340 417		431 528	460 563	483 591	515 631	323 398	369 455	400 493	424 522	443 546	470 579	558 666	669 797		805	855 1017	926	252 303	293 353	321 386	343 411	360 433		337 414	387 475	420 515	445 546	466 571	494 606
40,000		485	562	614	653	686	732	465	531	575	608	636	674	759		1010				348	405	442	471	495	529	482	553	599	635	664	705
50,000 60,000		546 604	633 700	691 763	736 812	773 853	824 909	526 582	600 665	650 719	688 761	719 795	762 843			1119 1219			1385 1508	389 426	451 494	493 540	525 575	552 604	589 644	544 601	623 689	676 747	716 791	749 827	794 877
70,000 80,000	80,000	659 710	763	832 896	885	929 1001	991	636 687	726 784	786 848	831 897	869 937	921 993			1313 1401				461 494	535 573	584 625	622 665	653 699	696 745	656 707	751 810	814 878	862 929	902 972	957
90,000	100,000	759	879	958	1019	1070		736	839	908	960	1003	1063	1121	1336	1483	1599	1695	1831	526	609	664	707	742	791	756	866	938	994	1039	1102
	120,000 140,000	825 915		1040 1154		1161 1287		801 891	913 1016		1044 1161	1091 1213				1592 1742			1965 2148	567 625	657 723	716 788	762 838	800 879	853 937	821 912		1019 1131			
140,000	160,000 180,000	996	1151	1254	1333	1399	1490	971	1107	1196	1264 1369	1321	1399	1420	1689	1873	2017	2137	2307	676 726	781 839	851 914	905	949	1011 1085		1135	1230	1302	1361	1443
180,000	200,000	1151	1329	1447	1539	1614	1718	1126	1282	1385	1464	1529	1619	1611	1914	2121	2283	2418	2610	772	891	971	1032	1082	1152	1146	1311	1420	1503	1571	1666
200,000	or more	1528	1762	1917	2037	2135	2273	1504	1710	1846	1950	2036	2155	2065	2447	2708	2913	3083	3324	1005	1157	1258	1336	1400	1490	1521					2206

(Continued on page A-11)

### **2005 Optional State and Certain Local Sales Tax Tables** (Continued)

	ome	Exemptions					Exemptions Exemptions							Exemptions					)	Exemptions						Exemptions					
	But	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4	5	Over 5	1	2	3	4		Over 5
At least	less than	Nev	/ada		6	3.500	0%	Nev	v Je	rsey	2,4	6.000		Nev	v Me			5.000	00%	Nev	w Yo			1.103		Nor	th Ca	rolina		5000	
\$0 20,000 30,000 40,000 50,000	\$20,000 30,000 40,000 50,000 60,000	213 368 451 525 592	246 426 521 605 682	269 464 568 659 742	286 493 603 700 789	300 517 633 734 827	320 550 673 781 880	178 314 388 453 513	202 356 440 514 582	217 384 474 554 627	229 405 500 584 661	239 422 521 609 689	253 446 551 643 728	184 321 393 458 516	213 369 453 527 594	231 401 492 572 645	246 426 522 607 685	257 446 547 636 717	475 582	140 246 302 352 397	163 284 349 406 459	177 309 380 442 499	189 329 404 470 530	198 345 423 493 556	211 367 451 525 592	152 262 321 372 419	179 307 375 435 490	197 337 412 478 537	361 441 511	380 464 538	239 408 497 576 648
60,000 70,000 80,000 90,000 100,000	70,000 80,000 90,000 100,000 120,000	654 713 768 821 892	753 821 885 946 1027	1116	1092 1185		1139 1216 1320	569 622 672 720 784	645 705 761 815 888		732 800 865 926 1008	1050	806 881 952 1019 1109	571 622 671 717 779	656 716 771 824 895	713 777 838 895 972	756 824 888 950 1031	792 863 930 994 1079	917 988 1056	439 480 518 554 602	507 553 597 638 694	552 602 650 695 755	586 640 690 738 802	615 671 723 774 840	654 714 770 823 894	463 504 543 580 629	540 589 634 677 734	593 645 695 742 804	689 742 792 859	726 781 834 904	714 777 835 892 966
120,000 140,000 160,000 180,000 200,000	160,000 180,000 200,000	1077 1164 1244		1346	1428 1543 1647	1725	1590 1717 1833		1077 1167 1249	1160 1256 1344		1274 1380 1476	1457 1559	1017 1087	994 1080 1168 1247 1653	1173 1267 1354	1243 1344 1435	1302 1406 1502	1382 1494 1595	669 728 788 842 1119	907	1054	1048 1119	1098 1173	993 1080 1168 1248 1655		1018		1189 1	1086 1 1172 1 1251 1	1161 1253 1337
Inc	ome	Nor	th D	ako <sup>-</sup>	ta 5	5.000	0%	Ohi	0		5	5.750	00%	Okl	ahoı	ma	4	4.500	00%	Per	nsyl	vani	а 6	3.000	00%	Rho	de I	sland	d² 7.	0000	)%
\$0 20,000 30,000 40,000 50,000 70,000 80,000 90,000	\$20,000 30,000 40,000 50,000 60,000 70,000 80,000 90,000 100,000	163 281 345 401 452 499 545 587 628 682	191 328 402 467 526 581 633 682 729 791	210 360 441 511 576 635 692 746 797 864	225 385 471 546 615 678 739 795 850 922	237 406 496 575 647 714 777 837 894	254 435 531 616 693 764 831 895 955 1036	204 351 429 497 559 617 672 723 772 838	236 405 495 574 645 711 774 833 890 964	258 441 539 624 702 774 842 906 967 1049		1076	306 524 639 740 832 917 997 1073 1145 1240	205 333 399 457 509 556 601 643 683 736	246 398 477 544 605 661 714 763 810 872	274 443 530 604 672 733 791 846 897	297 478 571 651 724 790 852 910 965 1038	315 508 606 691 767 837 903 964 1022	549 655 747 829 904 975 1041 1103	176 307 378 440 497 549 600 647 692 752	201 352 432 503 568 628 686 740 791 860	219 381 468 545 616 681 743 801 857 931	232 404 496 578 652 721 786 848 907 985	242 423 519 604 682 754 822 887 948 1030	257 449 551 641 723 800 872 941 1006 1093	201 352 433 504 570 631 689 744 796 865	230 402 494 575 650 719 785 847 906 985	249 435 534 622 702 777 848 915 979	460 565 658 743 821 896 967 1	481 591 687 776 858 936	293 510 626 728 822 909 991 1069 1143
120,000 140,000 160,000 180,000 200,000	160,000 180,000 200,000	952	1101		1110 1199 1280 1692	1260 1345 1777	1246 1346 1436 1896	928 1008 1088 1161 1531	1159 1251 1335	1260 1360 1450		1401 1512 1612 2122	1490 1607 1713 2254	995		1140 1222 1296	1226 1313 1392 1789	1473 1891	1398 1497 1586 2034	984 1052	955 1039 1124 1201 1594	1216 1299	1190 1287 1375 1825	1244 1345 1437 1907		1048 1135 1213	1192 1290 1379	1182 1287 1392 1488 1979	1359 1 1470 1 1572 1 2089 2	1419 1 1535 1 1640 1 2180 2	1501 1624 1735 2305
	ome			arolin		5.000	-			ako		1.000			nes			7.000		Tex				3.250		Uta		0.15		7500	
\$0 20,000 30,000 40,000 50,000	\$20,000 30,000 40,000 50,000	235 374 445 506 561	288 456 541 614 680	324 512 608 689 763	353 557 660 749 828	378 595 705 799 883	412 648 768 870 961	199 320 382 436 484	240 385 460 523 581	269 430 513 583 647	291 466 554 631 699	310 495 589 670 743	337 537 639 726 804	322 525 629 719 801	386 627 751 858 955			494 798 954 1089 1210	863 1032 1177	216 377 464 540 610	250 436 536 624 704	273 475 584 679 767	291 505 621 722 815	305 530 651 757 854	325 565 693 806 909	232 371 442 503 558	282 448 533 606 671	315 501 595 676 749	543 645 732	578 686 778	397 627 744 844 934
60,000 70,000 80,000 90,000	70,000 80,000 90,000 100,000	611 658 702 744	740 796 849 899	829 892 951 1006	900 968 1031 1091	959 1032 1099 1162	1044 1122 1195 1263	528 570 608 645	633 682 728 771	705 760 810 858	761 820 875 927	809 871 929 984	876 943 1006 1065	876 946 1012 1074	1043 1126 1203 1277	1157 1249 1334 1416	1246 1345 1437 1524	1321 1425 1522 1614	1426 1539 1643 1742	674 736 794 849	778 849 916 979	847 924 997 1066	900 982 1059 1132	944 1030 1110 1187	1005 1096 1181 1263	608 655 699 741	730 787 839 888	815 877 935 989	881 948 1 1010 1 1069 1	937 1 1008 1 1073 1 1136 1	1015 1092 1163 1230
100,000 120,000 140,000 160,000 180,000	160,000 180,000 200,000	940 1006 1066	1133 1211 1282	1179 1266 1353 1432	1277 1371 1465 1550	1360 1459 1559 1649	1789	928	976 1044 1106	1085 1160 1229	1088 1170 1251 1325	1241 1327 1405	1249 1342 1435 1519	1270 1369 1469 1558	1741 1847	1670 1799 1927 2044	1797 1935 2073 2198	2049 2194 2326	2052 2209 2366 2507	1025 1115 1206 1289	1064 1181 1285 1390 1485	1285 1398 1512 1615	1365 1485 1606 1715	1556 1683 1798	1372 1523 1656 1790 1912	936 1002 1061	1120 1197 1268	1160 1246 1332 1409	1345 1 1437 1 1521 1	1330 1 1428 1 1526 1 1614 1	1440 1546 1651 1746
200,000	ome	_	mon	1824		3.000	-	1190 Virg		_		5.000			2376 shin			2985		_	1972 <b>st Vi</b>		_				con	1795 sin		0000	
	\$20,000	116	130	139	146	152	160	168	196	214	228	240	256	229	266	291	310	325		299	358	399	432	458	496	177	203	220			259
20,000 30,000 40,000 50,000 60,000 70,000 80,000 90,000	30,000 40,000 50,000 60,000 70,000 80,000 90,000 100,000	216 273 323 370 414 457 497 536	243 306 363 415 465 513 558 601	260 327 388 445 498 549 597 644	273 344 408 467 523 576 627 676	284 357 424 485 543 599 652 703	298 376 446 511 571 630 686 739	278 336 386 431 473 512 549 585	323 389 446 498 546 592 634 674	352 424 487 543 595 644 690 734	375 451 518 578 633 685 733 780	394 474 543 606 664 718 769 817	420 505 579 646 707 765 819 870	395 484 562 633 698 761 820 876				1069 1151	728 844 949 1046 1139 1226	910	574 684 779 864 941 1015 1083 1147	1045 1126 1201	1126 1212 1293	1096 1193 1285 1370	791 940 1068 1183 1288 1387 1479 1565	308 379 441 498 550 600 647 692	353 434 505 570 630 687 741 792	383 470 547 617 682 744 802 857	498 579 653 722 787 849	521 606 683 755 823	450 552 642 724 800 873 941
100,000 120,000 140,000 160,000 180,000 200,000	140,000 160,000 180,000 200,000	589 662 728 794 856 1175	660 742 816 891 959 1318	954	1079		1094 1179	631 696 753 810 862 1124		1012 1076	1000 1074 1142	1048 1126 1196	1197 1271	1053 1144 1236 1319	1097 1216 1321 1426 1522 2009	1324 1438 1552 1657	1407 1528 1650 1760	1476 1603 1730 1846	1572 1706 1842 1965	1135 1222 1308 1386	1232 1348 1450 1552 1644 2102	1494 1606 1718 1819	1607 1728 1848 1956	1702 1829 1956 2070	1836 1973 2109 2231	983 1051	1039 1123 1200	931 1034 1124 1216 1299 1722	1094 1 1190 1 1286 1 1374 1	1344 1 1436 1	1212 1318 1424 1521
	ome	Wy	omir	ng		1.000	_	1 TI	ne Ca	lifornia	a table	e inclu	ides tl	ne 1%	unifo	rm loc	al sale	es tax	rate ii	n addi	tion to	the 6	5.25%	state	sales	tax ra	te.				
\$0 20,000 30,000 40,000 50,000 70,000 80,000 100,000 120,000 140,000	120,000 140,000	195 312 372 424 470 513 553 590 625 671 735 791		501 569 631 687 739 788 835 896 979	1058	305 485 577 655 725 789 849 905 958 1028 1123 1206	1216	<sup>2</sup> TI <sup>3</sup> TI <sup>4</sup> R	nis sta ne Ne esidei	ate do vada nts of	es not table i Salem	t have nclude	a loc es the nty, N	al gen 2.25% J shou	eral sa 6 unifo uld dec	ales ta orm lo	x. cal sa	ales ta	x rate the am Virgir	in ado	dition t	to the	4.25%								
160,000 180,000 200,000	180,000 200,000	847 897	1012 1071	1125 1191 1519	1215 1285	1289 1364	1395 1476																								

Which Optional Local Sales Tax Table Should I Use?

IF you live in the state of	AND you live in	THEN use Local Table
Alaska	Any locality	С
Arizona	Any locality	В
Arkansas	Texarkana	В
California	Los Angeles County	В
Colorado	Aurora, Greeley, Longmont, or City of Pueblo	В
	Arvada, City of Boulder, Fort Collins, Lakewood, Thornton, or Westminster	С
	Boulder County, Pueblo County, or any other locality	А
Georgia	Any locality	В
Illinois	Arlington Heights, Aurora, Bloomington, Champaign, Chicago, Cicero, Decatur, Elgin, Evanston, Joliet, Palatine, Peoria, Schaumburg, Skokie, Springfield, or Waukegan	В
	Any other locality	A
Louisiana	Any locality	С
New York	New York City	В
North Carolina	Any locality	С

### 2005 Optional Local Sales Tax Tables A, B, and C

(Based on a local sales tax rate of 1 percent)

Inc	ome But			Local 1	Table A					Local 7	Table E	3				Local 1	Table C	;			
At	less			Exem	ptions					Exem	ptions		Exemptions								
least	than	1	2	3	4	5	Over 5	1	1 2 3 4			Over 5 5		1	2	3	4	5	Over 5		
\$0	\$20,000	32	37	40	43	45	48	41	48	53	57	60	65	50	60	67	72	77	83		
20,000	30,000	54	62	67	71	75	79	66	78	87	93	98	105	80	96	107	115	122	132		
30,000	40,000	65	75	81	86	90	96	80	94	104	111	118	126	96	114	127	137	145	157		
40,000	50,000	75	86	93	99	103	110	92	108	119	127	134	144	109	130	144	155	165	178		
50,000	60,000	84	96	104	111	116	123	102	120	132	142	149	161	121	144	160	172	182	197		
60,000	70,000	92	106	115	121	127	135	112	131	145	155	163	175	132	157	174	187	198	214		
70,000	80,000	100	115	124	132	138	146	121	142	156	167	176	189	142	169	187	202	214	230		
80,000	90,000	107	123	133	141	148	157	129	152	167	179	189	202	151	180	200	215	228	245		
90,000	100,000	114	131	142	150	157	167	137	161	177	190	200	215	160	191	211	227	241	260		
100,000	120,000	124	141	153	162	170	180	148	174	191	204	216	231	172	205	227	244	258	279		
120,000	140,000	137	156	169	179	187	198	163	191	210	225	237	254	189	224	248	267	282	304		
140,000	160,000	148	169	183	194	202	214	176	206	226	242	255	273	203	241	266	286	303	327		
160,000	180,000	159	182	197	208	218	231	189	221	243	260	274	293	217	257	285	306	324	349		
180,000	200,000	170	194	210	222	232	245	201	235	258	276	290	311	230	273	301	324	343	369		
200,000	or more	222	253	274	289	302	320	260	304	333	356	374	401	295	348	384	413	436	470		

# Instructions for Schedule B, Interest and Ordinary Dividends

Use Schedule B (Form 1040) if any of the following applies.

- You had over \$1,500 of taxable interest.
- Any of the Special Rules listed in the instructions for line 1 apply to you.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
  - You had over \$1,500 of ordinary dividends.
  - You received ordinary dividends as a nominee.
- You had a foreign account or you received a distribution from, or were a grantor of, or transferor to, a foreign trust. Part III of the schedule has questions about foreign accounts and trusts.



You can list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid

next to the payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate statements that are the same size as the printed schedule. Use the same format as lines 1 and 5, but show your totals on Schedule B. Be sure to put your name and social security number (SSN) on the statements and attach them at the end of your return.

### Part I. Interest

### Line 1

### Interest

Report on line 1 all of your taxable interest. Interest should be shown on your Forms 1099-INT, Forms 1099-OID, or substitute statements. Include interest from series EE and I U.S. savings bonds. List each payer's name and show the amount.

### Special Rules

### Seller-Financed Mortgages

If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you do not show the buyer's name, address, and SSN, or let the buyer know your SSN, you may have to pay a \$50 penalty.

### **Nominees**

If you received a Form 1099-INT that includes interest you received as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, enter "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.



If you received interest as a nominee, you must give the actual owner a Form 1099-INT unless the owner is your

spouse. You must also file a Form 1096 and a Form 1099-INT with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and the Instructions for Forms 1099-INT and 1099-OID.

### **Accrued Interest**

When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules earlier under *Nominees* to see how to report the accrued interest on Schedule B. But identify the amount to be subtracted as "Accrued Interest."

### **Tax-Exempt Interest**

If you received a Form 1099-INT for tax-exempt interest, follow the rules earlier under *Nominees* to see how to report the interest on Schedule B. But identify the amount to be subtracted as "Tax-Exempt Interest."

### **Original Issue Discount (OID)**

If you are reporting OID in an amount less than the amount shown on Form 1099-OID, follow the rules earlier under *Nominees* to see how to report the OID on Schedule B. But identify the amount to be subtracted as "OID Adjustment."

#### **Amortizable Bond Premium**

If you are reducing your interest income on a bond by the amount of amortizable bond premium, follow the rules earlier under *Nominees* to see how to report the interest on Schedule B. But identify the amount to be subtracted as "ABP Adjustment."

### Line 3

### Excludable Interest on Series EE and I U.S. Savings Bonds Issued After 1989

If, during 2005, you cashed series EE or I U.S. savings bonds issued after 1989 and you paid qualified higher education expenses for yourself, your spouse, or your

dependents, you may be able to exclude part or all of the interest on those bonds. See Form 8815 for details.

# Part II. Ordinary Dividends



You may have to file Form 5471 if, in 2005, you were an officer or director of a foreign corporation. You may also have

to file Form 5471 if, in 2005, you owned 10% or more of the total (a) value of a foreign corporation's stock, or (b) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions.

### Line 5

### **Ordinary Dividends**

Report on line 5 all of your ordinary dividends. This amount should be shown in box 1a of your Forms 1099-DIV or substitute statements. List each payer's name and show the amount.

### **Nominees**

If you received a Form 1099-DIV that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.



If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV unless the owner is your

spouse. You must also file a Form 1096 and a Form 1099-DIV with the IRS. For more details, see the General Instructions for Forms 1099, 1098, 5498, and W-2G and the Instructions for Form 1099-DIV.

# Part III. Foreign Accounts and Trusts

# Lines 7a and 7b Foreign Accounts

### Line 7a

Check the "Yes" box on line 7a if either (1) or (2) below applies.

- 1. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.
- 2. At any time during 2005 you had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account).



For line 7a, item (2) does not apply to foreign securities held in a U.S. securities account.

**Exceptions.** Check the "No" box if any of the following applies to you.

- The combined value of the accounts was \$10,000 or less during the whole year.
- The accounts were with a U.S. military banking facility operated by a U.S. financial institution.

- You were an officer or employee of a commercial bank that is supervised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; the account was in your employer's name; and you did not have a personal financial interest in the account.
- You were an officer or employee of a domestic corporation with securities listed on national securities exchanges or with assets of more than \$1 million and 500 or more shareholders of record; the account was in your employer's name; you did not have a personal financial interest in the account; and the corporation's chief financial officer has given you written notice that the corporation has filed a current report that includes the account.

See Form TD F 90-22.1 to find out if you are considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). You can get Form TD F 90-22.1 by visiting the IRS website at www.irs.gov/pub/irs-pdf/f9022-1.pdf.

If you checked the "Yes" box on line 7a, file Form TD F 90-22.1 by June 30, 2006, with the Department of the Treasury at the address shown on that form. Do not attach it to Form 1040.



If you are required to file Form 90-22.1 but do not do so, you may have to pay a penalty of up to \$10,000 (more in some

cases).

### Line 7b

If you checked the "Yes" box on line 7a, enter the name of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

### Line 8

### **Foreign Trusts**

If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities generally is considered to be a distribution. See Form 3520 for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 2005, you may have to file Form 3520.